

Your Partner in **Digital Transformation**

Annual Report 2021



# YOUR PARTNER IN DIGITAL TRANSFORMATION



## From Seamless Engineering to Digital Transformation

2021 was the Year of Resilience. After a tumultuous 2020, the effects of the COVID-19 Pandemic eased all over the world. Countries began the process of going back to their normal routines and Avanceon also saw restrictions ease in all its locations. If the last few years have taught us anything, one lesson that stands out is the underlying strength of our integrated strategy and organization. We have yet again surpassed our expectations with strong top and bottom-line results in 2021.

Year 2021 also saw us yet again promise ourselves and our Shareholders to achieve a new strategic plan. The Road to 100 Plan is our goal to reach \$100 Million in revenue by the end of FY 2025.

We are committed and prepared to take on this new challenge.

**Welcome to Avanceon**  
**2021 Annual Report**

## LETTER FROM THE FOUNDER & CEO

Dear Shareholders,  
Partners,  
Customers and  
Team,

### Welcome to Avanceon Limited's 2021 Annual Report.

As I look back at 2021 and ahead to what comes next, I see Avanceon embarking in a very exciting transformational journey. We find ourselves on the cusp of a new Digital Future that promises challenges, a learning curve, and a sustainable future.

While 2020 was a transformative year that tested our resilience in the face of COVID-19, 2021 can simply be termed as the year of getting back on our feet with full force.

The partial recovery of Pakistan economy 2021, helped us post our best historical numbers. Pakistan business generated over 2.4 billion PKR of Orders in 2021. The MENA region also bounced back and we were able to post US\$ 3.2 of order generation. Needless to say 2021 was the best financial performance by Avanceon on a consolidated basis.

### Octopus Digital IPO

The year 2021 saw a dream close to my heart become a reality. We introduced Octopus Digital to the Pakistan Capital Markets and the response was, to say the least, both overwhelming and immensely satisfying. The book building and retail portion of the issue was heavily subscribed with institutional and individual investors taking huge interest in Octopus Digital. The Octopus Digital issue became the fastest and most heavily subscribed issue in Pakistan Stock Exchange's history.

We are keenly aware of the fact that with this trust comes along a lot of responsibility. I assure you that our team will rise up to challenge of investor expectation.

### Road to 100

The main purpose of setting strategic goals is to create a roadmap for Avanceon. Time and time again we have used this tool to pivot, launch, and expand through very creative initiatives. I am happy to report that we have successfully achieved our previously promised strategic plan and now it's time for a new challenge. Our Road to 100 will see Avanceon post a \$100 million in order generation by the end of financial year 2025.

### Demonstrating Dependability and Agility

I have mentioned this before and I will do it again. It is a source of pride for me and my team that throughout these difficult times we have made sure our customers priorities remain paramount. Even though we did face some delays due to a disrupted and disorganized global supply chain, I am happy to report that we are seeing return to normality beginning last quarter of 2021. To curb delays and handle increased demand from our customers, Avanceon launched an aggressive recruitment drive and has begun the process of revamping our operations to make it more agile and productive. This is to ensure that none of our commitments falter and we are prepared to meet all deadlines.

As responsible stewards of our business, Avanceon continues to strive to create value and deliver sustainable solutions to our customers. 2021 has been a year of remarkable achievements and humble learnings and we will build on it for future success.

Avanceon is blessed with a rich legacy of commitment and passion. This would not have been possible without the trust of our shareholders, the support of our partners and the unbridled enthusiasm of the Avanceon team. As we embark on one the most challenging and exciting part of Avanceon's Road to 100 Journey, I wish everyone a healthy and prosperous 2022.

Till we meet again.

Yours Sincerely,



Bakhtiar H. Wain  
CEO & Founder



## COMPANY INFORMATION

### Directors

**Khalid Hameed Wain**  
Director / Chairman

**Bakhtiar Hameed Wain**  
Director / Chief Executive Officer

**Tanveer Karamat**  
Director / President

**Amir Waheed Wain**  
Director

**Hanan Darwish**  
Director

**Omer Iqbal Khan**  
Director

**M. Shahid Mir**  
Director

**Saeed Ullah Khan Niazi**  
Chief Financial Officer

**Ahsan Khalil (ACA-FPFA)**  
Company Secretary

### Audit Committee

**M. Shahid Mir**  
Chairman

**Amir Waheed Wain**  
Member

**Bakhtiar Hameed Wain**  
Member

### Human Resource & Remuneration Committee

**M. Shahid Mir**  
Chairman

**Bakhtiar Hameed Wain**  
Member

**Khalid Hameed Wain**  
Member

### Auditors

**EY Ford Rhodes**  
Chartered Accountants

### Legal Advisor

**Chima & Ibrahim**  
Advocates and Corporate Council

### Web Presence

[www.avanceon.ae](http://www.avanceon.ae)

[www.avanceon.com](http://www.avanceon.com)

[www.avanceon.qa](http://www.avanceon.qa)

[www.octopusdtl.com](http://www.octopusdtl.com)



AVANCEON



### Bankers

Faysal Bank Limited, Pakistan  
 Habib Bank Limited, Pakistan & United Arab Emirates  
 National Bank of Fujairah, United Arab Emirates  
 Habib Bank AG, Zurich, United Arab Emirates  
 National Penn Bank, United States of America  
 Bank of Singapore, United Arab Emirates  
 MCB Bank Limited, Pakistan  
 United Bank Limited, Pakistan, Qatar & United Arab Emirates  
 National Bank of Pakistan Limited, Pakistan  
 Standard Chartered Bank Limited, Pakistan  
 JS Bank Limited, Pakistan  
 Qatar International Islamic Bank QIIB, Qatar  
 Qatar Islamic Bank QIB, Qatar

### 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, Saudia Arabia

In Partnership with ATCO LLC  
 ATCO Building  
 Kuwait St. Faisaliyah District  
 P.O. Box 1298  
 Jeddah, KSA.  
 Phone: +966-12-6912204 x 127  
 Email: support.mea@avanceon.ae

#### Dammam, Saudia Arabia

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

### Global Headquarters

**Avanceon GP – Exton, PA, USA**  
 300 Eagleview Blvd,  
 Suite 100 Exton, PA 19341  
 United States of America  
 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

MA Tabba Foundation Building,  
 First Floor, Gizri Road Block 9,  
 Clifton Karachi, Sindh 75600  
 Phone: +92 (21) 111 940 940  
 Email: support.sea@avanceon.ae

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

## 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**, President & Executive Director – 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.

**MOHAMMAD SHAHID MIR**, Independent Director – A senior management professional with 32 years of experience in Corporate

and Commercial banking, Risk Management, Credit Administration and Trade Finance. Over the last sixteen years, Mr. Mohammad Shahid Mir has held senior positions in Wholesale Banking and Risk Management. On the business side he has a proven track record of growing business and exceeding expectations whilst ensuring portfolio health remained within accepted parameters. Mr. Mir has strong knowledge of Economy & Banking in Pakistan and the GCC region.

**HANAN DARWISH**, Independent Director – Hanan Darwish is a C-Level Executive Thought Leader in global energy with a history of driving growth and profitability through consult to execution approach. She is skilled in establishing and growing executive and other strategic partnerships. Her senior-level people management experience and skill in launching new sites and ventures will add value to the Avanceon Board. Hanan has previously served in senior-level strategic positions for Schneider Electric and Procter & Gamble. She is a graduate of the American University of Cairo in Human Resource Development and has a master's from INSEAD. Her expertise in leading through acquisitions and other transitions with strong change management aptitude will bring a new

perspective to the Avanceon Board. Her role within the Board will be to perform independent, quarterly, and HR policy reviews to ensure strategic decisions are aligned with Avanceon's objectives and key results.

**OMER IQBAL KHAN**, Independent Director – Omer Iqbal Khan brings over 20 years of consulting and financial industry expertise, with a focus on corporate finance and business strategy. He has established networks and contacts in both corporate and financial institutions in the Middle East and North Africa region. As a business entrepreneur, he set-up AnZ Management Consulting based in Dubai, establishing and growing relationships with both corporate and financial institution clients in the Middle East and Pakistan. Omer's expertise focuses on support for M&A (buy-side and sell-side) due diligence and executions, structuring and executing corporate loans, carrying-out enterprise valuations, and building and adapting corporate business strategy. He has previously been a part of the Citi Group where he served as Head of Trade Finance and Risk Distribution. Omer has a bachelor's degree from the London School of Economics and a master's in development economics from Oxford University. Omer will bring financial perspective into Avanceon's management accounting and reporting and advise on new angles and touch areas.

## CHAIRMAN REVIEW REPORT ON BOARD PERFORMANCE

### Dear Shareholder,

It gives me great pleasure to present you the Chairman's Review Report on Avanceon Limited's Board Performance for the financial year ended on December 31, 2021. The initiatives we launched at the onset of 2020 such as reorganization of our operations, cost control, financing and cash generation proved their efficacy throughout 2021 and generated positive results.

Allow me to begin with my Review Report of the Avanceon Limited's Board Performance in 2021.

### Our Newly Appointed Board Members

In 2020 we welcomed three new board members into our fold – Hanan Darwish, Omer Iqbal Khan, and Muhammad Shahid Mir. All three appointments bring a wealth of experience and expertise which was evident from their inputs and participation during our meetings. I am happy to announce that our new board members understand the importance of collaboration and are passionate with their views and suggestions. It is these qualities that have always been paramount for us at Avanceon. The environment we want to create in these meetings is that of candor, integrity, and congeniality. Our new members have seamlessly gelled with our ethos, and I wish them the very best for the future.

### Incorporation of a Wholly Owned Subsidiary in KSA

In March 2021, Avanceon FZE incorporated a new wholly owned subsidiary in Riyadh, Kingdom of Saudi Arabia with the name 'Avanceon Saudi for Energy Co.' Avanceon sees huge potential in the region especially with the Kingdom's Vision 2030 which includes the National Transformation Plan. Launched in 2016, the plan is to achieve operational excellence and establish the necessary infrastructure to improve economic enablers and the raise the standard of living. The board unanimously approved the incorporation of the entity. We hope to see huge gains in the future and the new subsidiary will serve as the perfect vehicle to achieve our goals.

### Our Response to the Ongoing COVID-19 Pandemic

2021 was the year when we saw the effects of this deadly pandemic subside. At Avanceon we relaxed our Work from Home regimen and allowed our teams to come to the office for two days in a week. The relaxation was essential as team and individual interaction was creating bottlenecks and we ensured that only fully vaccinated associates were allowed to visit. As of December 31, 2021, all Avanceon associates are fully vaccinated, and we expect to begin full attendance at all our locations in 2022.

### Road to 100 Plan

In 2021, we updated our strategic objective. The Road to

100 Plan will see Avanceon generate \$100 million of orders by FY2025. All our regions and businesses will pitch in to make our goal of becoming a \$100 million company a reality. As with our strategic objectives in the past, I am confident in Avanceon team's will achieve this milestone also.

### Your Company's Performance in 2021

Here is a rundown of how your company performed in FY 2021 as compared to FY 2020.

- Profit after Tax (PAT) increased by 54% at 1,600 million PKR
- Net Sales increased by 10% to 7,118 million PKR and
- Earnings Per Share increased by 35% at 6.63 PKR.

Based on the Financial Results of 2021, the Avanceon Limited board unanimously agreed to issue cash dividend. The Board declared a final dividend @ Rs. 1/- per share i.e., 10%.

The Board also issued bonus shares in the proportion of 25 shares for every 100 shares held i.e., 25%.

Here is a recap of the list of Board of Directors of Avanceon Ltd:

#### Khalid H. Wain

(Chairman of the Board – Non-Executive)

#### Bakhtiar H. Wain

(Director and Chief Executive Officer)

#### Tanveer Karamat

(Director and President)

#### Amir W. Wain

(Director – Non-Executive)

#### Hanan Darwish

(Director – Non-Executive/Independent)

#### Omer Iqbal Khan

(Director – Non-Executive/Independent)

#### Muhammad Shahid Mir

(Director – Non-Executive/Independent)

In 2021, the Board of Directors for Avanceon Limited met on four occasions in person and online. 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. Suitable action plans were formulated and communicated to the concerned personnel regarding areas needing improvement.

Thank you for your support.

Best Regards,



Khalid H. Wain

Chairman of the board – Non-Executive

Lahore

Dated: April 2021

## THE ROAD TO 100 PLAN

Every forward-thinking organization needs to have a goal to look forward to. Avanceon has a rich history of constantly challenging herself and achieving milestones that prepare us to take on new challenges. From Highway 50 to Mission 2020, Avanceon's strategic objectives are aimed at improving our bottom line and expanding our reach with new territories and innovative solutions. Avanceon's latest strategic undertaking Road to 100 Plan will see the organization achieve \$100 Million in order generation by the end of FY 2025.

The regional breakdown will see all Avanceon regions divide the revenue among their respective bottom lines. The breakdown will see Avanceon Pakistan region generate \$20 million, Qatar & Saudi Arabia generate \$40 million and UAE & North Africa region \$40 million by the end of FY 2025.

As with our previous strategic plans, Road to 100 is an ambitious undertaking. We have accomplished our previous milestones and we are confident of the successful execution of the Road to 100 Plan. We have identified areas where we see growth and will be exploring new avenues to realize our goal.

### Steps to Achieving the Road to 100 Plan

- **Geographical Expansion Initiatives** - Plan for Qatar, KSA, Egypt, UAE, Nigeria, Kuwait, and Oman
- **Expanding Product Verticals** - Oil & Gas, Infrastructure, Facilities and FMCs
- **Seamless Solution Delivery** - Relaunch of IX Engineering Operations with Realignment of Project Execution Topology
- **Establishment of an HR Factory** - Train, Nurture, and Develop Ready to Deploy Resources

The success of the Road to 100 Plan will not be the result of a single action or even a project. As mentioned above, it is an aggregation of many things executed efficiently and effectively. Avanceon is committed to Road to 100 and plans to achieve it by FY 2025.

## NOTICE OF 19<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of Avanceon Limited "Company" will be held on Friday, 29 April 2022 at 03:30 P.M. via Zoom video link from Avanceon Limited, Regional Operations Centre, The Avanceon Building, 19-Kms, Main Multan Road, Lahore, to transact the following business:

We hereby inform to our members that due to COVID-19, the Company internal SOPs of HSE department has imposed restrictions on indoor and outdoor gatherings and other recreational activities, and due to ongoing Holy Month of Ramzan prayer time constraints therefore the Annual General Meeting of Avanceon Limited shall be conducted via Zoom video link only.

### A. ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on 05 January 2022.
2. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2021 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 Board Audit Committee and the Board of Directors have recommended the name of M/s EY Ford Rhodes,

Chartered Accountants for re-appointment as auditors of the Company for the year ending 31 December 2022.

4. To consider and approve, as recommended by the Board of Directors, the payment of a final cash dividend at the rate of Rs. 1/- (10%) for the year ended 31 December 2021.
5. To consider and approve, as recommended by the Board of Directors, the issue of bonus shares @ 25% 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 Thursday, 21 April 2022 in the proportion of 25 Bonus Share for every 100 Shares held, that is at the rate of 25%.

These Bonus Shares shall rank *pari passu* 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.

## B. ANY OTHER BUSINESS:

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

By Order of the Board

**Ahsan Khalil**

Company Secretary Lahore

Dated: 08 April 2022

## WEBLINK FOR ONLINE MEETING VIA ZOOM:

In pursuance of SECP Circular No. 4 dated 15 February 2021 the Securities and Exchange Commission of Pakistan facilitate for attending general meetings virtually through video-link, webinar, or other electronically, so the proceedings of the Meeting shall be held online only through/via "ZOOM".

For attending live proceedings of the AGM of the shareholders are requested to follow the below link:  
[https://us02web.zoom.us/webinar/register/WN\\_g2CB03p4TFu3immb\\_1kl8Q](https://us02web.zoom.us/webinar/register/WN_g2CB03p4TFu3immb_1kl8Q)

Please follow the below link for complete guidance as how to login on Zoom to attend the AGM:  
<http://www.avanceon.ae/investor-relations/>  
 (scroll to the bottom of the page for guideline doc)

The shareholders attending AGM through Zoom, are given the option to send in advance their respective questions/ comments along with their Name & Folio Number on the below mentioned email address or postal address.

Email: [investors@avanceon.ae](mailto:investors@avanceon.ae)

Postal Address: Corporate Officer, The Avanceon Building, 19-Kms, Main Multan Road, Lahore.

Securities and Exchange Commission of Pakistan through its notification 787(1)/2014 dated 08 September 2014, Audited Financial Statements and the Notice of Annual General Meeting has been allowed to be circulated in electronic format through email. The Annual Report of the Company shall be circulated via email to those shareholders whose email addresses are present in the records/database of the CDC and Share Registrar. The shareholders are encouraged to send/update their email addresses on the above mentioned link or email or postal address. The Annual Report has also been uploaded at the Company's website [www.avanceon.ae](http://www.avanceon.ae) and is readily accessible to the shareholders.

## NOTES:

- The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Friday, 22 April 2022 to Friday, 29 April 2022 (both days inclusive). Transfer received in order at our Registrar, M/S FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business hours on Thursday, 21 April 2022 will be treated to have been in time for the purposes of entitlement of dividend and bonus shares to the transferees and to attend & vote at the meeting.
- 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.
- Members are required to timely notify any change in their address to Company's Shares Registrar, M/S FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

## FOR ATTENDING THE SHAREHOLDERS' MEETING

- 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/her identity by his/her Computerized National Identity Card (CNIC) or passport at the time of online registration/attending the meeting.
- The shareholders registered on CDC are also requested to provide their particulars ID numbers and account numbers in CDS at the time of online registration/ attending the meeting.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be provided at the time of online registration/attending the meeting.

## FOR APPOINTING PROXIES:

- 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.

- The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall provide his/her CNIC or passport at the time of online registration/attending the meeting.
- 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.

#### **SUBMISSION OF CNIC/NTN COPY - ELECTRONIC DIVIDEND (MANDATORY):**

- In accordance with the directives of the SECP, the dividends of shareholders whose CNIC copies have not been received by the Company shall not be electronically credited until receipt thereof.
- Accordingly, those shareholders who have not yet submitted a copy of their valid CNIC or NTN certificate, are once again requested to immediately submit the same to the Company's Share Registrar at CDC Share Registrar M/S FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi. Corporate entities are requested to provide their National Tax Number (NTN) and Folio Number along with the authorized representative's CNIC copy.

#### **PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY):**

- In accordance with the provisions of section 242 of the Companies Act 2017, a listed Company is required to pay cash dividend only through electronic mode directly in to the bank account designated by the entitled shareholders. For the convenience of shareholders, the Company's e-Dividend Mandate Form is available on the Company's website i.e. [www.avanceon.ae](http://www.avanceon.ae). The CDC account holders must submit their information directly to their broker (participant)/Central Depository Company of Pakistan Limited.
- Please note that as per Section 243(3) of the Companies Act, 2017, the Company is entitled to withhold payment of dividend if the requisite information is not provided by the Shareholders.

In compliance with Section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for 'filer' and 'non-filer' shareholders at 15% and 30% respectively. A 'filer' is a taxpayer whose name appears in the Active Taxpayers List (ATL) issued by the FBR from time to time and a 'non-filer' is a person other than a filer. To enable the Company to withhold tax at 15% for filers, all shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted at 30% for non-filers. Withholding tax exemption from the dividend income shall only be allowed if a copy of valid tax exemption certificate is made available to the share registrar of the Company by the first day of book closure.

The FBR has clarified that in case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company's share registrar, otherwise it will be assumed that the shares are equally held by the joint shareholders:

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder	Joint Shareholder (s)
			Name & CNIC No. Shareholding proportion (No. of Shares)	Name & CNIC No. Shareholding proportion (No. of Shares)



## SHAREHOLDERS INFORMATION

The 19th Annual General Meeting of Avanceon Limited will be held on Friday, 29 April 2022 at 03:30 PM via Zoom video link from Avanceon Limited, Regional Operations Center, 19-KM, Main Multan Road, Lahore, 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

### WEBLINK FOR ONLINE MEETING VIA ZOOM:

In pursuance of SECP Circular No. 4 dated 15 February 2021 the Securities and Exchange Commission of Pakistan facilitate for attending general meetings virtually through video-link, webinar, or other electronically, so the proceedings of the Meeting shall be held online only through/via "ZOOM".

For attending live proceedings of the AGM of the shareholders are requested to follow the below link:  
<https://us02web.zoom.us/join/9tJNt6tc39>  
<https://us02web.zoom.us/join/9tJNt6tc39>

Please follow the below link for complete guidance as how-to login on Zoom to attend the AGM:  
<http://www.avanceon.ae/investor-relations/>  
 (scroll to the bottom of the page for guideline doc)

The shareholders attending AGM through Zoom, are given the option to send in advance their respective questions/comments along with their Name and Folio Number on the below mentioned email address or postal address.

Email: [investors@avanceon.ae](mailto:investors@avanceon.ae)  
 Postal Address: Corporate Officer,  
 The Avanceon Building, 19-Kms, Main Multan Road, Lahore.

### Major Resolution-Shareholders information

1. The Board of Directors recommended 10% Final Cash Dividend for the year 31 December 2021.

2. The Board of Directors recommended 25% Bonus share issue i.e. 25 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 Friday, 22 April 2022 to Friday, 29 April 2022 (both days inclusive). Transfer received in order at our Registrar, M/S FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business hours on Thursday, 21 April 2022 will be treated to have been in time for the purposes of entitlement of dividend and bonus shares to the transferees and to attend & vote at the meeting.

### Ownership

As on 31 December 2021 there were 7,450 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 2022 are

1st quarter	: 29 April 2022
Half yearly	: 26 August 2022
3rd quarter	: 28 October 2022

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](http://www.avanceon.ae) The Company reserves the right to change any of the above dates, Securities and Exchange Commission of Pakistan through its notification 787(1)/2014 dated 08 September 2014, Audited Financial Statements and the Notice of Annual General Meeting has been allowed to be circulated in electronic format through email. The Annual Report of the Company shall be circulated via email to those shareholders whose email addresses are present in the records/database of the CDC and Share Registrar. The shareholders are encouraged to send/update their email addresses on the above-mentioned link or email or postal

address. The Annual Report has also been uploaded at the Company's website [www.avanceon.ae](http://www.avanceon.ae) and is readily accessible to the shareholders.

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](http://www.famco.com.pk)

## Key Highlights

Global Presence	02
Our History	04
Financial Highlights	06

## Introductory

Vision & Mission Statement	08
Profile & Group Structure	10
Letter from the President	12
Code of Business Conduct & Ethical Principles	14
Organizational Chart South Asia	16
Organizational Chart Middle East	18
Organizational Chart North America	20
Nature of Our Business	22
Strategic Partnerships	24
Core Competencies	27
Customer Portfolio	30
HR Updates	31
QHSE Updates	32

## Corporate Governance

Corporate Governance	34
Avanceon's Whistleblower Policy = "Speak Out!"	37
Review Report to the Members	38
Statement of Compliance	39
Corporate Policies	41
Director's Report	43

## Stakeholder's Information

6 Years at a Glance	52
Analysis of Financial Statement	54
6 Years Vertical & Horizontal Analysis	58
DuPont Analysis	63
Graphic Representation 2020-2021	64
Pattern of Shareholding	69
Statement of Value Addition	74

## Unconsolidated Financial Statements

Independent Auditor's Report to the Members	76
Statement of Financial Position	82
Statement of Profit or loss	84
Statement of Comprehensive Income	85
Statement of Changes in Equity	86
Statement of Cash Flows	87
Notes to the Financial Statements	88

## Consolidated Financial Statements

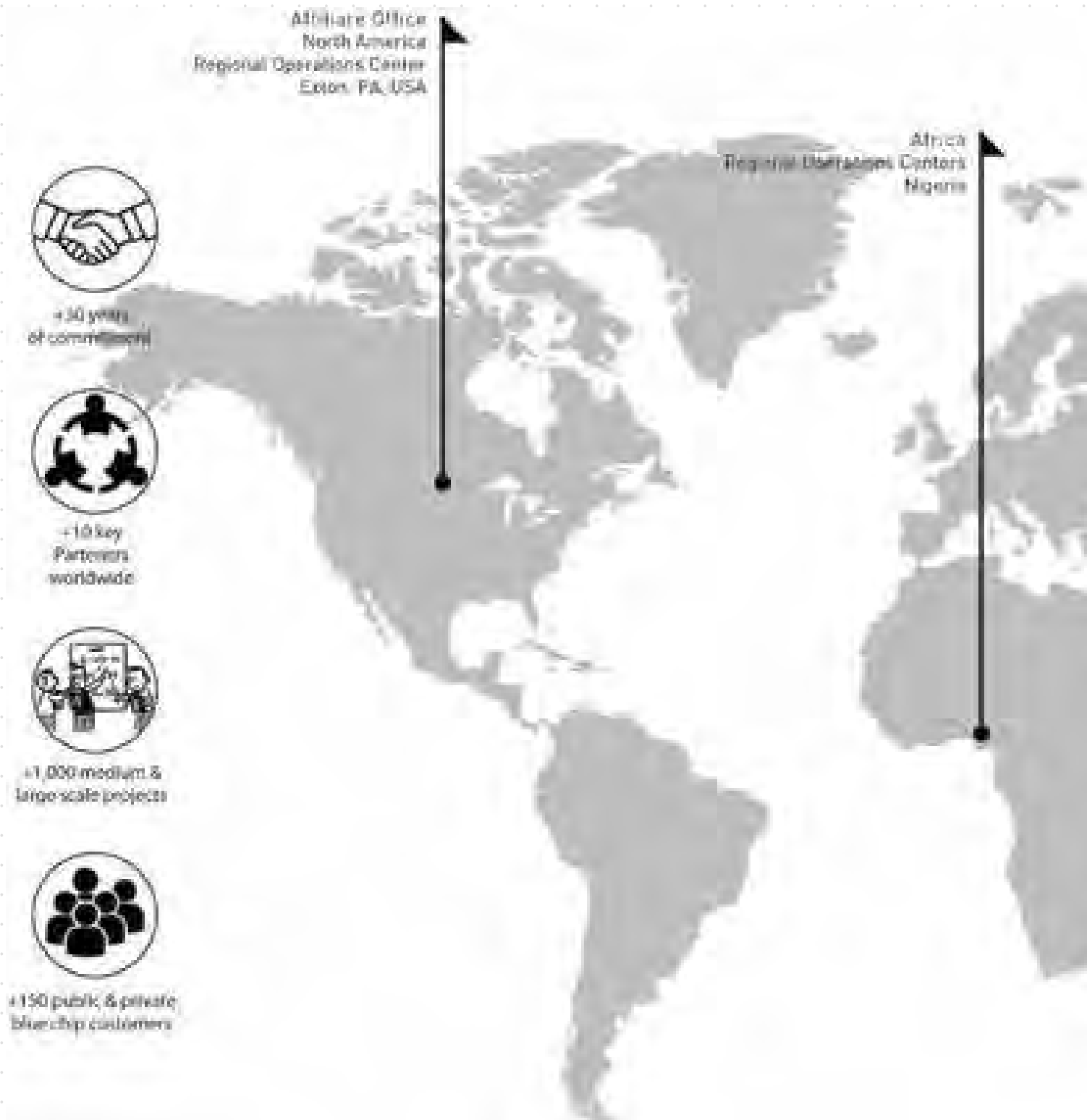
Independent Auditors' Report on Consolidated Financial Statements	137
Consolidated Statement of Financial Position	148
Consolidated Statement of Profit or loss	150
Consolidated Statement of Comprehensive Income	151
Consolidated Statement of Changes in Equity	152
Consolidated Statement of Cash Flows	153
Notes to the Consolidated Financial Statements	154

## Annexures

Definition of Glossary of Terms	203
Event Calendar of the Company	204
Directors' Report (Urdu)	212
Notice of AGM (Urdu)	216
Dividend Mandate Form	217
Form of Proxy (Urdu)	219
Form of Proxy (English)	221

# GLOBAL PRESENCE

Ranked amongst the Top System Integrators Worldwide, Avanceon is a Global Engineering Firm specializing in Turnkey Solutions for Automation and Control.





ISO 9001 : 2015  
ISO 14001 : 2015  
BS OHSAS 18001 : 2007



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



+200  
employees



+10 offices  
3 operating centers

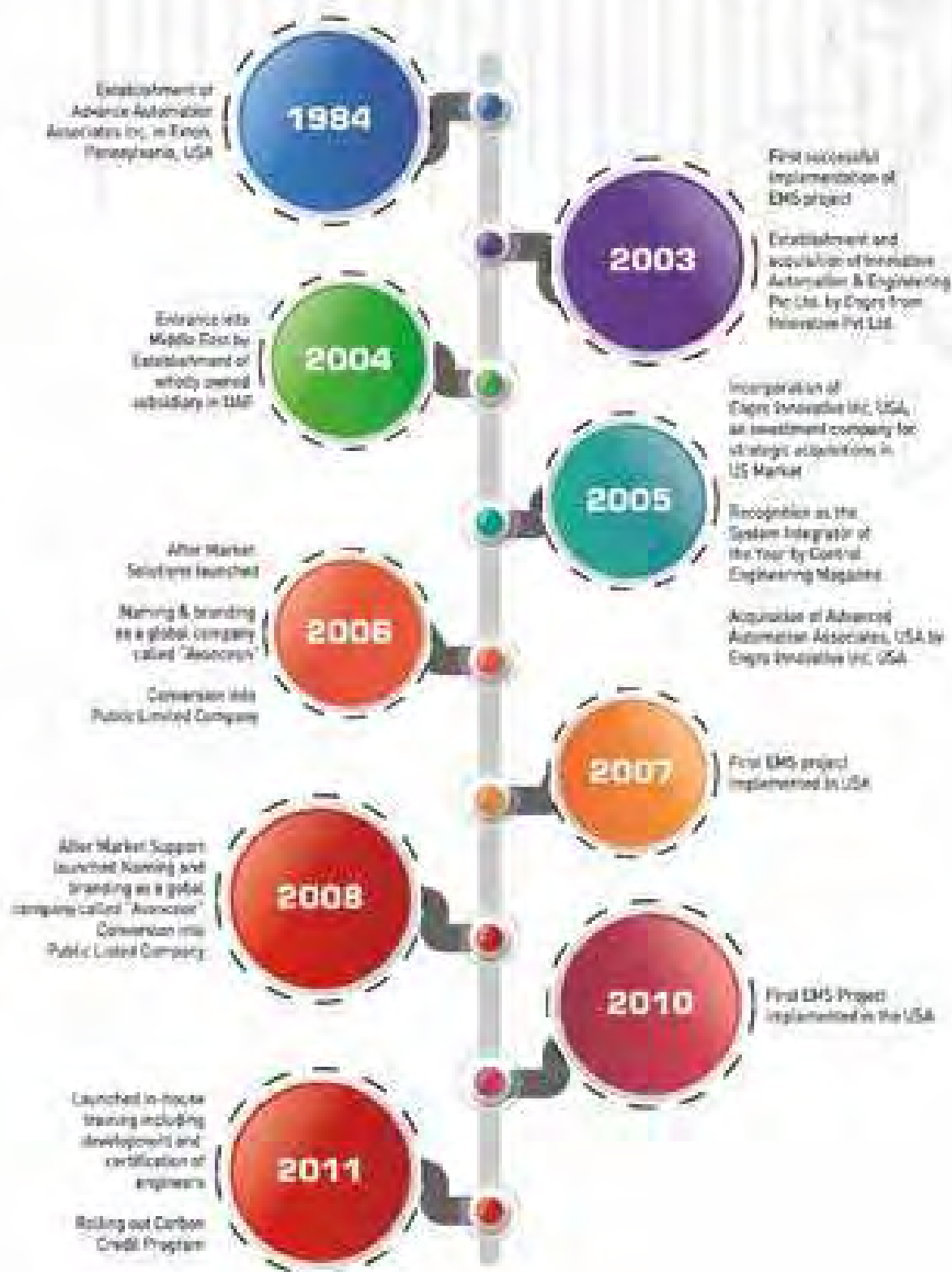


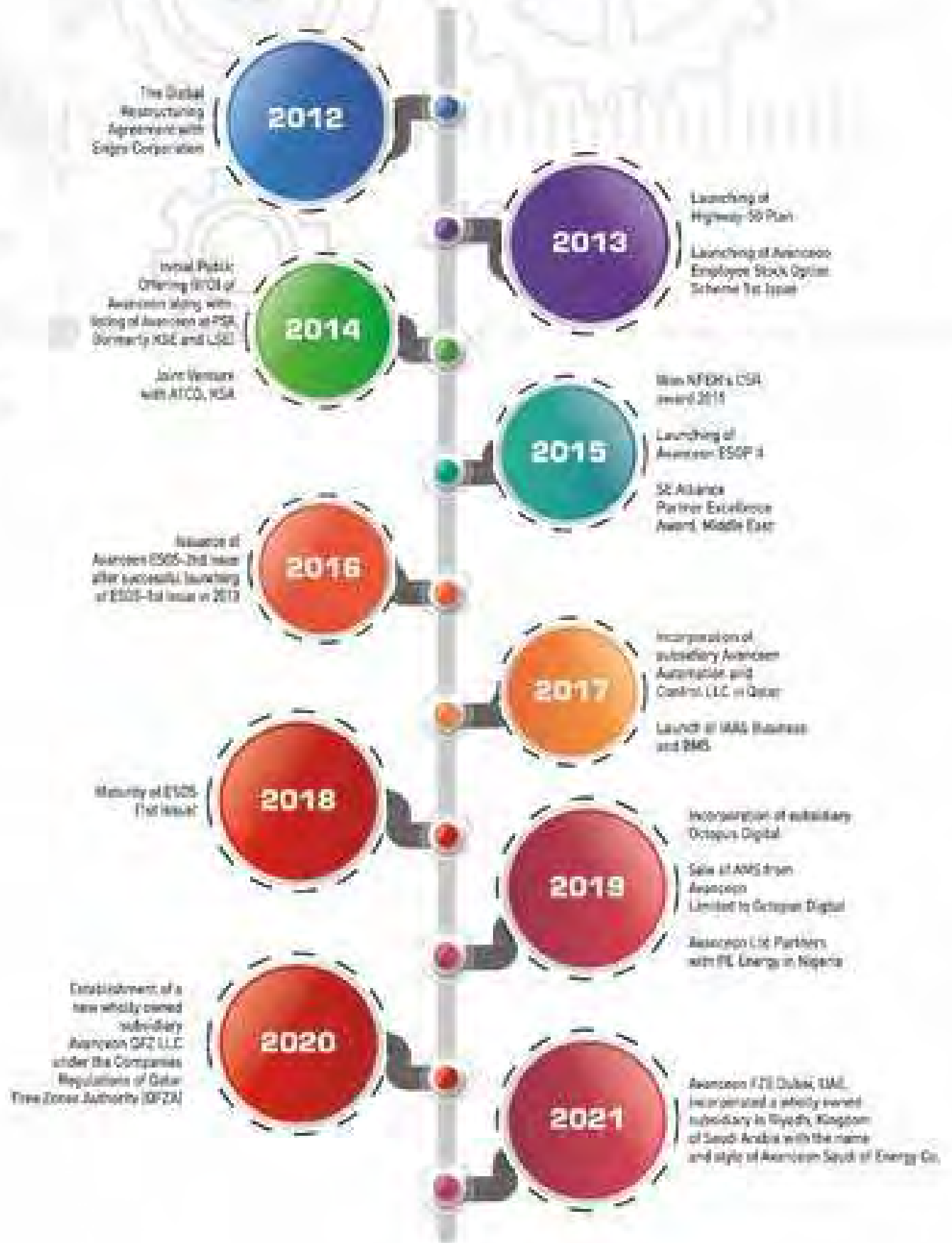
+15 industrial  
segments served



+20% control  
system engineering

# OUR HISTORY



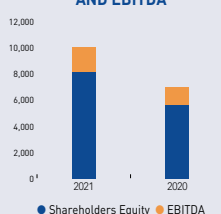
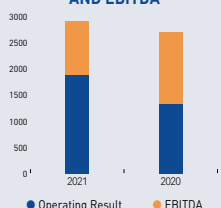
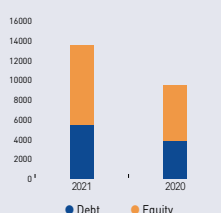


(AS AT DECEMBER 31, 2020) CONSOLIDATED



Founder & CEO

As responsible stewards of our business, Avanceon continues to strive to create value and deliver sustainable solutions to our customers. 2021 has been a year of remarkable achievements and humble learnings and we will build on it for future success.



# VISION & MISSION STATEMENT

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.





## PROFILE & GROUP STRUCTURE

### 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.

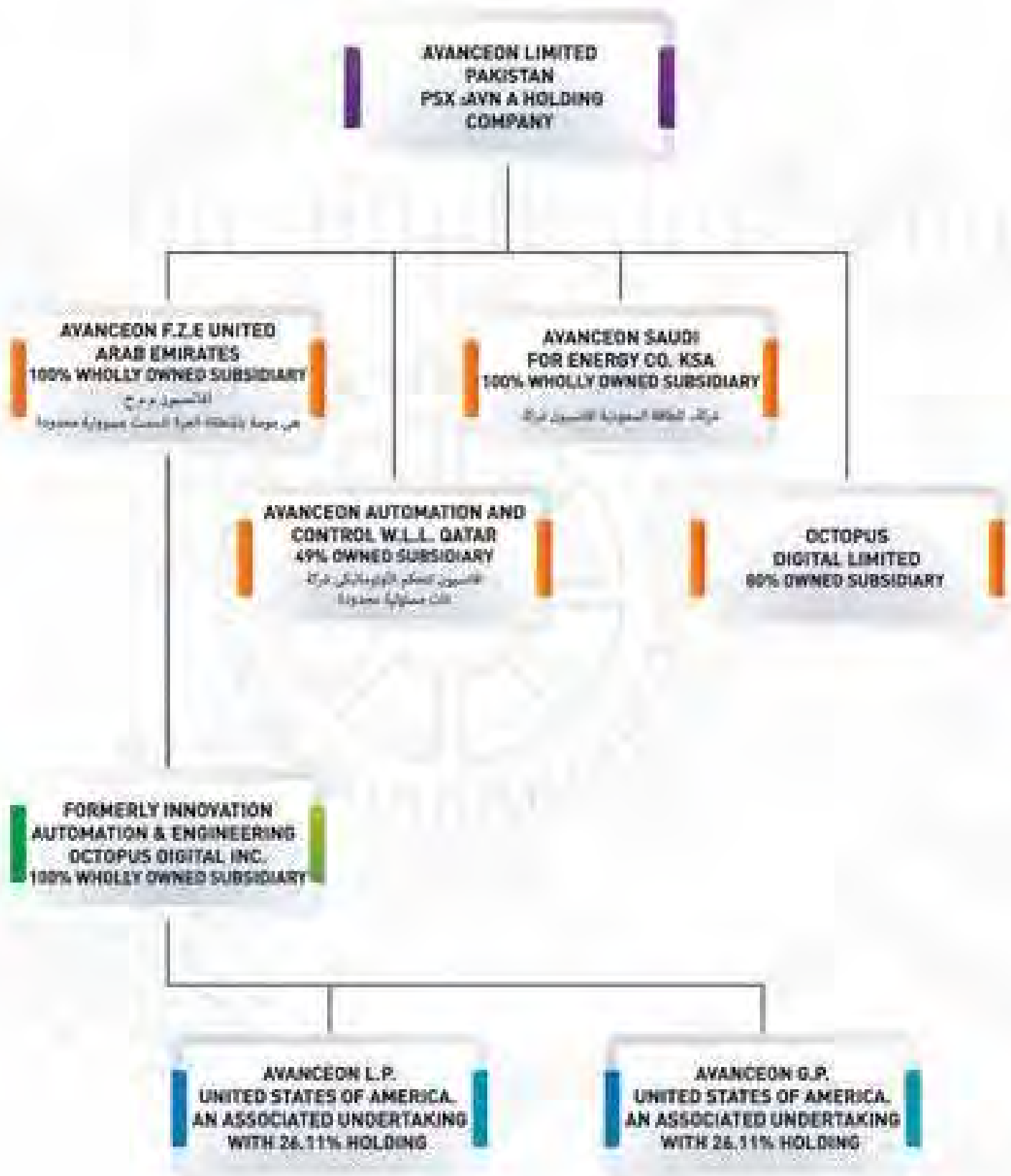
Avanceon has been in the automation business for the last 30 years and has transformed into a 360-degree solution provider for automation, energy management, engineering services and maintenance for major blue-chip companies. A certified member of the select group of Control System Integrators Association, 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.

### ORGANIZATIONAL 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.

In 2021, the Avanceon Group incorporated a company in Riyadh, KSA, with the name and style of 'Avanceon Saudi for Energy Co.'. Initially it was a wholly owned subsidiary of Avanceon FZE (Avanceon Limited's 100% wholly owned subsidiary in Dubai, UAE), later during the year December 31, 2021, the ownership was transferred to Avanceon Limited Pakistan. It is now a 100% wholly owned subsidiary of Avanceon Limited Pakistan.

During the Year 2021, Octopus Digital Limited, a 100% wholly owned subsidiary of Avanceon Limited was listed on the Pakistan Stock Exchange. Avanceon Limited offered 20% shareholding to the general public. It became the largest IPO in PSX's history at the time in terms of subscription which was 30 times over.



## MESSAGE FROM THE PRESIDENT

We were tested under the effects of the pandemic with all its disruptive powers to demonstrate our operational resilience in 2020, and we came out winners. We see 2021 as the year towards normalcy, but the aftershocks were still lingering. The disruption in the cargo movements and high shipment costs, long lead time for equipment, and their prices are some of the nuances.

Let's take a round of our markets around the globe for the highlights and lowlights in each.

### Pakistan Highlights

Pakistan's economy recovered in the Fiscal Year 2021 partly due to the government's effective use of targeted lockdowns while also permitting economic activity. We saw an uptick in the economic activities and significant investment seen in the industrial sector under the Terf financing, a government initiative to heat up the economic activity.

For Avanceon Building Technologies (BT), under Core business, it's a landmark win in 2021 to secure, over a billion rupee project, the largest in the buildings market, thus far. Not only will it give a significant boost to BT business, but will also open new vistas of opportunities to grow it as big, if not more, as the industrial business in Pakistan. On-road to the us\$100m plan of Core business, to be accomplished in the next four years, BT will be a significant contributor to Pakistan's share of us\$20m. I will give you a sneak preview of the plan below.

PO generation was robust and the highest ever. BT, Retail Automation, and Products businesses were contributing majorly. Systems business had some projects slipped over the next year unexpectedly. We expect it to bounce back and lead in PO generation in 2022. Avanceon's Core business is a system integrator (SI) for ODL products too. It's an ODL sales strategy to use Avanceon's footprint in the industrial and building markets for market outreach and sales. Core has successfully won ODL's Fintech Fuel application project for 30 sites on a test basis from a major oil marketing company. This bodes well for the success of the strategy.

In the international markets, Qatar remained our mainstay and dependable source of revenue, exceeding the \$ 20m



mark in PO generation. It continues to hold a promise for growth in the backdrop of its 2030 vision.

UAE & Africa region holds a promise to be a \$ 40m market, and 2021 was a good year as we have started landing high-value orders from O&G where we were not present in the recent past. Avanceon and Octopus Digital participated in the Abu Dhabi International Petroleum Exhibition & Conference (ADIPEC), the world's largest gathering of Oil & Gas Industry Players. It's our first marketing push in the territory to show our commitment and claim the right share of the pie. Our JV in Nigeria has finally kicked in and is in top gear, despite some initial setting-up-related teething problems.

In Saudi Arabia, we have registered our own company by the name of Avanceon Saudi for Energy Co. This is in response to our partnership with ATCO falling out. Avanceon has been in the market for much longer now to take direct orders under its new banner without any business disruption. With this change, it should not be construed that we are ruling out any future partnership with the local enterprise of repute, but in fact, we are in discussions.

Overall, it was yet another good year for Avanceon in terms of PO generation, revenue, profitability, and collection-better than last year.

### Commitment to our Partnerships and Partners

Avanceon's thirty-year track record is a testament to the commitment to our partners. We partner with the world's most innovative companies to ensure our customers

receive the best-in-class solutions for their operations. Here is a rundown of what we, and our partners were up to in 2021.

### Siemens

Siemens recognized Avanceon Automation & Control W.L.L. on Digital Industries Partner Day 2021. The subsidiary received high accolades from Siemens Qatar for its performance as an Emerging Partner and Executor of Special Project of the Year. We are currently engaged in several high-profile infrastructure development projects with Siemens in the Middle East and South Asia. We aim to continue our partnership status to ensure reliable solutions for our customers.

### Endress+Hauser

Avanceon, and Endress+Hauser strengthened their collective commitment to provide State of Art Industrial Solutions in Pakistan. From a limited markets agreement, the newly signed agreement in 2021 spells Avanceon as a Sales Channel Partner of Endress+Hauser products and solutions for all sectors. The move reflects their confidence in us and further strengthens the relationship.

### Samsung C&T

Avanceon FZE has received high praise from Samsung C&T, one of the main contractors for the Riyadh Metro project. The project represents a state-of-the-art public transit system consisting of 6 main lines covering 176 KM and 85 highly equipped stations with cutting-edge technology, covering highly populated districts, government facilities, and educational and commercial outlets.

### Dover Fueling Solutions

Avanceon Signed a New Wetstock Management Licensee Agreement with Dover Fueling Solutions. The new agreement will provide Avanceon access to expert support from DFS' Analyst Center in Skelmersdale, UK, which is the largest fuel management analysis center in the world. Avanceon will provide DFS' wet stock management services in Pakistan, with the view to expanding into UAE, Saudi Arabia, and Qatar markets.

### Road to 100 Plan

Every forward-thinking organization needs to have a goal to look forward to. Avanceon has a rich history of constantly challenging herself and achieving milestones that prepare us to take on new challenges. From Highway 50 to Mission 2020, Avanceon's strategic objectives are aimed at improving our bottom line and expanding our reach with new territories and innovative solutions. Avanceon's latest strategic undertaking Road to 100 Plan will see the organization achieve \$100 Million in revenue by the end of FY 2025. The regional breakdown of contribution will look like this: Avanceon Pakistan region generates \$20 million, Qatar & Saudi Arabia generate \$40 million, and UAE & North Africa region \$40 million.

As with our previous strategic plans, Road to 100 is an ambitious undertaking. We have accomplished our previous milestones and we are confident of the successful execution of the Road to 100 Plan. We have identified areas where we see growth and will be exploring new avenues to realize our goal. I am excited about the next couple of years of Avanceon, and I will keep you updated as we progress.

### Establishing an HR Factory

To accomplish our newest strategic plan, we will need a highly trained and agile workforce spread over three continents and multiple locations. At Avanceon, we aim to develop a system where our current resources feel valued and challenged and that we can attract the best talent. Avanceon's HR factory will ensure training, nurturing, and development of ready-to-deploy resources for international projects and assignments. We will be investing in resources and training via In-house Training College for certifications and scalability by developing Project Managers, Engineers, Sales Personnel in Quality Systems and OEM Certifications.

### Shifting from Vision to Value

If the past has taught us anything, it is that we must constantly strive for excellence. We need to move from vision to value and prove our worth to our customers. It starts with identifying pain points and ends with imparting value. Start small but with noticeable benefits. Small wins can then be scaled to other areas where new value can be created. Avanceon took its start at a small scale over three decades ago, but we kept our vision to consistently creating and adding value, always delighting our customers and partners instead of just settling for mere satisfaction. We aim to build on the philosophy of never settling for mediocrity in the coming years.

We are grateful to all our customers, shareholders, and supporters of Avanceon and all of our very special employees. We are also grateful to our board of directors who devote their valuable time each year to help us fulfill our goals. We look to the future with hope and inspiration.

Till we meet again.

Yours Sincerely,



**Tanveer Karamat**

President & Executive Director  
Avanceon Limited

# 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
- ISO 45001:2018 – Occupational Health and Safety Management Systems
- ISO 9001:2015 – Quality Management Systems
- 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

### 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

## Organizational Chart **SOUTH ASIA**



**BAKHTIAR H. WAIN**  
**Founder & CEO**

Brings 30 years of exemplary leadership, within top global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd. Bakhtiar founded Avanceon in 1984



**TANVEER KARAMAT**  
President

Brings over 30 years of exemplary leadership within top companies such as Honeywell. Tanveer is responsible for MEA business vision, performance and growth.



## Organizational Chart MIDDLE EAST



**BAKHTIAR H. WAIN**  
Founder & CEO

Brings 30 years of exemplary leadership, within top global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd. Bakhtiar founded Avanceon in 1984



**TANVEER KARAMAT**  
President

Brings over 30 years of exemplary leadership within top companies such as Honeywell. Tanveer is responsible for MEA business vision, performance and growth.



Brings a wealth of business acumen to the group, leading the Corporate Headquarters for the past 29 years. A pioneer in the world of automation, Bob is also a founding member of the Control System Integrators Association [CSIA]



# NATURE OF OUR BUSINESS

## Economic Outlook of the Regions We Operate In

Avanceon has operations in six countries across the world with a workforce spread over 15 cities. With new geographical locations up for expansion in 2022, it is essential for us to understand what the economic, political and ease of doing business outlook would look like in the future.

This section discusses the economic outlook of the regions our teams have an established execution footprint.

### Pakistan Economic Outlook

Pakistan's economic growth rebounded to 3.9% in fiscal year (FY) 2021 (ending 30 June 2021) and is expected to reach 4.0% in FY2022 as business activity gradually resumes in the second year of the coronavirus disease (COVID-19) pandemic. Pakistan's economy is expected to continue recovering in FY2022, supported by stronger private investment, improving business activity, a steady vaccine rollout, and economic stimulus measures for FY2022.

Yet, significant uncertainty clouds the economic outlook over the course of the pandemic in Pakistan and worldwide. Pakistan's economic growth in FY2021 was supported by improved COVID-19 containment strategies through the second and third waves of infections and continued accommodative fiscal and monetary policies that accelerated the recovery across all sectors. Growth in industry, predominantly construction and small-scale manufacturing, and services are forecasted to improve in FY2022. Agriculture is also expected to continue supporting GDP growth.

Inflation declined to 8.9% in FY2021. Food price inflation remained high due to supply chain disruptions, increased prices for wheat and sugarcane, and an extended wet monsoon. Rising international oil prices boosted energy price inflation. Yet, inflation for other goods eased thanks to the appreciation of the Pakistani rupee and a postponement of planned hikes for electricity tariffs and domestic fuel prices.

### Oil & Gas Sector (2021)

Global oil demand, still reeling from the effects of the pandemic, is unlikely to catch up with its pre-Covid trajectory. In 2020, oil demand was nearly 9 mb/d below the level seen in 2019, and it is not expected to return to that level before 2023. In the absence of more rapid policy intervention and behavioral changes, longer-term drivers of growth will continue to push up oil demand. As a result, by 2026, global oil consumption is projected to reach 104.1 mb/d. This would represent an increase of 4.4 mb/d from 2019 levels. Oil demand in 2025 is set to be 2.5 mb/d lower than in 2020.

Rapid changes in behavior from the pandemic and a stronger drive by governments towards a low-carbon future have caused a dramatic downward shift in expectations for oil demand over the next six years. This is forcing hard decisions on oil-producing countries and companies, which are reluctant to leave resources untapped or to install new capacity that would only sit idle.

Faced with what could turn into the biggest supply crisis in decades, global energy markets are at a crossroads. Russia's invasion of Ukraine has brought energy security back to the forefront of political agendas as commodity prices surge to new heights. While it is still too early to know how events will unfold, the crisis may result in lasting changes to energy markets.

Surging commodity prices and international sanctions levied against Russia following its invasion of Ukraine are expected to appreciably depress global economic growth. As a result, forecast for world oil demand is revised by 1.3 mb/d for 2Q22-4Q22, resulting in 950 kb/d slower growth for 2022 on average. Total demand is now projected at 99.7 mb/d in 2022, an increase of 2.1 mb/d from 2021.

### Qatar Economic Outlook

The Qatari economy began 2021 under relatively favourable conditions: thought the regional embargo ended. Despite the fall in oil prices in 2020, the fiscal and current account deficits remained limited. Over the medium term, the development of new gas export capacity should further strengthen an already solid macroeconomic position. The main source of vulnerability remains banks' external indebtedness, which is very high and continues to grow as the economy's expansion accelerates. However, government support is guaranteed, and the external position of the banks should be restored because of the expected slowdown in lending and increase in deposits.

Two events, pulling in opposite directions, stood out at the beginning of the lifting of the embargo that had affected Qatar since 2017, and a second wave of the Covid-19 pandemic. The economic consequences of the ending of the embargo are positive in terms of trade and financial flows but should not be overstated. Whilst the embargo was in force, the Qatari economy was able to diversify its sources of supply and improve its autonomy.

Qatar's economy is expected to witness a robust recovery in 2022. Global organisations expect Qatar's economy to grow by more than 2 percent in 2021, and by more than 3.5 percent in 2022. The recovery of the Qatari economy for the current year and the next year will depend on the extent of; the stability of global oil and gas prices; the openness of movement, travel, and tourism, which will be conducive to hosting of the FIFA World Cup; the stability of the global inflation rate and the gradual tightening of monetary policy by the US Federal Reserve.

As a result of the optimistic forecasts for the stability of oil and gas prices during the period (2021-2023) for the three scenarios, it is likely that the public finances will achieve a surplus ranging between 1.9 percent and 3.6 percent of GDP, as well as it is expected that the current account of the balance of payments will achieve a surplus ranging between 5.8 percent and 11.5 percent of GDP during the same period and for the same scenarios.

**Kingdom of Saudi Arabia Economic Outlook** Saudi Arabia's economy is expected to expand 7.7 per cent in 2022, after 3.3 per cent growth in 2021, as the coronavirus-related uncertainty that marked the last two years recedes.

The oil sector's gross domestic product is projected to expand 15.5% a year in 2022 as demand reaches record highs and the kingdom raises output by about 100,000 barrels per day each month under the current Opec+ production agreement.

Saudi Arabia is expected to register a fiscal surplus of 120 billion Saudi riyals (\$32bn), equal to 3.4% of the GDP, as expenditure is expected to decline 6% a year to 955bn riyals. The government's oil revenue will total 710bn riyals, which, combined with non-oil revenue of about 365bn riyals, will result in total government revenue of 1.07 trillion riyals in 2022.

Price inflation will rise to 1.7 per cent a year, as higher levels of inflation recorded in many developed economies do not fully transmit into the local economy.

#### United Arab Emirates Economic Outlook

After high frequency indicators indicated a probable pickup in activity in Q4 2021, economic growth likely remained strong in Q1 2022. Further OPEC+ quota increases supported oil production, while rising energy prices—bolstered by the war in Ukraine—likely boosted hydrocarbon investment as well as the fiscal and external balances. The Expo 2020 and robust real estate activity likely continued to support momentum in the non-oil sector, with the non-oil PMI and hotel occupancy rates rebounding in February after having dipped in January due to a surge in Covid-19 cases. An easing of restrictions from March is expected to further boost activity ahead. Meanwhile, the government continues to press ahead with its diversification plans. These include a string of recent trade deals and moves to simplify and reduce fees charged on private businesses as part of the planned introduction of a federal corporate tax in 2023.

Growth is set to increase notably in 2022 as oil output rises, with the non-oil sector adding further impetus: A high vaccination rate and the Expo 2020 will boost spending, while the government's reform agenda should encourage investment. Regional tensions, oil prices, U.S. monetary policy and new Covid-19 variants are key risks. Research forecasts GDP to expand 5.0% in 2022 and 4.2% in 2023.

#### Nigeria Economic Outlook

Nigeria's economy grew faster than forecast by the central bank and government in 2021 after an expansion in the agriculture and trade industries in the fourth quarter offset a sharp drop in oil production.

Gross domestic product expanded 3.4% last year, after contracting 1.92% in 2020. The full-year number was lifted by better-than-expected growth of 3.98% in the three months through December from a year earlier, compared with 4% in the third quarter. The median estimate of 12 economists in a Bloomberg survey was for a quarterly number of 1.4%. The non-oil economy expanded by 4.73% in the quarter from a year earlier, with agriculture growing 3.58% and services increasing 5%.

Oil production fell to 1.50 million barrels a day in the fourth quarter from 1.57 million barrels a day in the previous three months. While crude contributed about 5% to the country's GDP, it accounts for nearly all foreign-exchange earnings and half of government revenue in the continent's biggest producer of the commodity.

Africa's top crude producer has failed to take advantage of oil prices that have been trading at an eight-year high as it has been battling to ramp up output to reach its full OPEC+ quota due to persistent production troubles.

Nigeria's government expects the economy to expand 4.2% in 2022, the central bank 2.86% and the International Monetary Fund 2.76%.

#### Disclaimer:

The views and analysis expressed in this section are reproduced from news outlets and researched reports. Respective links are mentioned below for your consideration.

#### Sources:

1. [https://www.adb.org/news/pakistan-economic-recovery-continue-amid-steady-vaccine-rollout-adb#:~:text=ISLAMABAD%2C%20PAKISTAN%20\(22%20September%202021,Development%20Bank%20\(ADB\)%20said%20in](https://www.adb.org/news/pakistan-economic-recovery-continue-amid-steady-vaccine-rollout-adb#:~:text=ISLAMABAD%2C%20PAKISTAN%20(22%20September%202021,Development%20Bank%20(ADB)%20said%20in)
2. <https://www.iea.org/reports/oil-market-report-march-2022>
3. <https://www.iea.org/reports/oil-2021>
4. <https://thepeninsulaqatar.com/article/12/01/2022/qatars-economy-to-witness-recovery-in-2022>
5. <https://www.focus-economics.com/countries/united-arab-emirates>
6. <https://www.aljazeera.com/economy/2022/2/17/africas-largest-economy-nigeria-tops-growth-forecasts>

## STRATEGIC PARTNERSHIPS

Building a dynamic partnership requires both sides to focus on joint commercialization of complementary products. Avanceon has more than three decades of expertise and experience within the industrial automation space. It is constantly looking to improve its services portfolio by collaborating with like-minded partners who can create value for customers and elevate industries.

2021 was an exciting year for Avanceon. With COVID restrictions relaxed, Avanceon continued building relationships and actively sought out new partners to complement its services.

Here are a few highlights from the Year 2021 -

### Siemens

Siemens recognized Avanceon Automation & Control W.L.L. on Digital Industries Partner Day 2021. The subsidiary received high accolades from Siemens Qatar on their Performance as an Emerging Partner and Executor of Special Project of the Year. We are currently engaged in several high-profile infrastructure development projects with Siemens in the Middle East and South Asia. We aim to continue our partnership status to ensure reliable solutions to our customers.

### Endress+Hauser

Avanceon and Endress+Hauser strengthened their collective commitment to provide State of the Art Industrial Solutions in Pakistan. The two companies previously entered into a partnership agreement in September 2019 to identify new business avenues and develop joint offers in the field of measurement and automation technology. In 2021, as per the new agreement, Avanceon will now serve as a Sales Channel Partner of Endress+Hauser products and solutions for all sectors in Pakistan.

### Samsung C&T

Avanceon FZE has received High Praise from Samsung C&T, one of the main contractors at the Riyadh Metro project. The project represents a state-of-the-art public transit system consisting of 6 main lines covering 176 KM and 85 highly equipped stations with cutting-edge technology, covering

highly populated districts, government facilities, educational and commercial outlets

### Dover Fueling Solutions

Avanceon Signed a New Wetstock Management Licensee Agreement with Dover Fueling Solutions. The new agreement will provide Avanceon access to expert support from DFS' Analyst Center in Skelmersdale, UK, which is the largest fuel management analysis center in the world. Avanceon will provide DFS' wet stock management services in Pakistan, with the view to expanding into UAE, Saudi Arabia, and Qatar markets.

### Cisco Technologies

Avanceon Limited and Cisco Technologies signed a Memorandum of Understanding (MoU) to accelerate awareness, sales, and market share of Cisco Technology products within the IOT Cybersecurity space. The collaboration will see the two organizations share resources and expertise with the objective of providing Avanceon customers state-of-the-art Cisco Technologies solutions.

Avanceon partners with world class OEMs to create value for industries all over the world. Here is a list of partners Avanceon collaborates with.

### ROCKWELL AUTOMATION [NYSE: ROK]

Avanceon has functioned as the Recognized System Integrator of Rockwell Automation since 2007 both in the Middle East (ME) and in South Asia (SA). In SA, they act as the sole official Value-Added Reseller [VAR], Authorized Vendor, as part of their Partner Network for the leading automation Original Equipment Manufacturer (OEM). Avanceon is the sole CSIA certified member of the Rockwell Automation's Recognized System Integrators in the Middle East.

### SCHNEIDER ELECTRIC [EPA: SU]

Since 2019, Schneider Electric has recognized Avanceon as its preferred Alliance System Integrator Partner for Water & Wastewater Projects in Middle East & Africa. Avanceon has been certified at Control System & SCADA levels for this elite program. Schneider Electric's Alliance Integration Partnership Program is a strategic combination of innovative technology, domain expertise, and select system

integrator partners, coupled with a solid interoperable architecture which ensures maximized performance, increased profitability, and timely delivery of projects.

Avanceon is also a Schneider Wonderware Endorsed SI as well as certified System Integrator.

#### **SIEMENS [EXTRA: SIE]**

Partnering with Siemens, Avanceon aims to expand its system integration capabilities by providing a complete suite of building technologies. The technologies would include access control, video surveillance, lighting control and other smart technologies.

#### **WEG**

WEG and Avanceon joined hands a decade back in South Asia, most specifically in Pakistan. The Brazilian OEM's motors currently lead the market, most specifically within the sugar sector. Avanceon expertise combined with their technology has ensured a decade long relation of trust and mutual success.

#### **BELDEN**

Avanceon is the authorized Belden distributor across Pakistan. Avanceon acts as the sales agent for the cabling technology counterpart, ensuring that a broader spectrum of customers get easier access to essential connectivity products necessary for Discrete Automation, Process Automation and Energy Solutions.

#### **NDC**

Avanceon partnership with NDC Technologies goes back more than twenty years. NDC is an acknowledged leader in the development and manufacturing of a wide range of process measurement analyzers for a broad scope of manufacturing industries. Avanceon has provided measurement solution of NDC online & at line analyzers for process applications of Milk powder, Snacks/Chips, Tobacco, Detergent and Paper.

#### **SCHAFFNER**

Avanceon represents Schaffner in Pakistan, a global leader in providing solutions that ensure the efficient and reliable operation of power electronic systems by shaping electrical power. Schaffner portfolio includes EMI filters, power magnetic components and power quality filters.

#### **PE Energy**

PE Energy Limited (PEEL) is an automation and system integration company, with capabilities encompassing valves and actuation, measurement solutions, process solutions, electrical and instrumentation and integrated services. The company represents some of the world's leading OEMs. With key facilities across Nigeria, a global reach, and her partners, the company adopts a customer-centric approach in enabling business transformation for its customers.

#### **AVEVA**

Avanceon is partnering with AVEVA on a multi-million dollar sophisticated SCADA upgrade project for one of the largest Oil & Gas midstream players in Pakistan.

AVEVA is a global leader in engineering and industrial software driving digital transformation across the entire asset and operations life cycle of capital-intensive industries. The company's engineering, planning and operations, asset performance, and monitoring and control solutions deliver proven results to over 16,000 customers across the globe.

#### **Endress+Hauser**

Avanceon Limited has a partnership agreement with Endress+Hauser to offer high-end industrial field instrumentation & solutions in Pakistan. Through this partnership, Avanceon and Endress+Hauser will join forces to identify new business avenues and develop joint offers in the field of measurement and automation technology for industrial customers in Pakistan.

The partnership will provide end-users with Endress+Hauser's best in class measurement and automation solutions for optimizing their processes with regards to economic efficiency, safety and environmental protection.

#### **Dover Fueling Solutions**

Avanceon has a distributorship agreement with Dover Fueling Solutions ("DFS") to offer high-end integrated control and automation solutions for the retail fueling stations in Pakistan. Under this agreement, Avanceon will serve as a local distributor, sales representative, and service provider for all the DFS product brands, promoting all of DFS' products, services and solutions including the product brands of OPW FMS, ProGauge, Tokheim, and Wayne Fueling Systems.

#### **Microsoft and Octopus Digital**

Octopus Digital, a new business entity and associate company of Avanceon Limited Pakistan, has partnered with Microsoft Corporation to create a collaborative and co-development business model to cater the industrial sector. By providing end to end data driven services, advanced analytics for collaboration, prediction, exploration and optimization of manufacturing processes, Octopus Digital along with Microsoft aims to deliver digitalization of physical assets on a plant floor.

#### **SEL**

Avanceon has a distributor partnership agreement with SEL (Schweitzer Electric Laboratories) Middle East FZCO for the power sector and other related industries in Pakistan. Under this agreement, Avanceon will offer SEL's high-end digital products and solutions that protect power grids and provide proven integration and automation solutions. This technology prevents blackouts and enables customers to improve power system reliability and safety at a reduced cost.



With Avanceon's expertise in industrial control & automation and SEL's world class products/solutions, the partnership aims to provide true value to the industrial customers in Pakistan.

### SAMSON

Avanceon Ltd. is currently the appointed SAMSON Controls' distributor and is authorized to sell SAMSON Controls Products & Solutions, along with related services. Established in 1907, SAMSON has become one of the largest privately owned valve manufacturers and a global leader in control valves for industrial process automation. Employing over 4,300 worldwide staff in more than 50 countries allows SAMSON to provide best-in-class local sales and service. With over 100 years of experience in achieving precise control with a high level of safety and reliability, SAMSON has become a trusted name in many of the world's most challenging applications.

### ACHILLES

Achilles is one of the world's largest service providers of global supply chain risk management solutions with more than 1,000 people working in 22 countries. Achilles works on behalf of over 860 buying organizations, from 9 industry sectors, to collect, validate and maintain essential data about more than 133,000 suppliers. This allows buying organizations to gain visibility of their suppliers' capabilities and compliance before making important sourcing decisions. With an understanding of their supply chains, buying organizations can proactively identify and mitigate potential risks to protect people, planet, and profit.

### UAB Arevita – Parksol

Established in 1994, UAB Arevita delivers an extensive experience and provides engineering systems for buildings and intelligent Parksol parking guidance systems. Parksol parking solutions are developed and manufactured in accordance with ISO Standards. Parking guidance systems are flexible and intuitive to use for parking owners, contractors, and drivers, therefore, maximizes car park profitability and revenues (up to 15% higher turnover), reduces traffic jams and environmental pollution.

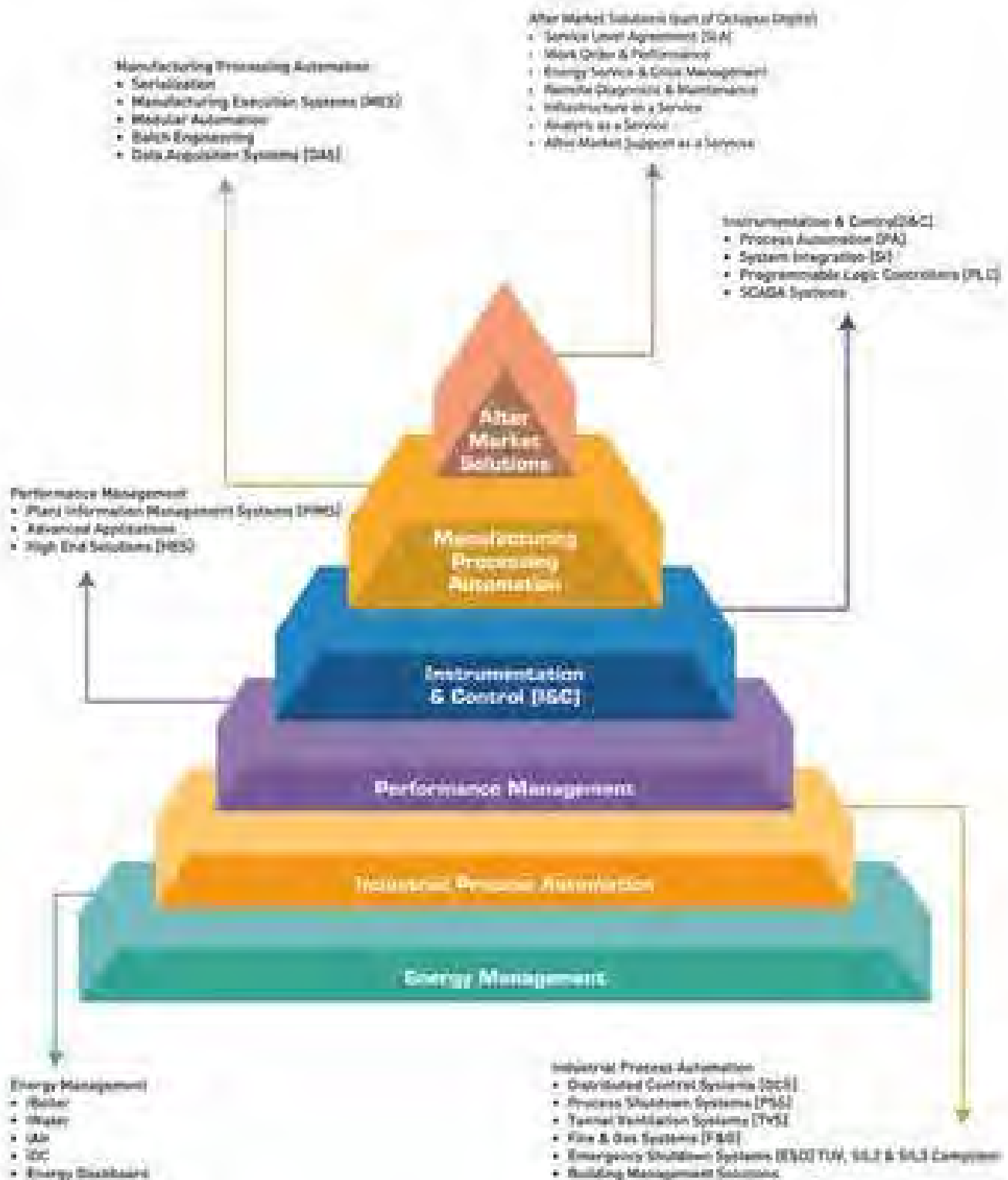
### EMERSON

Emerson is a global software technology and engineering leader providing innovative solutions for customers in industrial, commercial, and residential markets. Emerson's Automation Solutions business helps process, hybrid and discrete manufacturers maximize production, protect personnel and the environment while optimizing their energy and operating costs.



# CORE COMPETENCIES

Avanceon core competencies revolve around automation, process control, and system integration. The Company provides end-to-end solutions, which include Design, Supply, Engineering, Installation, Testing, Commissioning and Maintenance for:



## CORE SERVICES

Automation – Avanceon provides a wide range of automation solutions by leveraging an extensive track record of execution in diverse application environments combined with an understanding of technology trends and industry standards. The automation solutions address client requirements such as complexity in handling multiple products, regulatory requirements and the need for safety, productivity and improved throughput. Avanceon's automation solutions span over several industries which include:

- **Oil & Gas:** Assist companies in implementation of Supervisory, Control and Data Acquisition ("SCADA") solutions
- **Food and Beverages:** Assist companies to standardize products and meet precise recipe formulas
- **Power:** Enable companies to achieve energy efficiencies and improve utilization
- **Chemicals:** Assist companies in design, development and improvement of process flows allowing them to increase profitability and sustain during periods of low economic growth
- **Cement:** Assist companies in optimizing and reducing energy costs

To successfully deliver a compelling value proposition, Avanceon has developed a set of pre-designed and pre-tested process standards, software codes and supporting documentation designed to address the client's technical requirements.

**Process Control** – Process Control services include consulting for automation planning and specification development, process equipment selection and Original Equipment Manufacturer (OEM) management, electrical and mechanical systems engineering & design and long-term factory support. Avanceon provides the following services:

- **Batch Engineering:** Assist customers in application of the S88.01 standards which provide a template for meeting the standard of "best practices" based on their internal processes.
- **Distributed Control System:** Provide turnkey instrumentation and controls solutions for a manufacturing or process facility using Distributed Control Systems [DCS] or Programmable Logic Controller [PLC] systems with field integration on multiple protocols.
- **System Integration:** Avanceon offers a full-service, platform independent systems integration solution and has extensive experience of designing, developing, and executing both process & manufacturing controls and automation solutions, including enterprise level integration. Its solutions are designed to meet the

specific manufacturing requirements of customers using a choice of "Best in Class" technology platforms such as Allen Bradley PLC, Honeywell DCS, Invensys Archestra, Schneider, and Microsoft technologies.

## SPECIALIZED SOLUTIONS

**Manufacturing Execution** – Avanceon offers an extensive experience in designing, developing, and implementing Manufacturing Execution Systems (MES) that provide real-time monitoring of quality and productivity to operators, supervisors, managers, and executives. MES solutions apply data collection and management capabilities to manufacturing processes which aid in improving productivity, quality and process visibility. MES solutions facilitate customers to unlock efficiency savings in areas such as scheduling, inventory control, product traceability, downtime, uptime, product specification management and key performance tracking. Key solutions offered under MES include:

- **Overall Equipment Effectiveness [OEE]:** Avanceon assists customers in closing the technology gap that exists between an enterprise's manufacturing floor and its Information and Enterprise Resource Planning (ERP) systems. These solutions range from strategic technology planning to the establishment of internal practices & standards, to managing and executing IT projects.
- **Mobile Solutions:** Mobile computing solutions allow customers to create, access, process, store and communicate information without being constrained to a single location.
- **Hazard Analysis Critical Control Point [HACCP]:** HACCP is a food industry safety program developed to help prevent food contamination and enable more efficient government oversight of the food production process.

The following solutions are in demand in Oil & Gas, both upstream and downstream, Petrochemicals, Chemicals, Pharmaceuticals, Pulp, Paper and Printing, Metals, Cement and Power. To ensure increased revenues, reduced operating costs, and improved efficiencies for manufacturers, Avanceon provides solutions in:

- Manufacturing Execution Systems
- Plant Information Management Systems
- Real-time process optimization through Advanced Process
- Control technologies
- Customized Software Development services for process and manufacturing industries

Avanceon supports manufacturers in the complete lifecycle implementation of an MES application from systems and requirements definition, technology selection, pilot phase,

implementation and rollout. Avanceon supports all phases of the MES implementation and provides a superior project and change management methodology in-line with the initial MES vision and current implementation reality. It has the ability to help manufacturers define MES standards and practices that provide the overall structure and strategy for corporate wide rollout and adoption

**Plant Information Management System** – Avanceon offers scalable and extensible software information management for decision-makers to visualize and analyze their processes faster and more effectively, which:

- Collects real-time data from multiple process control systems
- Archive for long term
- Delivers secure and reliable plant floor information

Our information management tools create custom displays for process and operations data, including schematics, animations, trends, alerts, notifications and custom reports. Advanced Process Control – The key challenge for operators of refining, chemical and petrochemical plants is to maintain processes at their optimal operating point while simultaneously maintaining multiple safety margins at acceptable levels. Our solutions helped customers achieve:

- Improved product yield
- Reduced specific energy consumption
- Increased throughput capacity
- Improved product quality and consistency
- Reduced environmental emissions

By implementing advanced process control, benefits

ranging from 1-2 years of return on investments can be achieved. These benefits are clearly enormous allowing plants to be operated to their designed capacity and increase customer bottom line.

**Energy Management Solution [EMS]** – EMS consists of turnkey energy management and optimization solutions. These are robust and certified solutions developed using best practices and enable significant improvements in monitoring controls and management of existing utility and process control systems. They also provide saving opportunities in steam, pneumatics, fluid movement, chilling and heating to reduce losses in production and carbon emissions. The Company has developed proprietary EMS suites such as:

- **Energy Dashboard:** A complete service-offering platform for the monitoring of energy consumption in different business units of a plant remotely from anywhere in the world
- **iWater:** Water is a big energy cost centre in most industries. Through iWater, Avanceon offers a proprietary solution to reduce energy consumption
- **iBoiler:** Helps clients optimize their boiler performance. It measures and reduces fuel usage of boilers through optimized load sharing and reduced emission & steam distribution losses
- **iAir:** Measures and reduces electricity usage of air compressors through optimized load sharing, reduced header pressure, elimination of leaks and pressure drops and heat recovery
- **iDC:** An energy management package for District Cooling Systems

## CUSTOMER PORTFOLIO

Servicing clients over a span of three decades, Avanceon has completed numerous projects for major blue-chip companies (names of just a few are given below) enabling it to earn strong credentials, move up the learning curve and develop a diverse customer base.

In 2021, Avanceon added big names to its Customer Portfolio list. Mentioned below are a few highlights from the year.

Avanceon and Octopus Digital signed a contract to provide Gas & Oil Pakistan Limited (GO Petroleum), state of the art fuel retail automation solution for multiple sites. This is the first time Avanceon will be working with GO Petroleum, one of the largest and fastest growing Oil Marketing Company (OMC) in Pakistan. Avanceon also broke ground in two new territories, Nigeria, and Egypt, with high value contracts with a leading Chemical & Fertilizer conglomerate and engineering and commissioning services for a key oil field in the Niger Delta Basin.

In addition to the above, Avanceon has a healthy pipeline of projects in 2022 with new customers in new territories and business segments.

### SECTOR

### OVERVIEW

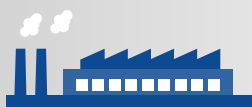
#### Oil & Gas



Abu Dhabi National Oil Company, UAE  
Engro ELNGY  
Pakistan Oil Fields Limited, Pakistan  
Foster Wheeler, USA  
Kuwait National Petroleum Company, Kuwait  
Pakistan Refinery Limited, Pakistan  
Pakistan Petroleum Limited, Pakistan  
Saudi Aramco, KSA  
Takreer, UAE

Attock Petroleum Pakistan  
British Petroleum, UAE  
United Energy Pakistan Limited, Pakistan  
Hyundai, Pakistan  
Oil & Gas Development Company, Pakistan  
Pak Arab Refinery Limited, Pakistan  
Qatar Petroleum, Qatar  
Schlumberger, Pakistan & UAE  
Mari Petroleum MOL

#### Utilities & Industries



Lalpur Power, Pakistan  
Babcock & Wilcox, USA  
EMICOL, UAE  
EMPOWER, UAE  
Kot Addu Power Company Limited, Pakistan  
PAL Technologies, UAE  
Dubai Metro, UAE  
QDVC, Qatar  
National Water Company – KSA

Serco  
Hamad Port  
Lusail City  
RTA  
Liberty Power Tech, Pakistan  
Palm Utilities, UAE  
State of Qatar, Qatar  
Ashghal, Public Works Authority of Qatar

#### FMCG



British American Tobacco, USA  
Engro Foods,  
Kraft Foods,  
Nabisco Brands, USA  
Proctor & Gamble, USA & Pakistan  
Unilever  
Pepsico  
Biscuits

Coca Cola, USA & UAE  
Pakistan General Mills, USA  
USA Kellogg's, USA  
Nestle, USA, Netherland & Pakistan  
Sara Lee, USA  
PMI  
English Biscuits

#### Chemicals



Ciba, USA  
DuPont, UAE & USA  
Engro Polymer and Chemicals Limited,  
Gatron, USA  
Saudi Basic Industries Company, Kingdom of Saudi Arabia  
LOTTE Chemicals Pakistan

Clorox, USA  
Engro Fertilizer Limited, Pakistan  
Pakistan Exxon Mobil, USA  
LOTTE, USA  
Sherwin Williams, USA

#### Pharmaceuticals



Akzo Nobel, Pakistan  
Bayer Pharma, USA & Pakistan  
Johnson & Johnson, USA  
Merck, USA

Pfizer, USA  
Astra Zeneca, USA  
Boehringer Ingelheim, USA

## HR UPDATES

Year 2021 was an eventful year for Avanceon's Human Resource Department. From aggressive recruitment drives to chalking out new policies, Avanceon Human Resource ensured that the company achieved its Annual Operating Plan (AOP). The Annual AOP gives Avanceon a 10,000 feet view of how resources should be allocated and what risks stand in the way of its execution. The Avanceon AOP is closely aligned with the strategic objectives to avoid repeating last year's mistakes and steer the company towards sustainable success.

### Recruitment

Avanceon is always on the lookout for talented and passionate people who can work in a dynamic team by creating value through their expertise. The Human Resource Dept. utilized digital channels to spread the word and visited universities to recruit candidates.

During 2021, Avanceon added 54 talented individuals to its team in various departments. More than half of these recruitments were for the Engineering Dept. Avanceon increased its workforce by 18% in 2021.

### Paper Free Initiative

Avanceon is taking aggressive steps to reduce its environmental impact. A note worthy initiative launched by the Human Resource Dept. is to transfer all Administrative and Human Resource forms online. The Paper Free Initiative has already made an impact by reducing paper, workload, and storage costs.

Avanceon has moved 20% of its Administrative and Human Resource paper load online in 2021. The department is looking to offload another 20% in 2022 and achieve 90% paper free status within the next couple of years.

### Quarterly Performance Review

To ensure all Avanceoners are treated equally with all the possible information and results available, the Human Resource Dept. launched the Quarterly Performance Reviews. The appraisal exercise will remain on annual basis and the average score for performance review of all four quarters will be considered to help make a more informed decision of the associates performance.

The Quarterly Performance Reviews have had a dramatic impact on the overall performance, and we've seen the following improvements,

- Improved Overall Performance
- Increased Employee Engagement
- Promotion Opportunities Identified
- Training Needs Identified

Performance reviews are an opportunity to not just discuss work with employees, but also ask questions about why they are—or are not—content with their current position. By initiating open dialogue, Avanceon aims to strengthen these

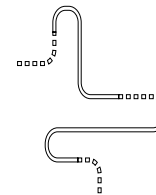
relationships and gain valuable insight into how employee retention can be improved.

### New Incentive Based Policies

The Human Resource Dept. rolled out the Performance Bonus Policy in 2021. The policy is primarily catered towards technical resources and their overall team performance. It is aimed at rewarding technical resources during the annual appraisal exercise with incentives based on organization success factors, individual performance, etc.

There are many benefits of performance-based pay structure as it allows to recognize individuals delivering the highest results. Employees feel appreciated when their work is valued, but sometimes words of encouragement and affirmation are not enough. Offering monetary recognition can result in higher rewards for high-performing employees and the organization.

If you're looking to join the Avanceon team, check out our open positions here.



Apply now

## QHSE UPDATES

### QHSE Achievements in 2021

Health and Safety is critical to Avanceon's success as a company. Avanceon QHSE designs Health and Safety programs that ensure a safe working environment. Our programs and initiatives focus on how employees at manufacturing locations, installations, and services businesses, strive for a safe environment by eliminating hazards and unsafe conditions.

Here are a few highlights of the efforts put forth by Avanceon's QHSE Dept in 2021.

1. Successfully conducted Employees' HSE Certification Program level 1.
2. Conducted sessions on fire fighting and performed its drill inside the office facility.
3. Celebrated World National Days of Health & Safety to spread awareness among employees e.g., World Day of Health & Safety at work, World Environment Day, World Sleep Day, World Water Day, World TB Day etc.
4. Conducted training on Basic Electrical Safety with all employees.
5. Communicated guidelines for Dengue prevention and performed regular office fumigation to curb spread during season.
6. Communication of awareness templates on "Workplace Ergonomics".
7. Resumption of sports activity within office while staying compliant with COVID-19 guidelines.
8. Registration of all employees for Online Medical Consultation app.
9. Ensured complete COVID vaccination of all employees.
10. Conducted awareness sessions on Healthy Food – Healthy Life.
11. Production of In-house Hand sanitizers using WHO Guidelines and distribution among employees and families.

12. Safe execution of all Oil & Gas project sites with zero Loss Time Injury.

13. Performed leadership HSE audits of project sites and performed Hazard Hunt activities.

14. Performed reward and recognition ceremony to complete safe project execution with zero loss time injury.

13. Successfully passed vendor evaluation on Beyond Green Banding by a major Oil & Gas company in Pakistan.

14. Successfully renewed PEC certification.

15. Successfully passed surveillance audit on ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 for Avanceon Ltd.

16. Successfully passed recertification audit on ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 by QRS UAE for AVANCEON FZE UAE and AVANCEON Automation & Control W.L.L Qatar.

Avanceon is proud to lead a community dedicated to upholding the core principle that everybody, no matter their job, deserves a safe working environment. Thanks to the versatility and expertise of our QHSE team, Avanceon has been able to play a significant role in keeping our customers, partners and employees safe and secure.





## CORPORATE GOVERNANCE

Corporate governance refers to the systems of rules, practices and processes by which companies are governed. It includes Company's financial, corporate, institutional, and ethical responsibilities to its stakeholders. A sustainable level of corporate governance is to be transparent about the information to all stakeholders, which ensures strong ethics prevail within the organization. The optimal level of governance is achieved by striking a balance between the interests of shareholders, investors, business partners, regulators, money lenders, customers, vendors, and the community in general.

The stakeholder's expectations of effective management & supervision of the affairs of the Company are ensured by proper internal controls and risk management policies and procedures in place. In this regard, the Board is committed to the principles and compliance with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. 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 Standards [IAS] and International Financial Reporting Standards [IFRS].

### 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. The system of internal controls includes 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 continuous 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 maintaining 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 presents its state of affairs fairly, the results, 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 Chairman of the Board manages and provides leadership to the Board of Directors of Avanceon, with its focus on all strategic matters. 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.

#### 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; diversity business evolve the company offering to bring more services and profitability; establish a company structure that optimizes execution of Company's adopted strategies; foster a corporate culture that promotes sustainable ethical practices, encourage 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 three 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 director's tenure will complete three years period on 29 May 2023. The Board has constituted the following committees:

- Audit Committee
- Human Resource and Remuneration Committee
- Executive[s] Board

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.

### THE EXECUTIVE BOARD

The Executive Board is responsible for the overall achievement of Objectives Key Results (OKRs). A management methodology that helps to ensure that the company focuses efforts on the same important issues (role alignment) throughout the organization. This encompasses mapping leadership OKRs on company's success, drive performance and review to track progress using OKRs score card.

The Executive Board Comprises of key management leadership across the board from sales, engineering, finance, HR and Corporate globally. The Executive Board's mandate is to steward the corporate plan, via monthly/quarterly meetings, ensuring projects delivery on time, improving execution, and removing any hitches, availability of free cashflows, fixed cost event-oriented analysis, taking preventive/corrective actions and increasing the wealth of shareholders. The main driving factors include

- PO Generation
- Revenue recognition
- Invoicing
- Collection

### 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

To orient the key management personnel of the corporate

governance concepts and best practices, the company plans for training of its directors and key Executives. It also convers programs 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 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.

### 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
- Harassment Policy

### 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. The company has enrolled all the children of its support staff 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 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.

### 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. We at Avanceon are totally blind to gender, religion, disability, and discrimination. Key roles are taken by various nationalities: American, Egyptian, Filipino, French, Indian, Japanese, and Pakistani, women are especially encouraged across the group.

Avanceon's most valuable contribution to the Pakistan nation is providing a trained engineering workforce.



The dynamic corporate world of governance laws demands dynamic pace to ensure corporate governance. At Avanceon we strive to follow the best corporate and governance practices. The aims is to be transparent and align the interest of all stake holders.

**Ahsan Khalil (ACA-FPFA)**  
Company Secretary

## AVANCEON'S WHISTLEBLOWER POLICY – “SPEAK OUT!”

The Company and all its subsidiaries have applied 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.

A concrete Whistleblower system is in effect at the Company. The Company expects employees, suppliers and contractors at all affiliated companies to not only abide by our standards of business conduct but come forward without fear and 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.

Considerable efforts are 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

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.)**

**Note:** During the year 2021, no cases were reported, highlighting ethical commitment of Company's stakeholders'.

AVANCEON

# **REVIEW REPORT TO THE MEMBERS**

## **ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF (CODE OF CORPORATE GOVERNANCE) Regulations, 2020**

### **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the Members of Avanceon Limited

#### **REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Avanceon Limited (the Company) for the year ended 31 December 2021 in accordance with the requirements of regulation 36 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 status 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. 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.

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 2021.



**EY Ford Rhodes**

**Chartered Accountants**

**Audit Engagement Partner: Sajjad Hussain Gill**

**Lahore: 20 April 2022**

**UDIN: CR2021100870sgv9IWKG**

# STATEMENT OF COMPLIANCE

## LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Annexure A

[see regulation 36(1)]

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: Avanceon Limited  
For the year ended: December 31, 2021

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: Six (06)
  - b. Female: One (01)
2. The composition of Board is as follows:

Category	Name
Independent Directors	Mr. Mohammad Shahid Mir Mr. Omer Iqbal Khan Ms. Hanan Darwish
Non-Executive Directors	Mr. Khalid Hameed Wain Mr. Amir Waheed Wain
Executive Directors	Mr. Bakhtiar Hameed Wain Mr. Tanveer Karamat
Female Directors	Ms. Hanan Darwish

3. The directors have confirmed that none of them is serving as a director on more than seven 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board;

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

9. No Directors' Training Program has been arranged during the year due to COVID-19. The Company undertakes to arrange training programs for all the Directors within the prescribed time line by the Regulations, except below Directors who are already trained as per the Regulations.

Mr. Bakhtiar Hameed Wain	Executive Director
Mr. Tanveer Karamat	Executive Director

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations

11. Chief financial officer and chief executive officer 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. Mohammad Shahid Mir	Chairman/Independent Director
Mr. Khalid Hameed Wain	Member/Non-Executive Director
Mr. Amir Waheed Wain	Member/Non-Executive Director

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

Mr. Mohammad Shahid Mir	Chairman/Independent Director
Mr. Khalid Hameed Wain	Member/Non-Executive Director
Ms. Hanan Darwish	Member/Independent Director

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, -

Frequency Number of meetings held during the year

- |   |   |
|---|---|
| a) Audit Committee Quarterly            | 4 |
| b) HR and Remuneration Committee Yearly | 2 |

15. The Board has set up an effective internal audit function to 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent

children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;

ON BEHALF OF THE BOARD



LAHORE  
DATE: MARCH 25, 2022

**MR. KHALID HAMEED WAIN**  
CHAIRMAN

# 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 several 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](mailto: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 policies, 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.

The Human Resource department introduced four new policies in 2021 which include Performance Bonus Policy, Incentive Distribution Methodology, VPP for Non-Sales Managers and Support Staff and Employee Stock Purchase Plan.

## 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.

Two years ago, 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 must 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

Policy requiring minimum HSE Training requirements was promulgated for all facilities of AVANCEON. This policy requires designation wise mandatory trainings for all employees. It has four stages and each employee is required to achieve desired level of training.

The HSE Team will be maintaining the attendance records of all employees and to achieve the next cadre, it will be mandatory to pass the next training level. These training levels have been carefully designed while keeping the job-related requirements of all associates in mind. The training will help to raise the associate's skill level in HSE while performing their daily tasks.

Each training will have a post training test which will be conducted via Docebo and it will be mandatory to pass it.

### 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](http://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.



## 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, 2021, 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. There are no significant doubts upon the company's ability to continue as a going concern
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 19th Annual General Meeting of the Company to be held Friday, 29 April 2022 at 03:30 PM via Zoom video link from Avanceon Limited, Regional Operations Center, 19-KM, Main Multan Road, Lahore, Pakistan.

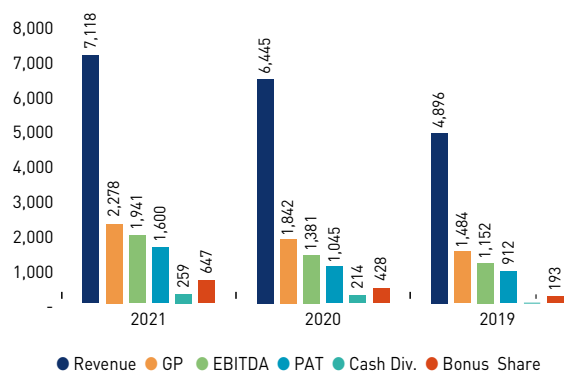
## Directors' Report

### THE REPORT:

The performance of the Company remained on the upswing in terms of order generation, revenues, profit before and after tax, control over fixed costs (as per corporate plan) as compared to last financial year, 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. The revenues and net profits grew with predicted pace as highlighted in last year director report and analyst briefings. The financial year 2021 ended with the backlog of USD 45million which bodes very well for revenues and net profit of FY 2021 at another positive trend figures.

### Operating results (consolidated)

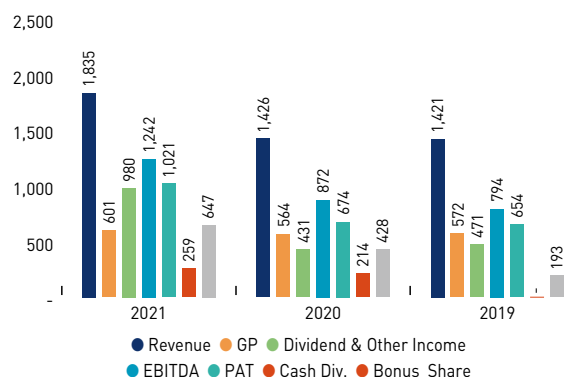
(Rupees in ,000)	2021	2020	Variation	%age Variation
Revenue	7,117,894	6,444,692	673,202	10%
Profit before tax	1,758,705	1,183,374	575,331	49%
Profit after tax*	1,600,093	1,044,979	555,114	53%



\* which includes (Rs. 497m in FY 2021 – Rs. 79m in FY 2020) abnormal exchange gain due to devaluation of PKR against USD, AED, QAR and SAR.

### Operating results (standalone)

(Rupees in ,000)	2020	2019	Variation	%age Variation
Revenue	1,835,213	1,426,147	409,066	29%
Profit before tax	1,147,091	764,080	383,011	50%
Profit after taxation	1,021,110	673,839	347,271	52%



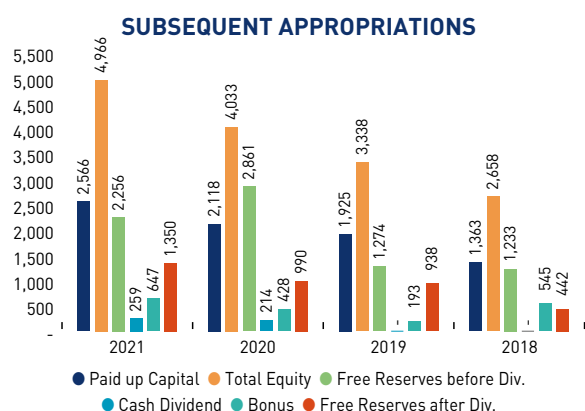
\* which includes (Rs. 497m in FY 2021 – Rs. 99m in FY 2020) abnormal exchange gain due to devaluation of PKR against USD, AED, QAR and SAR.

### SUBSEQUENT APPROPRIATIONS

The Directors have recommended a cash dividend 10% (2020: 10) and bonus shares 25% (2020: 20%)

The following appropriations have been made:

(Rupees in ,000)	2020	2019
Reserve available for appropriations (at standalone financials)	1,987,163	1,631,483
Appropriation:		
Proposed Dividend: @ 10% (2020: 10%)	(258,796)	(211,790)
Proposed Bonus: @ 25% (2020: 20%)	(646,990)	(423,580)
Unappropriated reserve carried forward	1,081,377	996,113



### EARNINGS PER SHARE (EPS)

Earnings per share of the Company remained on a positive side over the last five years except for FY 2018 which is indicative of consistent performance in all business segments & regions and meeting the expectations of the shareholders.

#### Consolidated

The basic earnings per share after tax is Rs. 7.38 (2020: Rs. 4.93 - restated).

#### Standalone

The basic earnings per share after tax is Rs. 3.98 (2020: Rs.3.18 - restated)

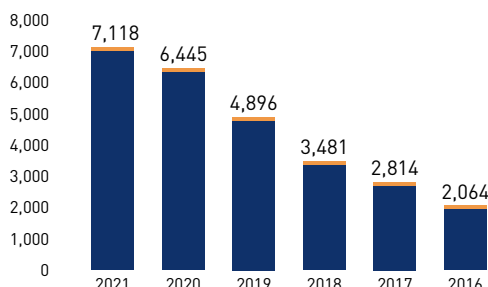
### FINANCIAL PERFORMANCE (CONSOLIDATED)

#### Revenue

The Company revenue of Rs. 7.118 billion has 10% increased as compared to last financial year, we observed excellent and expected growth of revenues over the financial year 2018, 2019 & 2020. However, the order generation in 3rd & 4th Quarter of financial year 2021 and in 1st Quarter of Financial year 2022 is as per the projected figure and to achieve the corporate plan. We can forecast a solid growth in the 3rd and 4th Quarters of financial year 2022 as disclosed and briefed during analyst briefing April 21, 2022. We have seen excellent growth in same quarters of financial year 2021 except some delays in revenue recognition in 1st and 4th Quarter 2020 due to global supply chain problems. The Company's revenues maintained a positive

trajectory throughout the financial year with growth over financial year 2018, 2019 & 2020.

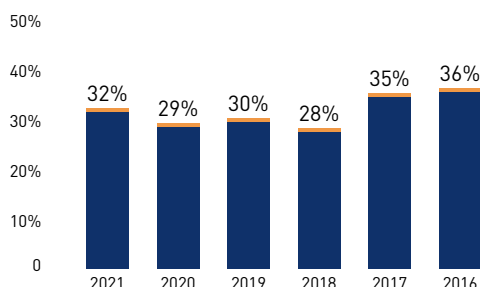
### REVENUE



### Gross Profits

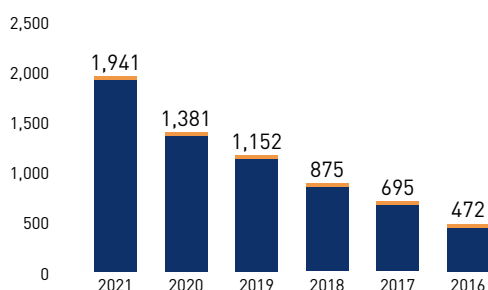
We observed a 3% increase in gross margins as compared to the last financial year. The management is too much confident to remain GP margin at 30% in FY 2022 too as per the historical trend that we observed in last many financial years.

### GROSS PROFIT



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

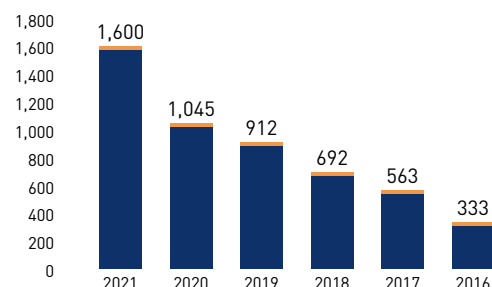
### EBITDA



### Profit after taxation

A 53% increase in net profit after taxation is very encouraging which include Rs. 497 million unrealized exchange gain on translation of foreign receivables. The management is confident to maintain the positive trend and growth in gross & net profit margins in upcoming FY 2022 and 2023 due to a strong pipeline and unrecognized business of over USD 45m (calculated) as of March 31, 2022.

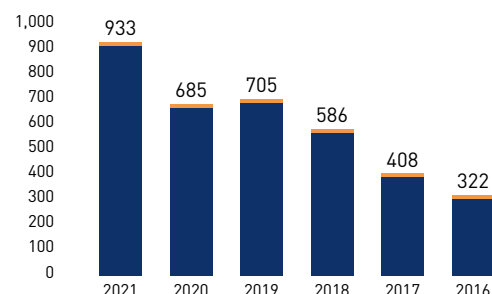
### PROFIT AFTER TAX



### FIXED COST

We observed 36% (2020: 3% net decrease) net increase in fixed cost mainly due to Rs. 59m in Employee Share Options and Rs. 108m in Expected Credit Loss. The remaining increase in fixed cost is in line with approved corporate plan.

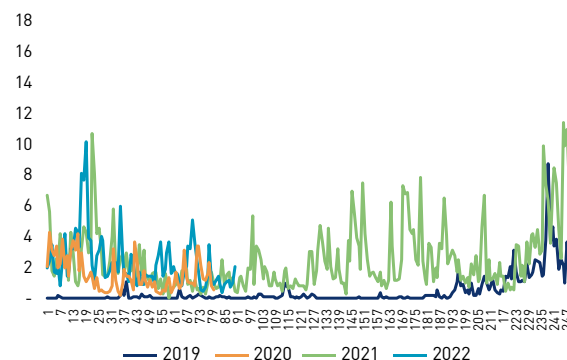
### FIXED COST



### STOCK LIQUIDITY

Finally, AVN stock achieve the liquidity target in FY 2021 which attracted new retail and corporate investors. Now, our ESOS holders can liquidate stock and take further position in market very easily without loss of liquidity opportunity.

### STOCK LIQUIDITY



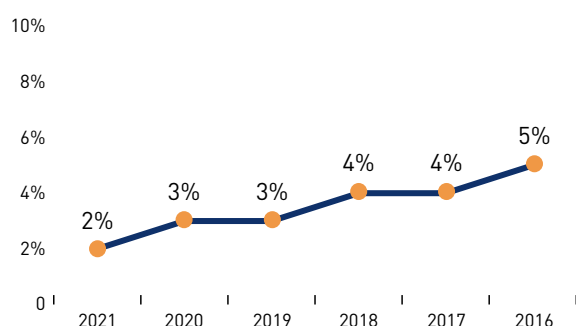
### CAPITAL STRUCTURE

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

## Directors' Report

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.

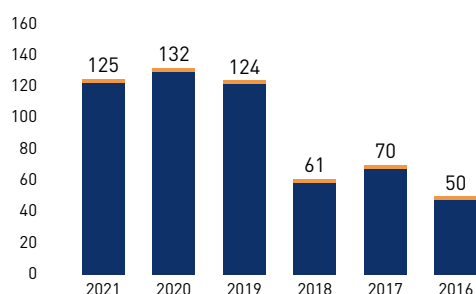
**Gearing Ratio**



### 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.

**FINANCIAL EXPENSE**



### STRATEGY TO OVERCOME LIQUIDITY ISSUES

The company has redrafted and approved a new liquidity strategy policy in FY 2021 in order to achieve growing business financial needs and to achieve the corporate dividend policy outflows, for this purpose we are in negotiation with local and international banks for global banking facilities including running finance, project

financing, bill discounting and bank guarantees. The management is confident to achieve the targets as defined in liquidity strategy policy in FY 2022.

### FUTURE PROSPECTS

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

The Company launched a new business plan called "The Road to 100" in FY 2022 to achieve target of USD 100M core business revenues by FY 2025. The board assigned USD 40M, USD 40M & USD 20M to QSA, UAE and Pakistan business segments respectively. Additionally, creating a permanent operational presence in KSA due to increasing business activities become a business requirement in the fossil fuel-rich country, to continue to maintain a high level of service on existing engineering projects but also because large tenders up for bid tend to mandate this requirement. The Company is intended to enter a new Joint Venture with a KSA based large financial group. The intended joint venture shall increase Avanceon's presence in Middle East.

The Company is confident to achieve corporate plan of Avanceon Limited (including Octopus Digital) in upcoming financial year. The next year will bring full global economic recovery especially in the UAE, KSA, Qatar, Oman, Egypt, Nigeria, 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 2020 No Major issues were raised.

**Agenda # 1:** To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2020 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

**Agenda # 2:** To appoint Auditors of the Company and fix their remuneration. The Members are hereby notified that the Board Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s EY Ford Rhodes, Chartered Accountants for reappointment as auditors of the Company for the year ending 31 December 2021.

**Agenda # 3:** To consider and approve, as recommended by the Board of Directors, the payment of a final cash dividend at the rate of Rs. 1/- (10%) for the year ended 31 December 2020.

**Agenda # 4:** To consider, and if thought fit, to approve as recommended by the Directors, the issue of bonus shares @ 20% and pass the following resolution.

**Agenda # 5:** To consider and approve, the Authorized Capital of the Company be increased from Rs. 2,500,000,000 (Rupees Two Billion Five Hundred Million only) divided into 250,000,000 (Two Hundred Fifty Million) of the nominal value of Rs.10/- (Rupees Ten each) ordinary shares to Rs. 5,000,000,000 (Rupees Five Billion only) divided into 500,000,000 (Five Hundred Million) of the nominal value of Rs.10/- (Rupees Ten each).

**Agenda # 6:** RESOLVED that the Clause V of the Memorandum of Association of the Company be and is hereby amended to read as follows:

The authorized capital of the company is Rs. 5,000,000,000/- (Rupees Five Billion Only) divided into 500,000,000 (Five Hundred Million Only) ordinary shares of Rs. 10/- (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.

**Agenda # 7:** RESOLVED that the Article 5 of the Articles of Association of the Company be and is hereby amended to read as follows:

The authorized share capital of the Company is Rs. 5,000,000,000/- (Rupees Five Billion Only) divided into 500,000,000 (Five Hundred Million Only) ordinary shares

of Rs. 10/- (Rupees Ten 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 Act.

**Agenda # 8:** To transact any other business with the permission of the Chair

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.

President (Mr. Tanveer Karamat) 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 President. The CEO and President are paid fixed salary and benefits as per Company's HR policies and salary levels. Performance of CEO & President 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 ??, along with the Statement of Compliance.

### BOARD OF DIRECTOR'S TRAINING

No training of director is conducted during the year.

## 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	Tanveer Karamat	Director	Sell	20,000	107.19	CDC	27/01/2021	28/01/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	5,000	107.40	CDC	27/01/2021	28/01/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	5,000	108.00	CDC	27/01/2021	28/01/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	5,000	86.69	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	5,000	86.70	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	5,000	86.80	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	5,000	86.90	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	3,500	88.40	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	6,500	88.48	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	88.60	CDC	08/04/2021	12/04/2021
Avanceon Ltd	Saeed Ullah Khan Niazi	Chief Financial Officer	Sell	97,000	125.4661	CDC	20/08/2021	24/08/2021
Avanceon Ltd	Saeed Ullah Khan Niazi	Chief Financial Officer	Sell	332	124.2100	CDC	20/08/2021	24/08/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	147	126.90	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	8	126.99	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	5,000	127.35	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	5,000	127.36	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	2,000	127.38	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	5,000	127.39	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sell	3,000	127.41	CDC	07/09/2021	08/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	17,500	140.90	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	500	140.92	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	2,000	140.95	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	140.97	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	141.05	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	141.10	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	142.61	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	25,000	143.00	CDC	10/09/2021	13/09/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	500	100.35	CDC	18/11/2021	19/11/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	500	100.45	CDC	18/11/2021	19/11/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	1,000	100.48	CDC	18/11/2021	19/11/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	1,500	100.49	CDC	18/11/2021	19/11/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	6,500	100.50	CDC	18/11/2021	19/11/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	500	84.75	CDC	03/12/2021	09/12/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	1,500	84.90	CDC	03/12/2021	09/12/2021
Avanceon Ltd	Mohammad Shahid Mir	Director	Buy	8,000	85.00	CDC	03/12/2021	09/12/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	13,500	97.00	CDC	21/12/2021	22/12/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	500	97.01	CDC	21/12/2021	22/12/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	1,000	97.03	CDC	21/12/2021	22/12/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	97.06	CDC	21/12/2021	22/12/2021
Avanceon Ltd	Tanveer Karamat	Director	Sell	10,000	97.38	CDC	21/12/2021	22/12/2021

### COMPOSITION OF BOARD AUDIT COMMITTEE

The board audit committee consists of three members listed below;

Sr. No.	Name of Members	
1.	Mr. Mohammad Shahid Mir	Independent Director Chairman
2.	Mr. Khalid Hameed Wain	Non-Executive Director Member
3.	Mr. Amir Waheed Wain	Non-Executive Director Member

### COMPOSITION OF BOARD OF HR AND REMUNERATION COMMITTEE

The board of HR and Remuneration committee consists of three members listed below;

Sr. No.	Name of Director	
1.	Mr. Mohammad Shahid Mir	Independent Director Chairman
2.	Mr. Khalid Hameed Wain	Non-Executive Director Member
3.	Ms. Hanan Darwish	Independent Director Member

### COMPOSITION OF BOARD OF DIRECTORS

The board consist of seven directors listed below;

Sr. No.	Name of Director	
1.	Mr. Khalid H. Wain	Non-executive Director but not independent
2.	Mr. Bakhtiar H. Wain	Executive Director
3.	Mr. Amir W. Wain	Non-executive Director but not independent
4.	Mr. Tanveer Karamat	Executive Director
5.	Mr. Mohammad Shahid Mir	Independent Director
6.	Mr. Omer Iqbal Khan	Independent Director
7.	Ms. Hanan Darwish	Independent Female Director

The total number of directors are seven as per the following,

- Male: Six
- Female: One

### BOARD OF DIRECTOR'S MEETINGS

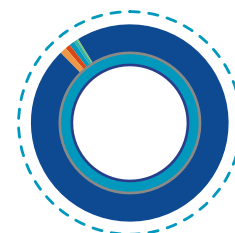
During the year, the Board of Directors has conducted four board meetings (all conducted in Pakistan), the following honorable members participating:

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
8.	Mr. Omer Iqbal Khan	2	2
9.	Ms. Hanan Darwish	0	4
10.	Mr. Mohammad Shahid Mir	4	0

### SEGMENTAL BUSINESS PERFORMANCE AND MARKET SHARE INFORMATION

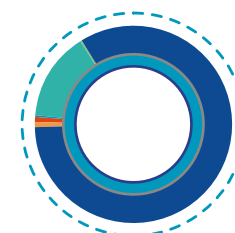
According to the Control Engineering Giants List, Avanceon's market share nears 4% and ranks amongst the top 15 system integrators worldwide, the current market leader taking 9% of the market. The main objective of Avanceon resides in maintaining market leadership in Pakistan whilst increasing market 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 2021



5215, 73% ● Middle East & USA  
642, 9% ● Engineering  
469, 7% ● Core Business  
427, 6% ● Specialized Buisness  
364, 5% ● Core Business-Manufacturing  
0, 0% ● AMS

Revenue 2020



4533, 71% ● Middle East & USA  
791, 12% ● Specialized Buisness  
525, 8% ● Engineering  
450, 7% ● Core Business  
129, 2% ● Core Business-Manufacturing  
17, 0% ● AMS

## Directors' Report

### 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.

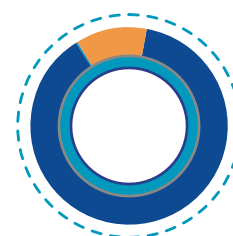
### DONATION & CHARITY

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

(Rupees in '000)	2021	2020
Health	-	1,078
Education	4,067	2,960
Other	550	261
	4,617	4,300



2,960 ● Education  
1,078 ● Health  
261 ● Other



4,067 ● Education  
550 ● Other  
0 ● Health

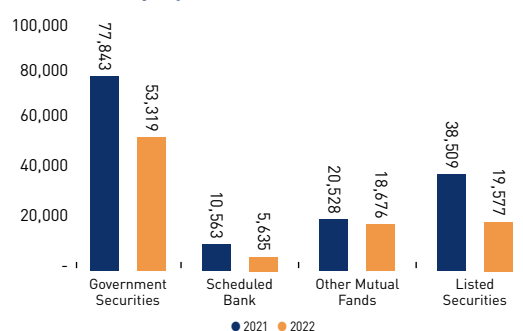
### EMPLOYEES' RETIREMENT BENEFITS

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:

	2021		2020	
	Investments (Rupees in thousand)	Investment as % of size of the fund (Rupees in thousand)	Investment as Investments	Investment as % of size of the fund (Rupees in thousand)
Government Securities	77,843	40%	53,319	40%
Scheduled Banks	10,563	4%	5,635	4%
Other Mutual Funds	20,528	14%	18,676	14%
Listed Securities	38,509	15%	19,577	15%
	147,443		97,207	

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.

### Employee Retirement Benefits





#### 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.

#### PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2021 is annexed on subsequent Page No. ?? in the Management section 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.

#### STATUTORY AUDITORS OF THE COMPANY

The present Auditors, M/s. EY 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, 2022.

#### COMMUNICATIONS

Communication with the shareholders is given a high priority. Financial results including quarterly, half yearly and annual results & reports are distributed to them within the time specified in the Companies Act, 2017. The company communicates all material information which fall under the material information category under listing regulations to Pakistan Stock Exchange (PSX) and Securities and Exchange Commission of Pakistan (SECP). The Company also has a website, [www.avanceon.ae](http://www.avanceon.ae), which contains updated information on the Company's activities and financial reports.

#### 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



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



**Mr. Tanveer Karamat**  
Director

Lahore:  
April 01, 2022

# Six Years at a Glance

## RATIOS FOR 6 YEARS

Years	2021	2020	2019	2018	2017	2016
<b>PROFITABILITY RATIOS</b>						
Gross Profit ratio	32%	29%	30%	28%	35%	36%
Operating Result Ratio	26%	20%	22%	24%	24%	22%
Profit Before Tax	25%	18%	20%	22%	21%	19%
Profit After Tax	22%	16%	19%	20%	20%	16%
Return On Capital Employed	22%	23%	23%	23%	23%	19%
Interest Coverage Ratio (Times)	15.1	9.9	8.7	13.9	9.5	8.9
EBITDA (Rs. In million)	1,941	1,381	1,152	875	695	472
EBITDA Margin	27%	21%	24%	25%	25%	23%
<b>GROWTH RATIOS</b>						
Net Sales	10%	32%	41%	24%	36%	26%
Operating Results	43%	21%	29%	26%	49%	48%
EBITDA	41%	20%	32%	26%	47%	43%
Profit After Tax	53%	15%	32%	23%	69%	38%
<b>COST RATIOS</b>						
Cost of Sales (% of Sales)	68%	71%	70%	72%	65%	64%
Administrative & selling Cost (% of Sales)	13%	11%	14%	17%	14%	16%
Financial Cost (% of Sales)	2%	2%	3%	2%	2%	2%
<b>RETURN TO SHAREHOLDERS</b>						
Return on Equity-Before Tax	23%	22%	22%	24%	23%	19%
Return on Equity-After Tax	21%	19%	21%	21%	22%	16%
Earning per Share (Basic) (Rs.)	7.38	4.93	4.31	3.62	4.26	2.51
Earning per Share (Diluted) (Rs.)	6.05	4.82	4.22	3.53	4.02	2.39
Break Up value per share without surplus on revaluation (Rs.)	31.48	25.40	22.32	23.96	19.62	19.68
Break Up value per share with surplus on revaluation (Rs.)	32.48	26.54	23.41	25.19	20.73	20.74

Years	2021	2020	2019	2018	2017	2016
<b>EQUITY RATIOS</b>						
Price Earning Ratio	12.35	18.83	8.71	22.84	8.12	13.88
Dividend Per Share	10%	10%	0%	0%	22.5%	10%
Dividend Payout Ratio	14%	20%	0%	0%	53%	40%
Market Value at the end of The Year	91.12	92.85	37.55	82.68	34.60	34.85
Market Value at the start of the Year	92.85	37.55	82.68	34.60	34.85	40.80
Highest Value During Year	139.79	96.05	84.61	100.37	59.44	40.03
Lowest Value During Year	73.57	18.51	29.14	35.07	32.64	28.19
Dividend Yield Ratio	0.11%	0.11%	0.00%	0.00%	0.65%	0.29%
Dividend Cover Ratio	6.24	4.93	0.00	0.00	2.67	1.57
<b>ASSET UTILIZATION</b>						
Total Asset turnover (Times)	0.52	0.64	0.59	0.58	0.61	0.63
Fixed Asset Turnover (Times)	15.22	14.95	11.29	10.32	10.16	8.86
Inventory Turnover (Times)	66.47	37.12	21.20	29.46	19.56	13.04
Trade Debts Turnover (Times)	0.74	0.88	0.81	0.87	0.97	1.12
Trade Creditors Turnover (Times)	1.39	1.67	1.77	1.23	1.36	1.89
Capital Employed Turnover (Times)	0.83	1.11	1.05	0.97	0.98	0.90
<b>OPERATING CYCLE</b>						
Inventory Holding Period (No. of days)	5	10	17	12	19	28
Trade Debt collection period (No. of days)	496	416	450	418	375	325
Trade Creditors payment period (No. of days)	263	218	206	298	269	193
<b>LIQUIDITY/LEVERAGE</b>						
Current ratio (Times)	2.36	2.04	1.89	2.03	2.12	2.49
Quick ratio (Times)	2.34	2.01	1.84	1.99	2.07	2.39
Cash to current liabilities (Times)	0.31	0.14	0.08	0.10	0.21	0.28
Financial leverage ratio (Times)	0.02	0.03	0.03	0.05	0.05	0.05
Total liabilities to equity (Times)	0.66	0.81	0.90	0.78	0.72	0.53

# Analysis of Financial Statements

## BALANCE SHEET

### ASSETS

(Rupees in million)

Particulars	2021	2020	2019	2018	2017	2016
<b>Non-Current Assets</b>						
Property and Equipment	468	431	434	337	277	233
Intangible assets	52	20	-	0	0	0
Long term investments	968	874	843	746	599	567
Long term loans and deposits	38	33	27	38	33	31
Deferred tax asset	-	59	74	-	-	-
<b>Total Non-Current Assets</b>	<b>1,526</b>	<b>1,417</b>	<b>1,378</b>	<b>1,121</b>	<b>909</b>	<b>831</b>
<b>Current Assets</b>						
Stock in trade	73	124	161	85	94	101
Trade debts	5,551	3,586	2,431	1,952	1,019	650
Contract assets	4,120	3,761	3,602	2,030	1,874	1,188
Term deposit with banks	310	74	197	189	195	156
"Advances, deposits, prepayments and other receivables	786	502	480	562	337	243
Short term investments	0	3	1	1	-	-
Cash and bank balances	1,312	527	105	53	169	116
<b>Total Current Assets</b>	<b>12,154</b>	<b>8,577</b>	<b>6,979</b>	<b>4,872</b>	<b>3,688</b>	<b>2,454</b>
<b>Total Assets</b>	<b>13,679</b>	<b>9,994</b>	<b>8,357</b>	<b>5,993</b>	<b>4,597</b>	<b>3,285</b>

## BALANCE SHEET

### EQUITY AND LIABILITIES

(Rupees in million)

Particulars	2021	2020	2019	2018	2017	2016
<b>Share Capital and reserves</b>						
Issued, subscribed and paid up capital	2,566	2,118	1,925	1,363	1,321	1,057
Employees' share compensation reserve	173	74	54	115	70	52
Statutory reserve	3	3	3	3	-	-
Exchange revaluation reserve	755	632	610	440	245	209
Gain on dilution of interest	631	-	-	-	-	-
Share Premium	144	138	138	62	62	62
Un-appropriated profit	3,346	2,410	1,563	1,280	894	700
	7,618	5,375	4,293	3,263	2,592	2,080
Non controlling interest	459	5	4	3	-	-
	8,077	5,380	4,298	3,266	2,592	2,080
Surplus on revaluation of property and equipment	256	242	210	168	146	112
<b>Non-Current Liabilities</b>						
Long term loan	-	24	-	2	20	-
Lease liabilities	70	42	68	64	52	45
Employees' end of service benefits	119	101	81	88	49	65
Deferred grant	-	1	-	-	-	-
Deferred taxation	4	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	193	168	149	154	121	110
<b>Current Liabilities</b>						
Current portion of lease liabilities	47	38	46	26	26	22
Current portion of long term loan	24	26	2	18	18	-
Current portion of deferred grant	0	1	-	-	-	-
Finances under mark up arrangements and other credit facilities - secured	714	487	599	312	340	266
Creditors, accrued and other liabilities	3,486	2,750	1,928	2,049	1,354	697
Contract liabilities	883	902	1,127	-	-	-
<b>Total Current Liabilities</b>	5,153	4,204	3,701	2,406	1,738	984
<b>Total Equity and Liabilities</b>	13,679	9,994	8,357	5,994	4,597	3,286

## Analysis of Financial Statements (Contd...)

## PROFIT AND LOSS ACCOUNT

(Rupees in million)

Particulars	2021	2020	2019	2018	2017	2016
Revenue from contracts with customers	7,118	6,445	4,896	3,481	2,814	2,064
Cost of revenue	(4,840)	(4,603)	(3,412)	(2,514)	(1,839)	(1,317)
Gross Profit	2,278	1,842	1,484	967	975	747
Administrative and selling expenses	(933)	(685)	(705)	(586)	(408)	(322)
Other charges	(5)	(4)	(4)	(5)	(4)	(10)
Other operating income	544	163	313	465	105	32
	(394)	(526)	(397)	(126)	(307)	(300)
Profit/(loss) from operations	1,883	1,316	1,087	841	668	447
Finance cost	(125)	(132)	(124)	(61)	(70)	(50)
Profit/(loss) before tax	1,759	1,183	963	780	598	397
Taxation	(159)	(138)	(51)	(89)	(35)	(64)
Profit/(loss) after Tax	1,600	1,045	912	692	563	333
<b>Combined earnings/(loss) per Share</b>						
Basic in Rs.	7.38	4.93	4.31	3.62	4.26	2.51
Diluted in Rs.	6.05	4.82	4.22	3.53	4.02	2.39

## CASH FLOW STATEMENT

(Rupees in million)

Particulars	2021	2020	2019	2018	2017	2016
Cash flow from operating activities	(83)	691	(98)	72	135	(23)
Cash flow from investing activities	(271)	101	(22)	1	(29)	40
Cash flow from financing activities	1,139	(369)	172	(189)	(52)	(34)
Increase/(decrease) in cash and cash equivalent	785	423	52	(117)	54	(17)

## CASH FLOW STATEMENT

(Rupees in million)						
Particulars	2021	2020	2019	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash generated from operations	123	839	14	170	255	53
Finance costs paid	(123)	(127)	(46)	(38)	(49)	(27)
long term loans and deposits - net	(6)	(1)	-	-	-	-
Retirement benefits paid	(21)	(4)	(4)	(2)	(0)	(0)
Taxes paid	(57)	(17)	(62)	(59)	(71)	(50)
<b>Net cash (used in) / generated from operating activities</b>	<b>(83)</b>	<b>691</b>	<b>(98)</b>	<b>72</b>	<b>134</b>	<b>(23)</b>
Purchase of property and equipment	(26)	(14)	(22)	(18)	(7)	(7)
Purchase of intangible asset	(32)	(20)	-	-	-	(0)
Proceeds from sale of property and equipment	20	4	7	11	5	11
Profit on bank deposit	1	7	13	8	15	13
Term deposits	(234)	124	(8)	6	(39)	25
Short term investments	-	-	-	(2)	-	-
Long Term investment	-	-	-	-	-	0
Net increase in long term deposits	-	(1)	(12)	(5)	(3)	(3)
<b>Net cash (used in) / generated from investing activities</b>	<b>(271)</b>	<b>100</b>	<b>(22)</b>	<b>1</b>	<b>(29)</b>	<b>39</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of long term finances	-	-	-	-	-	-
Issue of share capital	294	-	15	4	-	-
Share premium	795	-	-	-	-	-
Dividend paid	(83)	(252)	(29)	(98)	(146)	(98)
Finances under markup arrangements	226	(112)	284	(28)	74	75
Repayment of loan from directors	-	-	-	-	-	-
Long term loan received	(27)	50	(18)	(18)	38	-
Repayment of finance lease liabilities	(66)	(56)	(79)	(50)	(18)	(11)
<b>Net cash (used in) / generated from financing activities</b>	<b>1,139</b>	<b>(369)</b>	<b>172</b>	<b>(189)</b>	<b>(52)</b>	<b>(34)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>785</b>	<b>421</b>	<b>52</b>	<b>(117)</b>	<b>54</b>	<b>(19)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>527</b>	<b>105</b>	<b>53</b>	<b>169</b>	<b>116</b>	<b>134</b>
<b>Effect of cash and Cash equivalents of subsidiary disposed off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,312</b>	<b>527</b>	<b>105</b>	<b>53</b>	<b>169</b>	<b>116</b>

# 6 Years Vertical and Horizontal Analysis

## BALANCE SHEET

ASSETS	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
Particulars	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
<b>Non-Current Assets</b>												
Property and Equipment	3%	4%	5%	6%	6%	7%	109%	99%	129%	122%	119%	101%
Intangible assets	0%	0%	0%	0%	0%	0%	259%	100%	0%	38%	63%	100%
Long term investments	7%	9%	10%	12%	13%	17%	111%	104%	113%	125%	106%	100%
Long term loans and deposits	0%	0%	0%	1%	1%	1%	116%	120%	72%	115%	106%	115%
Deferred tax asset	0%	1%	1%	0%	0%	0%	0%	80%	100%	0%	0%	0%
<b>Total Non-Current Assets</b>	11%	14%	16%	19%	20%	25%	108%	103%	123%	123%	109%	100%
<b>Current Assets</b>												
Stock in trade	1%	1%	2%	1%	2%	3%	59%	77%	189%	91%	93%	168%
Trade debts	41%	36%	29%	33%	22%	20%	155%	147%	125%	192%	157%	86%
Contract assets	30%	38%	43%	34%	41%	36%	110%	104%	177%	108%	158%	159%
Term deposit with banks	2%	1%	2%	3%	4%	5%	420%	38%	104%	97%	125%	86%
Advances, deposits, prepayments and other receivables	%	5%	6%	9%	7%	7%	157%	104%	85%	167%	139%	149%
Short term investments	0%	0%	0%	0%	0%	0%	6%	208%	114%	0%	0%	0%
Cash and bank balances	10%	5%	1%	1%	4%	4%	249%	501%	199%	31%	146%	87%
<b>Total Current Assets</b>	89%	86%	84%	81%	80%	75%	142%	123%	143%	132%	150%	120%
<b>Total Assets</b>	100%	100%	100%	100%	100%	100%	137%	120%	139%	130%	140%	115%



EQUITIES AND LIABILITIES	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
Particulars	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
<b>Share Capital and reserves</b>												
Issued, subscribed and paid up capital	19%	21%	23%	23%	29%	32%	121%	110%	141%	103%	125%	100%
Employees share compensation reserve	1%	1%	1%	2%	2%	2%	233%	137%	47%	164%	135%	116%
Statutory reserve	0%	0%	0%	0%	0%	0%	100%	100%	100%	0%	0%	0%
Exchange revaluation reserve	6%	6%	7%	7%	5%	6%	119%	104%	139%	179%	117%	100%
Gain on dilution of interest	5%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
Share Premium	1%	1%	2%	1%	1%	2%	104%	100%	224%	100%	100%	100%
Un-appropriated profit	24%	24%	19%	21%	19%	21%	139%	154%	122%	143%	128%	121%
	56%	54%	51%	54%	56%	63%	142%	125%	132%	126%	125%	107%
Non controlling interest	3%	0%	0%	0%	0%	0%	9178%	115%	142%	0%	0%	0%
Surplus on revaluation of property and equipment	2%	2%	3%	3%	3%	3%	106%	115%	125%	115%	130%	102%
<b>Non-Current Liabilities</b>												
Long term loan	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%
Lease liabilities	1%	0%	1%	1%	1%	1%	166%	62%	106%	0%	0%	0%
Employees' end of service benefits	1%	1%	1%	1%	1%	2%	118%	125%	92%	0%	0%	0%
Deferred grant	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%
Deferred taxation	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
<b>Total Non-Current Liabilities</b>	1%	2%	2%	3%	3%	3%	115%	113%	97%	127%	110%	147%
<b>Current Liabilities</b>												
Current portion of lease liabilities	0%	0%	1%	0%	1%	1%	123%	83%	172%	102%	118%	122%
Current portion of long term loan	0%	0%	0%	0%	0%	0%	91%	1711%	8%	101%	100%	0%
Current portion of deferred grant	0%	0%	0%	0%	0%	0%	27%	100%	0%	0%	0%	0%
Finances under mark up arrangements and other credit facilities - secured	5%	5%	7%	5%	7%	8%	147%	81%	192%	92%	128%	140%
Creditors, accrued and other liabilities	25%	28%	23%	34%	29%	21%	127%	143%	94%	151%	194%	135%
Contract liabilities	6%	9%	13%	0%	0%	0%	98%	80%	100%	0%	0%	0%
<b>Total Current Liabilities</b>	38%	42%	44%	40%	38%	30%	123%	114%	154%	138%	177%	136%
<b>Total Equity and Liabilities</b>	100%	100%	100%	100%	100%	100%	137%	120%	139%	130%	140%	115%

## 6 Years Vertical and Horizontal Analysis (Contd...)

## PROFIT AND LOSS ACCOUNT

Particulars	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
Revenue from contracts with customers	100%	100%	100%	100%	100%	100%	110%	132%	141%	124%	136%	126%
Cost of revenue	-68%	-71%	-70%	-72%	-65%	-64%	105%	135%	136%	137%	140%	120%
Gross Profit	32%	29%	30%	28%	35%	36%	124%	124%	153%	99%	131%	139%
Administrative and selling expenses	-13%	-11%	-14%	-17%	-14%	-16%	136%	97%	120%	144%	127%	111%
Other charges	0%	0%	0%	0%	0%	0%	107%	96%	94%	119%	40%	200%
Other operating income	8%	3%	6%	13%	4%	2%	334%	52%	67%	443%	328%	52%
	-6%	-8%	-8%	-4%	-11%	-15%	75%	133%	314%	41%	102%	128%
Profit/(loss) from operations	26%	20%	22%	24%	24%	22%	143%	121%	129%	126%	149%	148%
Finance cost	-2%	-2%	-3%	-2%	-2%	-2%	94%	106%	205%	87%	140%	161%
Profit/(loss) before tax	25%	18%	20%	22%	21%	19%	149%	123%	123%	130%	151%	146%
Taxation	-2%	-2%	-1%	-3%	-1%	-3%	115%	273%	57%	253%	55%	206%
Profit/(loss) after Tax	22%	16%	19%	20%	20%	16%	153%	115%	132%	123%	169%	138%
<b>Combined earnings/(loss) per Share</b>												
Basic	0.10%	0.08%	0.09%	0.10%	0.15%	0.12%	150%	114%	119%	85%	170%	110%
Diluted	0.08%	0.07%	0.09%	0.10%	0.14%	0.12%	125%	114%	120%	88%	168%	109%

## CASH FLOW STATEMENT

Particulars	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
Cash flow from operating activities	-11%	163%	-186%	-62%	250%	135%	-12%	-707%	-136%	54%	-585%	-13%
Cash flow from investing activities	-34%	24%	-42%	-1%	-53%	-235%	-268%	-458%	-3456%	-2%	-72%	148%
Cash flow from financing activities	145%	-87%	328%	162%	-97%	200%	-309%	-214%	-91%	364%	153%	30%
Increase/(decrease) in cash and cash equivalent	100%	100%	100%	100%	100%	100%	186%	806%	-45%	-217%	-316%	-18%

## CONSOLIDATED CASH FLOW STATEMENT

Particulars	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Cash generated from operations	16%	199%	27%	-146%	476%	-283%	15%	6003%	8%	67%	480%	24%
Finance costs paid	-16%	-30%	-87%	32%	-91%	141%	97%	279%	121%	77%	183%	169%
long term loans and deposits - net	-1%	0%	0%	0%	0%	0%	609%	100%	0%	0%	0%	0%
Retirement benefits paid	-3%	-1%	-8%	2%	0%	2%	597%	84%	235%	1035%	45%	24%
Taxes paid	-7%	-4%	-118%	51%	-134%	264%	341%	27%	105%	82%	144%	185%
Net cash (used in) / generated from operating activities	-11%	164%	-186%	-62%	251%	124%	-12%	-706%	-136%	54%	-578%	-13%
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Purchase of property and equipment	-3%	-3%	-41%	15%	-14%	35%	189%	65%	120%	239%	113%	58%
Purchase of intangible asset	-4%	-5%	0%	0%	0%	1%	100%	100%	0%	0%	0%	0%
Proceeds from sale of property and equipment	3%	1%	14%	-9%	10%	-58%	497%	58%	66%	206%	48%	99%
Profit on bank deposit	0%	2%	25%	-7%	29%	-67%	16%	56%	154%	55%	121%	94%
Term deposits	-30%	29%	-16%	-5%	-73%	-135%	-189%	-1465%	-143%	-15%	-155%	137%
Short term investments	0%	0%	0%	2%	0%	0%	0%	0%	0%	100%	0%	0%
Long Term investment	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net increase in long term deposits	0%	0%	-23%	4%	-5%	18%	0%	7%	262%	176%	80%	67%
Net cash (used in) / generated from investing activities	-34%	24%	-42%	-1%	-54%	-207%	-271%	-453%	-3456%	-2%	-74%	145%
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
Repayment of long term finances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Issue of share capital	37%	0%	29%	-4%	0%	0%	100%	0%	355%	100%	0%	0%
Share premium	101%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
Dividend paid	-11%	-60%	-56%	84%	-273%	524%	33%	857%	30%	67%	149%	41%
Finances under markup arrangements	29%	-27%	542%	24%	138%	-400%	-202%	-39%	-1032%	-37%	99%	50%
Repayment of loan from directors	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Long term loan received	-3%	12%	-35%	16%	71%	0%	-54%	-277%	100%	-48%	100%	0%
Repayment of finance lease liabilities	-8%	-13%	-151%	43%	-34%	59%	120%	70%	158%	278%	164%	42%
Net cash (used in) / generated from financing activities	145%	-88%	329%	162%	-98%	183%	-308%	-214%	-91%	363%	152%	30%
Net (decrease) / increase in cash and cash equivalents	100%	100%	100%	100%	100%	100%	186%	804%	-45%	-218%	-285%	-20%

## CONSOLIDATED CASH FLOW STATEMENT BY INDIRECT METHOD

(Rupees in million)

Particulars	2021	2020	2019	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash flows from Customers	(1,604)	(1,315)	(2,260)	(736)	(1,078)	(342)
Cash flows from Creditors	555	931	(197)	486	696	65
Cash flows from Stocks	51	37	(76)	8	8	(42)
Other cash flows from operations	1,121	1,185	2,546	412	629	372
<b>Cash (used in) / generated from continuing operations</b>	123	839	14	170	255	53
Finance costs paid	(123)	(127)	(46)	(38)	(49)	(27)
long term loans and deposits - net	(6)	(1)	-	-	-	-
Retirement benefits paid	(21)	(4)	(4)	(2)	(0)	(0)
Taxes paid	(57)	(17)	(62)	(59)	(71)	(50)
<b>Net cash (used in) / generated from operating activities</b>	(83)	691	(98)	72	134	(23)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of property and equipment	(26)	(14)	(22)	(18)	(7)	(7)
Purchase of intangible asset	(32)	(20)	-	-	-	(0)
Proceeds from sale of property and equipment	20	4	7	11	5	11
Profit on bank deposit	1	7	13	8	15	13
Term deposits	(234)	124	(8)	6	(39)	25
Short term investments	-	-	-	(2)	-	-
Long Term investment	-	-	-	-	-	0
Net increase in long term deposits	-	(1)	(12)	(5)	(3)	(3)
<b>Net cash (used in) / generated from investing activities</b>	(271)	100	(22)	1	(29)	39
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of long term finances	-	-	-	-	-	-
Issue of share capital	294	-	15	4	-	-
Share premium	795	-	-	-	-	-
Dividend paid	(83)	(252)	(29)	(98)	(146)	(98)
Finances under markup arrangements	226	(112)	284	(28)	74	75
Repayment of loan from directors	-	-	-	-	-	-
Long term loan received	(27)	50	(18)	(18)	38	-
Repayment of finance lease liabilities	(66)	(56)	(79)	(50)	(18)	(11)
<b>Net cash (used in) / generated from financing activities</b>	1,139	(369)	172	(189)	(52)	(34)
<b>Net (decrease) / increase in cash and cash equivalents</b>	785	421	52	(117)	54	(19)
<b>Cash and cash equivalents at the beginning of the year</b>	527	105	53	169	116	134
<b>Effect of cash and Cash equivalents of subsidiary disposed off</b>	-	-	-	-	-	-
<b>Cash and cash equivalents at the end of the year</b>	1,312	527	105	53	169	116

# DUPONT ANALYSIS

2021 2020



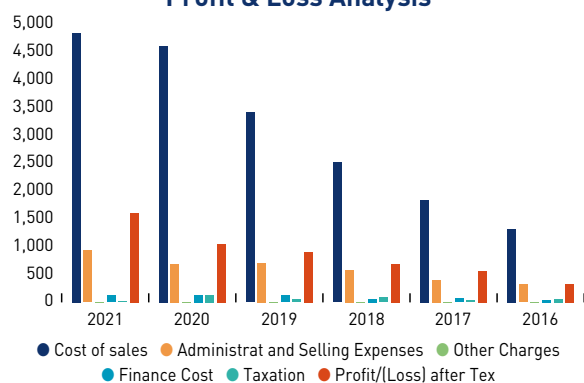
Avanceon showed excellent all-round performance in terms of PO generation, year on year growth of revenues, gross profits, other income and net profits in financial year 2020. Avanceon stock performed exceptionally well in terms of capital gains, distribution of profits/dividends or bonuses since financial year 2014 with satisfactory stock liquidity. We are confident of our current business plan in financial year 2021. Well done team and thank you for your confidence in our capabilities.

**Saeed Ullah Khan Niazi**  
Chief Financial Officer

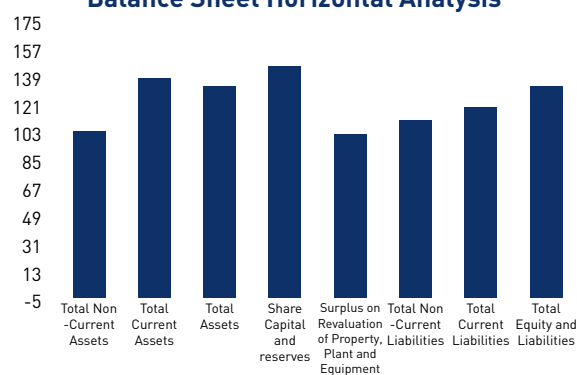
# GRAPHIC REPRESENTATION

## 2020-2021

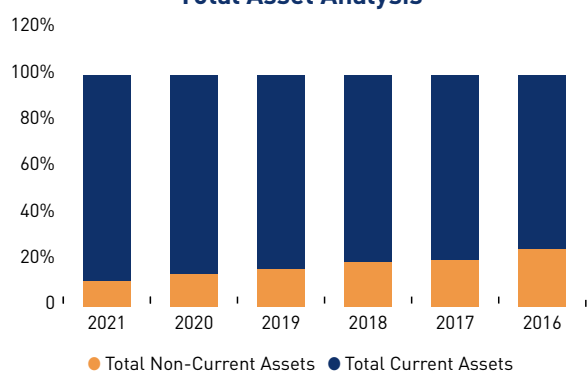
**Profit & Loss Analysis**



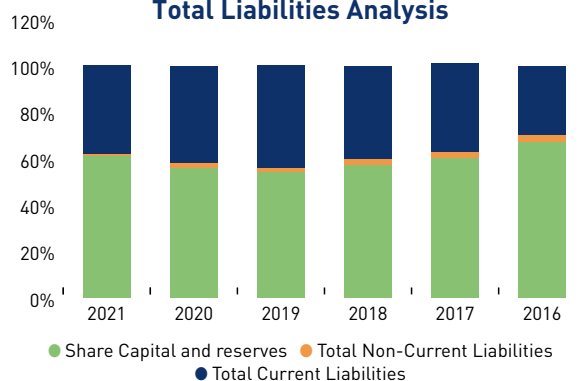
**Balance Sheet Horizontal Analysis**



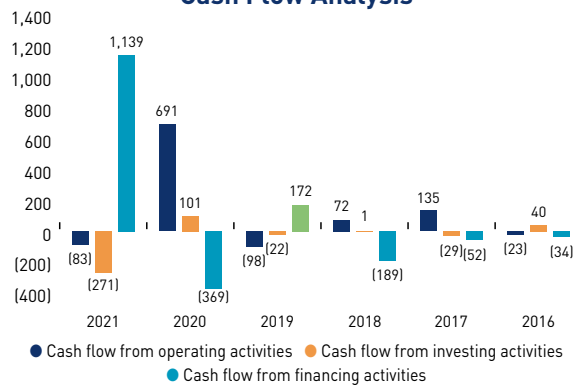
**Total Asset Analysis**



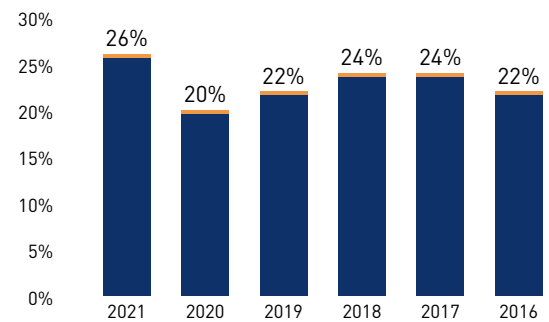
**Total Liabilities Analysis**



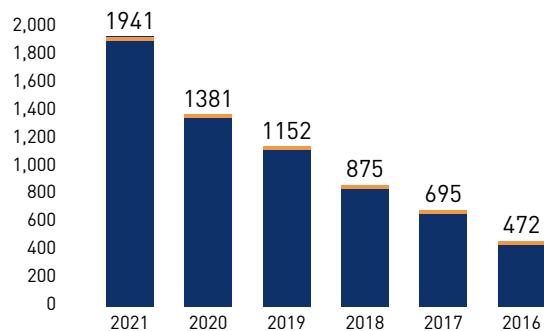
### Cash Flow Analysis



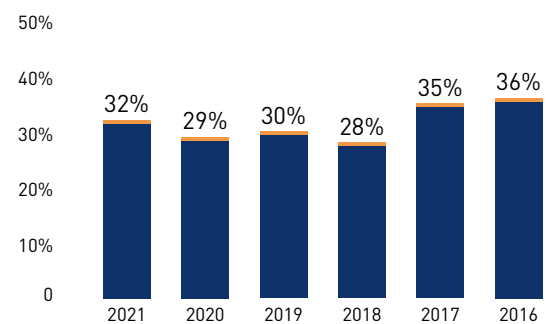
### Operating Result Ratio



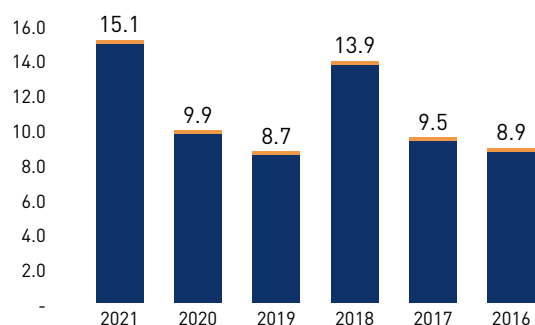
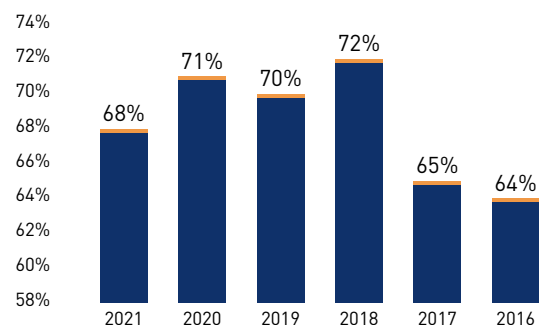
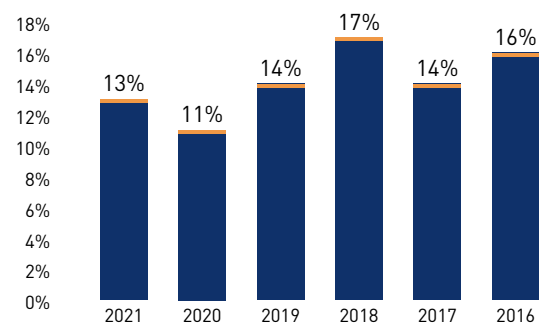
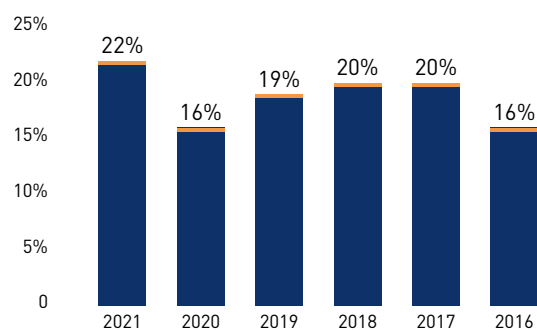
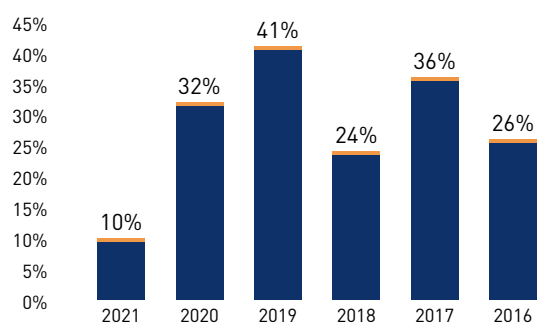
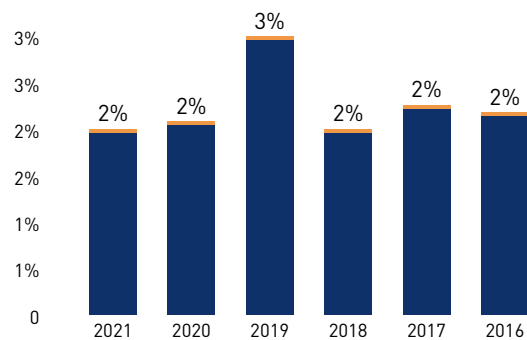
### EBITDA



### GROSS PROFIT

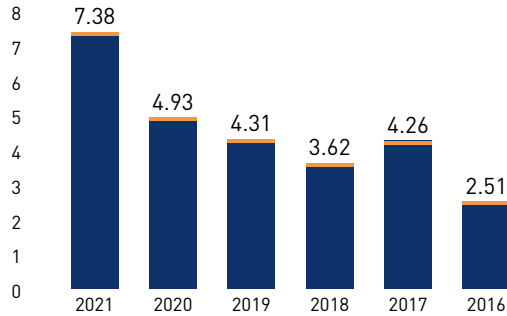


## Graphic Representation 2015-2020 (Contd...)

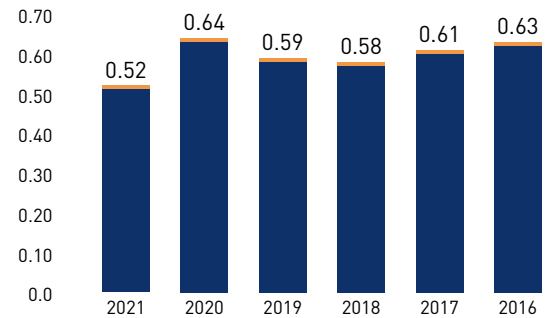
**Interest Coverage Ratio****Cost of Sales (% of Sales)****Administrative & Selling Cost (% of Sales)****PROFIT AFTER TAX****Net Sales (in % Growth)****Financial Cost (% of Sales)**



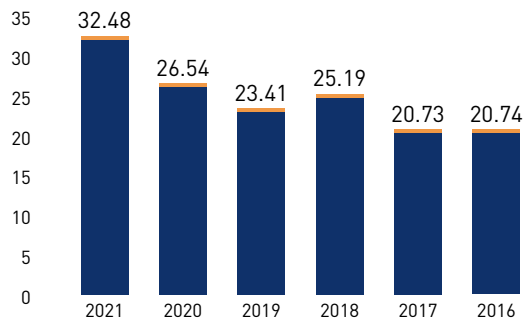
### Earning per Share (Basic)



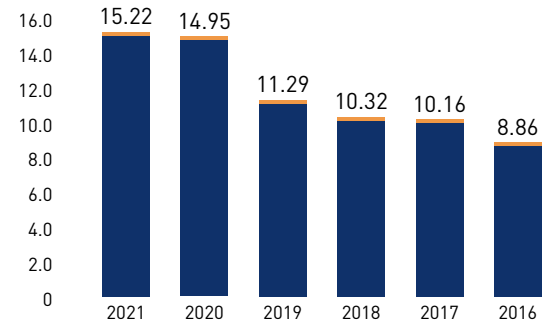
### Total Asset Turnover



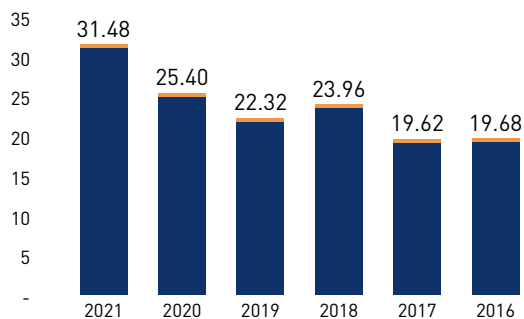
### Break Up Value per Share with Surplus on Revaluation



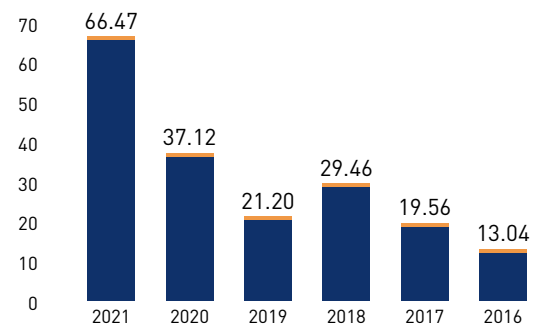
### Fixed Asset Turnover



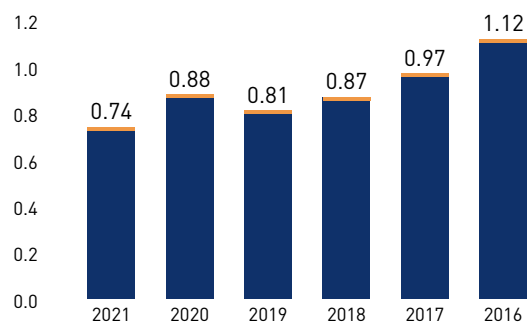
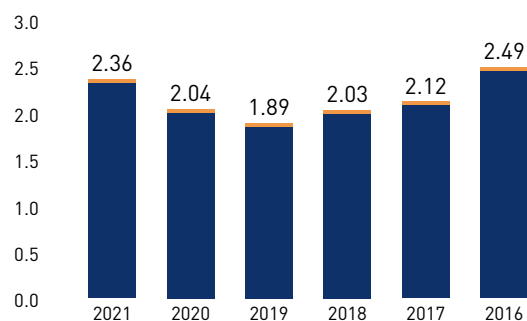
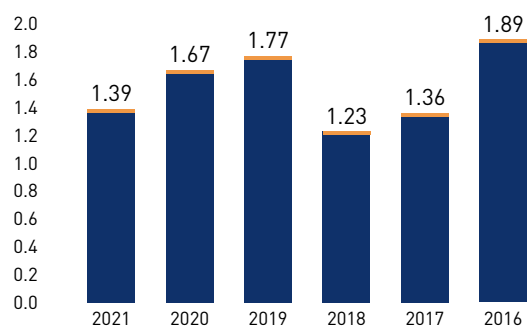
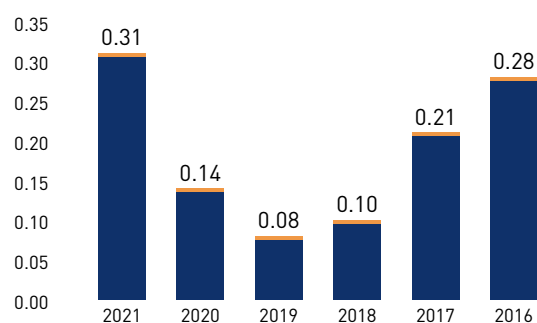
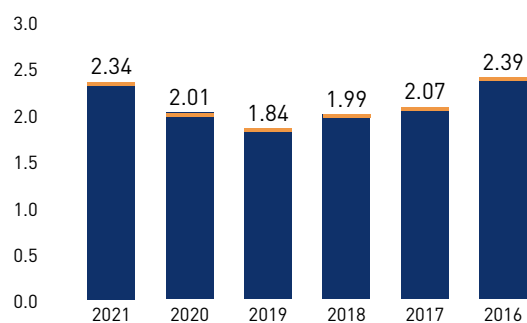
### Break Up value per share without surplus on revaluation



### Inventory Turnover



## Graphic Representation 2015-2020 (Contd...)

**Trade Debts Turnover****Current Ratio****Trade Creditors Turnover****Cash to Current Liabilities****Quick Ratio**

# PATTERN OF SHAREHOLDING

## PATTERN

No. of Shareholders	Having Shares		Shares Held
	From	To	
984	1	100	44,398
1,714	101	500	663,155
1,251	501	1,000	1,128,852
2,416	1,001	5,000	5,784,449
493	5,001	10,000	3,727,038
164	10,001	15,000	2,046,804
94	15,001	20,000	1,694,440
51	20,001	25,000	1,197,423
33	25,001	30,000	940,744
22	30,001	35,000	724,718
20	35,001	40,000	763,063
12	40,001	45,000	511,735
18	45,001	50,000	870,438
9	50,001	55,000	476,942
8	55,001	60,000	469,100
3	60,001	65,000	188,860
10	65,001	70,000	676,781
10	70,001	75,000	721,593
5	75,001	80,000	393,490
5	80,001	85,000	420,655
6	85,001	90,000	530,656
4	90,001	95,000	371,000
9	95,001	100,000	892,394
3	100,001	105,000	306,306
2	105,001	110,000	215,000
2	110,001	115,000	227,344
7	115,001	120,000	828,850
3	120,001	125,000	370,500
3	125,001	130,000	385,000
2	130,001	135,000	266,418
3	135,001	140,000	412,700
6	140,001	145,000	851,262
5	145,001	150,000	741,140
2	150,001	155,000	302,500
2	155,001	160,000	315,295
1	170,001	175,000	174,500
2	175,001	180,000	358,405
2	185,001	190,000	377,260
1	190,001	195,000	191,000
3	195,001	200,000	595,500
2	200,001	205,000	406,000
1	205,001	210,000	206,000
1	210,001	215,000	215,000
1	220,001	225,000	220,144
1	225,001	230,000	228,500
1	230,001	235,000	230,208
1	240,001	245,000	243,000
5	245,001	250,000	1,239,858
1	255,001	260,000	259,870
1	265,001	270,000	268,500
2	270,001	275,000	548,500
1	285,001	290,000	286,440
1	290,001	295,000	290,137
2	295,001	300,000	596,000
1	315,001	320,000	318,000
1	325,001	330,000	330,000
1	330,001	335,000	331,000
2	335,001	340,000	675,600
3	345,001	350,000	1,043,055
1	355,001	360,000	359,500
2	365,001	370,000	736,200
1	390,001	395,000	391,500
1	395,001	400,000	400,000
1	420,001	425,000	424,080
1	435,001	440,000	439,000
1	440,001	445,000	444,000
1	455,001	460,000	460,000

## PATTERN

No. of Shareholders	Having Shares		Shares Held
	From	To	
1	460,001	465,000	463,500
1	470,001	475,000	475,000
2	495,001	500,000	1,000,000
1	500,001	505,000	500,100
1	545,001	550,000	550,000
1	565,001	570,000	568,524
1	760,001	765,000	763,560
1	865,001	870,000	869,000
1	895,001	900,000	898,600
1	1,045,001	1,050,000	1,046,700
1	1,080,001	1,085,000	1,082,150
1	1,095,001	1,100,000	1,099,200
1	1,100,001	1,105,000	1,104,656
1	1,595,001	1,600,000	1,600,000
1	1,855,001	1,860,000	1,858,608
1	1,940,001	1,945,000	1,942,000
1	5,885,001	5,890,000	5,889,420
1	8,005,001	8,010,000	8,009,340
1	27,465,001	27,470,000	27,469,004
1	33,995,001	34,000,000	33,999,935
1	121,655,001	121,660,000	121,656,261
7,450			256,593,358

## CATEGORY WISE SHAREHOLDING

Sr. No.	Particulars	No. of Folio	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	10	184,773,082	72.01
2	Associated Companies, Undertakings and related Parties	1	330,000	0.13
3	NIT and ICP			
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	6	7,523,980	2.93
5	Insurance Companies	10	9,556,395	3.72
6	Modarabas and Mutual Funds	40	8,874,050	4.19
7	Share holders holding 10%	39	9,693,062	3.78
8	General Public :			
	a. local	7,260	35,168,965	13.71
	b. Foreign			
9	Others	124	9,547,874	3.72
	Total [excluding : share holders holding 10%]	7,450	256,593,358	100.00

**AVANCEON LIMITED**
**Category Details of Shareholding as at 31 December 2021**
**Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)**

SNO.	FOLIO	NAME	HOLDING
1	1	MR. BAKHTIAR HAMEED WAIN	121,656,261
2	2	MR. KHALID WAIN	2
3	3	MR. AMIR WAIN	27,469,004
4	4	MR. TANVEER KARAMAT	2
5	3107	MR. OMER IQBAL KHAN	4
6	3108	MS. HANAN DARWISH	4
7	03228-44355	MOHAMMAD SHAHID MIR	220,144
8	03525-112897	BAKHTIAR HAMEED WAIN	33,999,935
9	05264-48871	TANVEER KARAMAT	1,082,150
10	10629-159304	BAKHTIAR HAMEED WAIN	345,576

**TOTAL >> 184,773,082**
**Associated Companies, Undertakings and related Parties (to be confirm by Company)**

SNO.	FOLIO	NAME	HOLDING
1	12732-3143	AVANCEON LTD. EMPLOYEES PROVIDENT FUND	330,000

**TOTAL >> 330,000**
**Banks, Development Financial Institutions, Non Banking Financial Institutions**

SNO.	FOLIO	NAME	HOLDING
1	01867-22	PAKISTAN KUWAIT INVESTMENT CO. (PVT) LTD.	250,000
2	01875-39	SAMBA BANK LIMITED	5,000
3	02246-42	HABIB BANK LIMITED-TREASURY DIVISION	369,000
4	02832-32	MEEZAN BANK LIMITED	763,560
5	04127-28	MCB BANK LIMITED - TREASURY	5,889,420
6	17285-25	SAMBA BANK LIMITED - MT	247,000

**TOTAL >> 7,523,980**
**Insurance Companies**

SNO.	FOLIO	NAME	HOLDING
1	03277-10526	HABIB INSURANCE CO.LIMITED	6,000
2	03277-15009	CENTURY INSURANCE COMPANY LTD.	41,955
3	03277-90405	DAWOOD FAMILY TAKAFUL LIMITED	215,000
4	03277-90408	DAWOOD FAMILY TAKAFUL LIMITED	71,000
5	07450-1792	DAWOOD FAMILY TAKAFUL LIMITED	500
6	12484-18622	ASKARI GENERAL INSURANCE COMPANY	25,000
7	18044-22	ADAMJEE LIFE ASSURANCE COMPANY LIMITED	600
8	18085-28	EFU LIFE ASSURANCE LIMITED	8,009,340
9	18093-27	JUBILEE LIFE INSURANCE COMPANY LIMITED	869,000
10	18200-22	E. F. U. GENERAL INSURANCE LIMITED	318,000

**TOTAL >> 9,556,395**
**Modarabas and Mutual Funds**

SNO.	FOLIO	NAME	HOLDING
1	05389-27	CDC - TRUSTEE PAKISTAN INCOME FUND	67,500
2	05645-24	CDC - TRUSTEE PICIC INVESTMENT FUND	147,000
3	05777-29	CDC - TRUSTEE PICIC GROWTH FUND	195,500
4	05819-23	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	180,000
5	05991-23	CDC - TRUSTEE MEEZAN BALANCED FUND	126,500
6	06171-21	CDC - TRUSTEE FAYSAL STOCK FUND	898,600
7	06411-21	CDC - TRUSTEE AKD INDEX TRACKER FUND	25,100
8	06726-23	CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	120,000
9	07070-22	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1,104,656
10	07245-25440	TRUST MODARABA	8,000
11	07252-20	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	118,000
12	10728-27	CDC - TRUSTEE HBL - STOCK FUND	58,500
13	11056-28	CDC - TRUSTEE HBL MULTI - ASSET FUND	29,500
14	11882-28	CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND	500,000
15	12195-21	CDC - TRUSTEE ABL STOCK FUND	400,000
16	12336-23	CDC - TRUSTEE LAKSON EQUITY FUND	1,046,700
17	13391-26	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	52,900
18	13698-29	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	22,800
19	13714-25	CDC - TRUSTEE HBL PF EQUITY SUB FUND	24,500
20	13946-28	CDC - TRUSTEE KSE MEEZAN INDEX FUND	339,100
21	14373-27	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	150,000
22	14514-28	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	10,000
23	14688-29	CDC - TRUSTEE NIT INCOME FUND - MT	33,000

24	14902-21	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	273,500
25	14969-25	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	33,399
26	15388-25	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	18,500
27	16139-23	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	336,500
28	16188-28	CDC-TRUSTEE NITPF EQUITY SUB-FUND	30,000
29	16436-27	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	27,000
30	16485-22	CDC - TRUSTEE FAYSAL MTS FUND - MT	463,500
31	16501-27	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	34,400
32	16535-24	CDC - TRUSTEE LAKSON TACTICAL FUND	146,300
33	16626-23	CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	98,107
34	16733-20	MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	50,000
35	17210-22	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	25,000
36	17988-20	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	1,942,000
37	18002-26	CDC - TRUSTEE NIT ASSET ALLOCATION FUND	60,000
38	18127-22	CDC - TRUSTEE FAYSAL ISLAMIC STOCK FUND	268,500
39	18390-39	CDC - TRUSTEE HBL INCOME FUND - MT	228,500

**TOTAL >> 9,693,062**

#### Others

SNO.	FOLIO	NAME	HOLDING
1	2308	K.F. CORPORATION PRIVATE LIMITED	98
2	2614	M/S. UK CORPORATION	2,398
3	3063	BONUS WITHHELD 5% B-2	189,952
4	3088	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	56
5	3090	MANAGEMENT AND EDUCATIONAL SERVICES (PVT) LIMITED	37
6	3101	AHSAN KHALIL - COMPANY SECRETARY FOR FRACTIONAL SHARES	996
7	3109	TRUSTEE TO COMPANY SECRETARY	1,112
8	3115	AHSAN KHALIL - COMPANY SECRETARY FOR FRACTIONAL SHARES	811
9	00307-120612	IGI INVESTMENTS (PVT.) LIMITED	25,000
10	00364-32	BIPL SECURITIES LIMITED	33,500
11	00547-15649	AZIMUT PAKISTAN EQUITY FUND (OEIC) PLC	41,700
12	00620-39	TAURUS SECURITIES LIMITED	138,500
13	00695-12524	BMA FUNDS LIMITED - DELIVERABLE FUTURES TRADES	275,000
14	01339-43273	SEA WORLD (SMC-PVT.) LIMITED	1,000
15	01669-26	SHAFFI SECURITIES (PVT) LIMITED	1,700
16	01826-102285	ESSITY PAKISTAN LIMITED EMPLOYEES PROVIDENT FUND	4,000
17	01826-102947	SHADAB INNOVATIONS (PRIVATE) LIMITED	12,500
18	01826-111526	HOMMIE AND JAMSHED NUSSERWANJEE CHARITABLE TRUST	31,000
19	01826-112060	SUI SOUTHERN GAS EXECUTIVE STAFF PROVIDENT FUND	11,000
20	01826-125864	J. K. EXPORTS (PVT.) LIMITED	49,800
21	01826-137232	ABCDATA (PRIVATE) LIMITED	3,600
22	01826-153031	FREEMAN CORPORATION (PRIVATE) LIMITED	500,100
23	01826-156125	HRSG OUTSOURCING (PVT) LIMITED EMPLOYEES GRATUITY FUND	66,000
24	01826-156646	HRSG OUTSOURCING (PVT) LIMITED EMPLOYEES PROVIDENT FUND	152,000
25	01826-168682	ONTEX PAKISTAN (PRIVATE) LIMITED EMPLOYEES GRATUITY FUND	17,000
26	01826-169599	GHANI GLASS LIMITED EMPLOYEES PROVIDENT FUND	109,500
27	01826-171447	ADAMJEE LIFE ASSURANCE COMPANY LTD. EMPLOYEES GRATUITY FUND	60,000
28	01826-172262	NISHAT CHUNIAN LIMITED EMPLOYEES PROVIDENT FUND	17,500
29	01826-173062	IQBAL HAMID TRUST	150,500
30	01826-178467	LEAPING PANTHER RESEARCH (PRIVATE) LIMITED	10,000
31	01826-184135	KOT ADDU POWER COMPANY LIMITED EMPLOYEES PROVIDENT FUND	55,000
32	01826-186601	ONTEX PAKISTAN (PRIVATE) LIMITED EMPLOYEES PROVIDENT FUND	12,500
33	01826-80234	TRUSTEE-AZAN WELFARE TRUST	1,200
34	03038-62921	HAMDARD LABORATORIES (WAF) PAKISTAN	331,000
35	03228-46418	UNIGOHAR HOMES (PRIVATE) LIMITED	2,306
36	03244-90174	PITCO (PVT.) LIMITED	24,000
37	03277-104940	AL HAYY TRADING (PRIVATE) LIMITED	50,000
38	03277-40179	YOUSUF YAQOOB KOLIA AND COMPANY (PVT) LTD	70,000
39	03277-4230	CRESCENT STEEL AND ALLIED PRODUCTS LTD.	13,200
40	03277-4841	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	79,950
41	03277-4931	SOFIAN BUSINESS CORPORATION (PRIVATE) LIMITED	25,000
42	03277-71054	NOVATEX LIMITED	200,000
43	03277-78974	CS CAPITAL (PVT) LTD	206,000
44	03277-82969	TRUSTEE MOMIN ADAMJEE WELFARE TRUST	21,500
45	03277-93325	PEBBLES (PVT) LIMITED	100,000
46	03277-94363	K. F. CORPORATION (PRIVATE) LIMITED	86,556
47	03525-61184	PITCO (PVT) LTD	120,000
48	03525-67537	SHAMALIK BROTHERS (PVT) LTD	3,540
49	03525-87235	MAPLE LEAF CAPITAL LIMITED	1
50	03525-94230	PROSPERITY SECURITIES (SMC-PVT.) LIMITED	129
51	03939-62	PEARL SECURITIES LIMITED	41,500
52	04085-24	MRA SECURITIES LIMITED	46,000
53	04317-25	DALAL SECURITIES (PVT) LTD.	35,000
54	04366-20	MULTILINE SECURITIES LIMITED	12,500
55	04366-26736	TRUSTEE MOMIN ADAMJEE WELFARE TRUST	50,000

56	04432-21	ADAM SECURITIES LIMITED	247,500
57	04705-87224	FEDERAL BOARD OF REVENUE	290,137
58	04804-35591	HAMDARD LABORATORIES (WAQF) PAKISTAN	130,000
59	04879-28	AKHAI SECURITIES (PRIVATE) LIMITED	2,600
60	04895-26	DJM SECURITIES LIMITED	140,500
61	05264-1276	JAHANGIR SIDDIQUI & COMPANY LIMITED	105,500
62	05264-21	JS GLOBAL CAPITAL LIMITED	117,250
63	05736-15	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1,858,608
64	05884-12161	EDULJEE DINSHAW HOLDING COMPANY (PVT) LTD	5,000
65	06270-29	GROWTH SECURITIES (PVT) LTD.	5,000
66	06445-28	DARSON SECURITIES LIMITED	1,500
67	06445-74023	AL-QURASHI PAPER INDUSTRIES (PVT.) LIMITED	1,800
68	06452-35	ARIF HABIB LIMITED	49,000
69	06452-44140	CITY SCHOOLS GROUP EMPLOYEES PROVIDENT FUND	114,344
70	06452-51103	BPS GROUP COMPANIES EMPLOYEES PROVIDENT FUND	63,360
71	06502-5986	UNITED TOWEL EXPORTERS (PVT.) LIMITED	6,000
72	07054-24	BHAYANI SECURITIES (PVT) LTD.	391,500
73	07229-23	ALTAF ADAM SECURITIES (PVT) LTD.	141,000
74	07286-27	DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED	2,592
75	07328-3066	AMIN FERAZ & CO (PRIVATE) LIMITED	13,000
76	07419-20	TOPLINE SECURITIES LIMITED	100,000
77	07443-27	Y.H. SECURITIES (PVT.) LTD.	359,500
78	07450-23234	DAWOOD FAMILY TAKAFUL LIMITED EMPLOYEES PROVIDENT FUND	18,000
79	07450-26	DAWOOD EQUITIES LTD.	10,000
80	11387-29150	B. K. SAADAAN (PVT) LIMITED	31,800
81	11692-21	ABA ALI HABIB SECURITIES (PVT) LIMITED	8,000
82	12153-25	RAH SECURITIES (PVT) LIMITED	6,000
83	12484-7807	BRAVISTO (PVT) LIMITED	1
84	12666-1708	TRUSTEE OF HOMMIE AND JAMSHED NUSSERWANJEE CHARITABLE TRUST	10,000
85	12666-2169	HRSG OUTSOURCING (PVT) LIMITED EMPLOYEES GRATUITY FUND	17,000
86	12666-2177	HRSG OUTSOURCING (PVT) LIMITED EMPLOYEES PROVIDENT FUND	85,000
87	12666-2185	SARENA TEXTILE INDUSTRIES (PRIVATE) LIMITED	191,000
88	12716-2246	CEDAR CAPITAL PRIVATE LIMITED STAFF PROVIDENT FUND	4,500
89	12922-21	ABA ALI HABIB SECURITIES (PVT) LIMITED - MT	69,000
90	12955-28	EFG HERMES PAKISTAN LIMITED - MF	70,000
91	12997-24	TOPLINE SECURITIES LIMITED - MF	40,000
92	13078-24	AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED - MT	18,500
93	13649-24	JS GLOBAL CAPITAL LIMITED - MF	66,500
94	13904-22	CYAN LIMITED	500,000
95	14118-27	ASDA SECURITIES (PVT.) LTD.	54,500
96	14217-25	GALAXY CAPITAL SECURITIES (PVT) LIMITED	100
97	14258-21	H. M. IDREES H. ADAM (PRIVATE) LIMITED	47,500
98	14522-506	YAPARVAR (PRIVATE) LIMITED	500
99	14589-21	STANDARD CAPITAL SECURITIES (PVT) LIMITED - MF	1,000
100	14670-20	MULTILINE SECURITIES LIMITED - MF	9,500
101	14746-21	KTRADE SECURITIES LIMITED	2,000
102	14746-33519	FREEMAN CORPORATION (PRIVATE) LIMITED	138,500
103	14886-25	VENUS SECURITIES (PVT.) LIMITED	500
104	14944-27	ADAM SECURITIES LTD. - MF	20,000
105	15024-27	INTERACTIVE SECURITIES (PVT) LIMITED	4,500
106	15198-549	INDUS BASIN CAPITAL (PRIVATE) LIMITED	2,640
107	15214-982	INDUS BASIN CAPITAL (PRIVATE) LIMITED	400
108	15313-2226	CONTINENTAL PLASTIC INDUSTRIES (PRIVATE) LIMITED	5,000
109	15719-23	CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	50,000
110	15727-22	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	44,000
111	16212-23	BIPL SECURITIES LIMITED - MF	57,500
112	16576-20	INTERMARKET SECURITIES LIMITED - MF	7,500
113	16642-21	BACKERS & PARTNERS (PRIVATE) LIMITED - MF	3,000
114	16659-20	LSE FINANCIAL SERVICES LIMITED - MT	53,000
115	16832-28	GROWTH SECURITIES (PRIVATE) LIMITED - MF	2,500
116	16857-26	MRA SECURITIES LIMITED - MF	90,000
117	16899-22	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF	128,500
118	16923-27	N. U. A. SECURITIES (PRIVATE) LIMITED - MF	1,500
119	17509-26	TRUST SECURITIES & BROKERAGE LIMITED - MF	14,500
120	17772-25	ASKARI SECURITIES LIMITED - MF	2,000
121	18168-28	ARIF LATIF SECURITIES (PVT.) LIMITED - MT	2,500
122	18432-2245	SAYA SECURITIES (PRIVATE) LIMITED	12,000
123	18432-504	INA SECURITIES (PVT.) LIMITED	2,000
124	18614-22	CDC - TRUSTEE FAYSAL ISLAMIC PENSION FUND-EQUITY SUB FUND	6,500

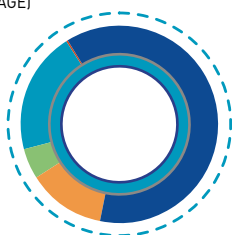
TOTAL &gt;&gt;

9,547,874

## STATEMENT OF VALUE ADDITION

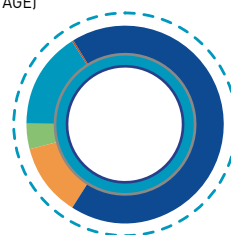
	FOR THE YEAR ENDED			
	31 December, 2021		31 December, 2020	
	(Rs. in '000)	%age	(Rs. in '000)	%age
Wealth Generated				
Sales included sales tax	7,316,850	93%	6,572,177	98%
Other operating income	543,746	7%	162,990	2%
	7,860,596		6,735,167	
Wealth Distributed				
Cost of material and services	4,862,258	62%	4,605,361	68%
To Employees				
Salaries and related cost	1,036,060	13%	814,647	12%
To Government				
Taxes	357,568	5%	265,880	4%
To Society				
Charity & Donation	4,617	0.1%	4,300	0.1%
Retain in the business				
To provide for growth: retained profit	1,600,093	20%	1,044,979	16%
	7,860,596		6,735,167	

**FY - 2021**  
(PERCENTAGE)



62% ● Cost of material and services  
13% ● Salaries and related cost  
5% ● Taxes  
20% ● To provide for growth: retained profit  
0.06% ● Charity & Donation

**FY - 2020**  
(PERCENTAGE)



62% ● Cost of material and services  
13% ● Salaries and related cost  
5% ● Taxes  
20% ● To provide for growth: retained profit  
0.06% ● Charity & Donation



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



**EY Ford Rhodes**  
Chartered Accountants  
P.O. Box 104  
4<sup>th</sup> Floor, 96, B1  
Pace Mall Building  
M.M. Alam Road, Gulberg II  
Lahore 54660  
Islamic Republic of Pakistan

Tel: +92 42 3721 1531  
Fax: +92 42 3721 1539  
ey.lhr@pk.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Avanceon Limited

#### Report on the Audit of the Unconsolidated Financial Statements

##### Opinion

We have audited the annexed unconsolidated financial statements of **Avanceon Limited** (the company), which comprise the unconsolidated statement of financial position as at 31 December 2021, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 2021 and of the 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 Auditor's Responsibilities for the Audit of the unconsolidated 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 unconsolidated financial statements of the current period.



These matters were addressed in the context of our audit of the unconsolidated 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
<b>1. Revenue Recognition</b>	
<p>The Company's revenue is derived from various revenue streams, as referred to in Note 29 to the accompanying unconsolidated financial statements which primarily includes sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases lead to revenue being recognized over multiple accounting periods.</p> <p>Revenue is recognized based on performance obligations as mentioned in Note 5.17 to the accompanying unconsolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to complete.</p> <p>Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process we have identified measurement of revenue recognition as a key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding and evaluated the appropriateness of the Company's revenue recognition policies, in accordance with IFRS 15, 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;</li> <li>• Tested operating effectiveness of internal controls relating to the Company's revenue recognition process including budgetary control, appropriate review and approval practices and its recognition in the books of accounts;</li> <li>• Performed substantive analytical procedures including, amongst others, developing an expectation of 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. We compared the actual cost of projects completed during the year with their forecast cost;</li> <li>• Performed test of details including examination of a sample of underlying contracts, review of the contractual terms and conditions and evaluating appropriate accounting treatment thereof;</li> </ul>



Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>Selected a sample of revenue transactions recognized during the year and recalculated the revenue recognized along with evaluation of the management basis used in determining the performance obligations in accordance with accounting policies; and</li> <li>Assessed the appropriateness of disclosures in the unconsolidated financial statements in relation to revenue.</li> </ul>
<b>2. Related Party Transactions</b>	
<p>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 Octopus Digital Inc. (formerly Innovative Automation 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. The Company also has a Pakistan based subsidiary, Octopus Digital (Private) Limited.</p> <p>Nature of transactions with related parties includes sale and purchase of equipment, agency commission, management fee, back office support, fee for technical services and dividend (as disclosed in note 38 to the accompanying unconsolidated financial statements) leading to a significant amount of investments, trade debts and receivable balances of Rs. 3,913.59 million, Rs. 707.93 million and Rs. 952.32 million as disclosed in Notes 21, 24 and 26 respectively which in aggregate contribute to 81% of total assets.</p> <p>The inter-company transactions and balances require significant auditor attention as the amounts are material to the unconsolidated financial statements as</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>Obtained a list of related parties and transactions entered into with them during the year from management.</li> <li>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.</li> <li>Reviewed the approval process for related party transactions including approval by those charged with governance.</li> <li>Performed procedures using substantive analytical procedures as well as review of documentation such as minutes of Board meetings and forms submitted with regulatory authorities for ensuring completeness of related party transactions.</li> <li>Assessed whether appropriate disclosures have been made in unconsolidated financial statements regarding related party transactions and balances in accordance with IAS 24 and requirements</li> </ul>



Key audit matters	How our audit addressed the key audit matter
a whole and are hence considered as Key Audit Matter.	under the fourth schedule to the Companies Act, 2017.

### **Information Other than the Unconsolidated Financial Statements and Auditor's 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 unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.

### **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 auditor's report to the related disclosures in the unconsolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated 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.

#### **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 and 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 auditor's report is Sajjad Hussain Gill.



**EY Ford Rhodes**  
**Chartered Accountants**  
**Lahore: 20 April 2022**  
**UDIN: AR202110087DYewxOf2M**

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(Rupees in '000)	Note	2021	(Restated) 2020
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
500,000,000 (2020: 250,000,000) ordinary shares of Rs. 10 each		5,000,000	2,500,000
Issued, Subscribed and Paid up share capital			
256,593,358 (2020: 211,790,007) ordinary shares of Rs 10. each	6	2,565,934	2,117,900
<b>CAPITAL RESERVES</b>			
Share premium	7	144,188	138,384
Employees' share compensation reserve	8	172,657	74,270
Surplus on revaluation of property and equipment	9	256,297	241,827
		573,142	454,481
<b>REVENUE RESERVE</b>			
Unappropriated profits		2,083,036	1,702,411
		5,222,112	4,274,792
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities	10	57,949	17,460
Long-term loan	11	-	23,551
Deferred grant	12	-	518
Deferred taxation	13	8,100	-
		66,049	41,529
<b>CURRENT LIABILITIES</b>			
Current portion of lease liabilities	10	28,566	20,983
Current portion of long-term loan	11	23,551	25,911
Current portion of deferred grant	12	269	1,218
Finances under markup arrangements and other credit facilities - secured	14	543,353	419,006
Creditors, accrued and other liabilities	15	747,478	614,016
Contract liabilities	16	157,987	82,176
Unclaimed dividend	17	132,968	1,665
		1,634,172	1,164,975
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18		
		6,922,333	5,481,296

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**



(Rupees in '000)	Note	2021	(Restated) 2020
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	19	423,363	379,281
Intangible assets	20	-	-
Long-term investments	21	3,913,589	3,134,820
Deferred taxation	13	-	57,450
Long-term loans, deposits and other receivables	22	4,284	2,072
		4,341,236	3,573,623
<b>CURRENT ASSETS</b>			
Stock-in-trade	23	54,663	39,984
Trade debts	24	1,076,211	967,810
Contract assets	25	182,197	187,931
Advances, deposits, prepayments and other receivables	26	1,156,454	642,555
Short-term investments	27	185	2,955
Cash and bank balances	28	111,387	66,438
		2,581,097	1,907,673
		6,922,333	5,481,296



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Note	2021	(Restated) 2020
Revenue from contracts with customers - net	29	1,835,213	1,426,147
Cost of revenue	30	(1,234,494)	(861,817)
<b>Gross profit</b>		600,719	564,330
Administrative and selling expenses	31	(372,329)	(158,018)
Other operating expenses	32	(4,617)	(3,857)
Other operating income	33	980,004	430,713
		603,058	268,838
<b>Profit from operations</b>		1,203,777	833,168
Finance costs	34	(56,686)	(69,088)
<b>Profit before tax</b>		1,147,091	764,080
Taxation	35	(125,981)	(90,241)
<b>Profit for the year</b>		1,021,110	673,839
			(Restated)
<b>Earnings per share - Basic</b>	36.1	3.98	3.18
<b>Earnings per share - Diluted</b>	36.2	3.91	3.11

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**

# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Note	2021	(Restated) 2020
Profit for the year		1,021,110	673,839
<b>Other comprehensive income</b>			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
- Revaluation surplus of land and building - net of tax	9	15,469	32,821
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>		-	-
<b>Total comprehensive income for the year</b>		<b>1,036,579</b>	<b>706,660</b>

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Capital Reserves				Revenue Reserve	TOTAL
	Share capital	Share premium	Employee's share compensation reserve	Surplus on revaluation of property and equipment	Un-appropriated profit / (loss)	
Balance as on 01 January 2020	1,925,364	138,384	53,862	209,721	1,220,393	3,547,724
Profit for the year ended	-	-	-	-	673,839	673,839
Other comprehensive income	-	-	-	32,821	-	32,821
	-	-	-	32,821	673,839	706,660
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	(715)	715	-
Bonus share for the year ended 31 December 2019 @ 10%	192,536	-	-	-	(192,536)	-
Employee share option reserve	-	-	20,408	-	-	20,408
	192,536	-	20,408	-	(192,536)	20,408
Balance as on 31 December 2020 - Restated	2,117,900	138,384	74,270	241,827	1,702,411	4,274,792
Profit for the period	-	-	-	-	1,021,110	1,021,110
Other comprehensive income	-	-	-	15,469	-	15,469
	-	-	-	15,469	1,021,110	1,036,579
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	(999)	999	-
Bonus share for the year ended December 31, 2020 @ 10%	427,656	-	-	-	(427,656)	-
Employee share option reserve	-	-	98,387	-	-	98,387
10% final dividend for the year ended December 31, 2020 @ Re 1 per share	-	-	-	-	(213,828)	(213,828)
Issuance of shares against employee share option scheme	20,378	5,804	-	-	-	26,182
	448,034	5,804	98,387	-	(641,484)	(89,259)
Balance as on 31 December 2021	2,565,934	144,188	172,657	256,297	2,083,036	5,222,112

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	154,641	313,904
Finance cost paid		(56,092)	(61,101)
Income tax paid		(51,130)	(7,794)
<b>Net cash (used in) / generated from operating activities</b>	<b>A</b>	<b>47,419</b>	<b>245,009</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	19	(18,081)	(7,031)
Proceeds from sale of property and equipment	19	20,259	4,077
Profit on bank deposits	33	1,143	651
Increase in long-term loans, deposits and other receivables - net		(2,212)	2,124
Purchase of short-term investment		(631)	-
Proceeds from sale of short-term investment		3,683	-
<b>Net cash generated from / (used in) investing activities</b>	<b>B</b>	<b>4,161</b>	<b>(179)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	17	(82,525)	(252,004)
Issuance of shares		26,182	-
Finances under mark up arrangements and other credit facilities obtained		124,347	35,712
Long-term loan paid		(27,378)	50,307
Repayment of lease liabilities		(47,257)	(30,082)
<b>Net cash generated from / (used in) financing activities</b>	<b>C</b>	<b>(6,631)</b>	<b>(196,067)</b>
<b>Net increase in cash and cash equivalents</b>	<b>A + B + C</b>	<b>44,949</b>	<b>48,763</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>66,438</b>	<b>17,675</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>28</b>	<b>111,387</b>	<b>66,438</b>

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

The principal activity of the Company is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and 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 54500.
<b>REGIONAL OFFICES</b>	
Karachi	MA Tabba Foundation Building, First Floor, Gizri Road Block 9 Clifton Karachi, Sindh 75600
Islamabad	Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000

During the year ended 31 December 2020 the Company, under a Business Arrangement transferred its After Market Support (AMS) segment to Octopus Digital Limited (ODL), a wholly owned subsidiary. Under the Business Arrangement Contract dated 08 December 2020, which was effective from 01 January 2020, the Company transferred entire business of AMS segment along with existing customer contacts against consideration of Rs. 1,084 million settled through issuance of 108,400,000 ordinary shares of Rs. 10/- each by ODL.

## 2. 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 (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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.

These are the unconsolidated financial statements of the Company in which investments in subsidiaries have been carried at cost, consolidated financial statements have been presented separately.

### 2.1 Standards, amendments and interpretations and forth coming requirements

#### 2.1.1 Standards, amendments or interpretations to approved accounting standards that are not yet effective

The following standards, amendments and interpretations 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 Interpretations		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - Definition of a Business (amendments)	01 January 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	01 January 2023
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by: <ul style="list-style-type: none"> <li>- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and</li> <li>- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.</li> </ul>	01 January 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	01 January 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	01 January 2023

The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

IFRS 1	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
IAS 41	Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

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

Standard or Interpretations		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 January 2009
IFRS 17	Insurance Contracts	01 January 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

### 2.1.2 Changes in accounting policies and disclosures resulting from amendments in standards during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to following standards as described below:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

## 3. BASIS OF PREPARATION

### 3.1 Basis of measurement

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) Useful lives, residual value and revalued amount of property and equipment**

Estimates of useful life of owned fixed assets and leased assets are based on management's best estimate. In making the estimate of the depreciation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment. Further, the Company estimates the revalued amounts of property, plant and equipment on regular basis. The estimates are based on valuation carried out by an independent valuer expert under the market conditions.

**b) Provision for expected credit losses**

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. 5.8.1 (d).

**c) 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.

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

As part of application of cost to complete 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.

**e) Fair value of share based payments transactions**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date using a Black Scholes Model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

## 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.

### 5.1 Staff retirement benefits

The Company operates a defined contribution provident fund for its employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2020:10%) of the basic salary.

### 5.2 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.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 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 unconsolidated statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

### 5.3 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 retained earnings. 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 19.1 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.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

### 5.4 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 20.

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 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 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.

## 5.5 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 unconsolidated 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 unconsolidated financial statements, in accordance with the requirements of IFRS 10 "Consolidated Financial Statements" and Companies Act, 2017.

## 5.6 Leases

### Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, if any. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### a) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

#### b) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which these are incurred.

In calculating the present value of lease payments, the Company uses the implicit rate in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### c) Determining the lease term of contracts

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

The Company has lease contracts that include the transfer of assets (i.e. vehicles) at the end of lease term.

### d) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of offices on rent (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of rented offices that are of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

## 5.7 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.

## 5.8 Financial instruments

### 5.8.1 Financial assets

#### a) Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

#### b) Subsequent measurement

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

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

**Financial assets at amortized cost (debt instruments)**

The Company measures financial assets at amortized cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost includes long-term loans and deposits, trade debts, due from related parties, and other receivables.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Based on business model of the Company, it has classified its short-term investments under this category.

**Financial assets at fair value through OCI (debt instruments)**

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company has no financial assets under this category as on the reporting date.

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

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

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

The Company has no financial assets under this category as on the reporting date.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### c) Derecognition

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

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

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

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

### d) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 5.8.2 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.

### 5.8.3 Financial liabilities

#### a) Initial recognition and measurement

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

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

The Company's financial liabilities include creditors, accrued and other liabilities, lease liabilities, long-term loan, unclaimed dividend and short-term borrowings.

**b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective interest rate (EIR) method.

Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to the liabilities as disclosed in Note 39.2.

**Financial liabilities at fair value through profit or loss**

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**5.8.4 Dividend income**

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

**5.8.5 Financial income**

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

**5.9 Contract balances**

**Contract asset**

A contract asset is initially recognised for revenue earned from projects and service contracts because the receipt of consideration is conditional on successful completion of the projects and service contracts. Upon completion and acceptance by the customer, amount recognized as contract asset is reclassified to trade receivables. Contract assets are also subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 5.8.1(d).

**Trade receivables**

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in Note 24.3 and 24.4.

**Contract liabilities**

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the related goods or services are transferred. Contract liabilities are recognized as revenue as and when performance obligations are delivered under contract.

**5.10 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.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 5.11 Contingent liability

Contingent liability is disclosed when:

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

### 5.12 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.

### 5.13 Creditors and accruals

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.

### 5.14 Provisions

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.

### 5.15 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.

### 5.16 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

### 5.17 Revenue recognition

The Company is in the business of automation and engineering solutions. The products and services are sold on their own in separately identified contracts with customers and products together with services are sold in projects as one performance obligation.

#### Sale of goods

Revenue from sale of goods is recognized at a point in time when control of the goods is transferred to the customers, generally on delivery of products to customers.

#### Rendering of services

Maintenance and service income comprises of revenue earned from service level agreements, where the customer enters into a contract with the Company for a fixed period of time and fee amount, both pre-defined in the contract, for various technical and engineering services. Revenue is recognized on the basis of percentage of rendering of services, i.e. on the number of days of services performed out of the total contracted days for service level agreements.



#### Project revenue

These comprise of projects such as Hardware and Software Automation, Efficiency solution, Scada Upgradation, etc. Revenue from these projects is accounted for using cost to complete method, according to which the Company's progress towards satisfaction of performance obligations is determined by dividing actual cost incurred on the project to date by total forecasted cost, which is calculated by a team of engineers on the inception of the project.

#### 5.18 Compensated absences

The Company also provide benefit to employees to accumulate earned leave and carries a provision for its liability in respect of accumulated leave. Employees are granted 14 days' leave each year. No leaves are carried forward to next year however if employee leaves during the year then they will get encashment on pro rata basis

#### 5.19 Share based payment transactions

The Company operates an equity settled share based Employee Stock Option Scheme. The compensation committee of the Board of Directors of the company evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfilment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of company's shares at a price determined on the date of grant of options.

At the grant date of share options to the employees, the company initially recognizes employee compensation expense with corresponding credit to equity as employee compensation reserve at the fair value of options at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

#### 5.20 Earnings per share - basic and diluted

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

### 6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2021 (Number of Shares)			2021 (Rupees in '000)	
57,166,850	57,166,850	Ordinary shares of Rs. 10 each fully paid in cash	571,669	571,669
191,505,973	148,740,413	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,915,060	1,487,404
4,399,629	4,399,629	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I	43,996	43,996
3,520,906	1,483,115	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III	35,209	14,831
256,593,358	211,790,007		2,565,934	2,117,900

		2021 (Number of Shares)	2020 (Number of Shares)
6.1	Movement during the year is as follows:		
	Balance as at 01 January	211,790,007	192,536,370
	Shares issued under Employees' Share Options Schemes during the year	2,037,791	-
	Bonus shares issued during the year	42,765,560	19,253,637
	Balance as at 31 December	256,593,358	211,790,007

#### 6.2 Chief Executive holds 61% (2020: 61%) share capital of the Company.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 7. SHARE PREMIUM

(Rupees in '000)	2021	2020
Opening balance	177,145	177,145
Employees Share Option Scheme	5,804	-
	182,949	177,145
Less: Costs incurred on Initial Public Offering	(38,761)	(38,761)
	144,188	138,384

**7.1** This reserve shall be utilized for the purpose as specified in section 81(2) of the Companies Act, 2017.

## 8. EMPLOYEES' SHARE COMPENSATION RESERVE

(Rupees in '000)	Note	2021	2020
Share options scheme I	8.1	7,339	8,054
Share options scheme II	8.2	15,452	29,645
Share options scheme III	8.3	-	2,155
Share options scheme IV	8.4	149,866	34,416
		172,657	74,270

### 8.1 Share options scheme I

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 were 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.

Movement in the amount of options granted is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	8,054	6,457
Options issued during the year recognized at fair value	-	1,597
Adjustment of reserve for option holders resigning during the year	(715)	-
Balance as at 31 December	7,339	8,054

### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	306,000	1.95	326,000	1.95
Forfeited during the year	(15,000)	1.95	(20,000)	1.99
Outstanding at 31 December	291,000	1.85	306,000	1.95
Exercisable at 31 December	136,000		136,000	

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 1.56 years (2020: 2.56 years).

The range of exercise price for options outstanding at the end of the year was Rs. 1.2 to Rs. 2.0 (2020: Rs. 1.2 to Rs. 1.73).

## 8.2 Share options scheme II

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%.

Movement in the amount of options granted against the reserve is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	29,645	43,205
Options issued during the year recognized at fair value	-	(12,814)
Adjustment of reserve for option holders resigning during the year	(7,564)	(746)
Transfer to share capital on issuance of shares during the period	(6,629)	-
Balance as at 31 December	15,452	29,645

### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	2,648,640	20.52	2,702,687	20.48
Forfeited during the year	(22,789)	20.52	(54,048)	21.02
Exercised during the year	(849,029)	20.52	-	-
Outstanding at 31 December	1,776,822	22.60	2,648,640	20.52
Exercisable at 31 December	974,141		974,141	

The weighted average share price at the date of exercise of these options was Rs. 76.51 (2020: Nil).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 2.03 years (2020: 3.03 years).

The range of exercise price for options outstanding at the end of the year was Rs. 16.80 to Rs. 24.20 (2020: Rs. 16.80 to Rs. 24.20).

## 8.3 Share options scheme III

Employee Stock Option Scheme, 2018 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 23 July 2018 which comprises of an entitlement pool of 1.75 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 are exercised within one year after the one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2018, Rs. 10.5 in 2019, Rs. 11.03 in 2020, Rs. 11.58 in 2021 and Rs. 12.15 in 2022.

Movement in the amount of options granted against the reserve is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	2,155	1,775
Options issued during the year recognized at fair value	-	380
Transfer to share capital on issuance of shares during the period	(2,155)	-
Balance as at 31 December	-	2,155

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	62,501	10.50	62,501	10.50
Exercised during the year *	(62,501)	10.50	-	-
Outstanding at 31 December	-	-	62,501	10.50
Exercisable at 31 December	-	-	62,501	-

The weighted average share price at the date of exercise of these options was Rs. 48.78 (2020: Nil).

### 8.4 Share options scheme IV

Employee Stock Option Scheme, 2019 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 November 2019 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 & 2 (who have completed minimum of 7 years of service period with the Company), MT3 and above. The share options can be exercised up to one year after the one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2019, Rs. 10.5 in 2020, Rs. 11.03 in 2021, Rs. 11.58 in 2022 and Rs. 12.15 in 2023.

Movement in the amount of options granted against the reserve is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	34,416	2,425
Options issued during the year recognized at fair value	144,850	31,991
Adjustment of reserve for option holders resigning during the year	(1,132)	-
Transfer to share capital on issuance of shares during the period	(28,268)	-
Balance as at 31 December	149,866	34,416

### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	1,844,988	10.19	1,145,328	10.00
Granted during the year	1,473,984	10.50	736,644	10.50
Forfeited during the year	(14,799)	10.24	(36,984)	10.24
Exercised during the year	(1,126,259)	10.25	-	-
Outstanding at 31 December	2,177,914	10.25	1,844,988	10.19
Exercisable at 31 December	1,844,988	10.19	1,145,328	10.00

The fair value of options granted during the year was Rs. 90.55 (2020: Nil).

The weighted average share price at the date of exercise of these options was Rs. 76.51 (2020: Nil).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 0.39 years (2020: 1.39 years).

The range of exercise price for options outstanding at the end of the year was Rs. 10.25 to Rs. 10.5 (2020: Rs. 10 to Rs. 10.5).

**8.5** The following tables list the inputs to the models used for the three plans for the years ended 31 December 2021 and 2020, respectively:

	2021	2020
Expected volatility (%)	33	31
Risk-free interest rate (%)	9.87	7
Expected life of share options (years)	1	1
Weighted average share price (Rupees)	90.55	67
Model used	Black Scholes	Black Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 9. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

(Rupees in '000)	2021	2020
Opening balance of surplus on revaluation of property and equipment	241,827	209,721
Revaluation surplus arising during the year - net of tax	15,469	32,821
Surplus transferred to unappropriated profit on account of incremental depreciation	(999)	(715)
Closing balance of surplus on revaluation of property and equipment - net of tax	256,297	241,827

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.

## 10. LEASE LIABILITIES

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 9.29% to 13.37% (2020: 9.1% to 15.24%) per annum and lease period 4 to 5 years (2020: 3 to 4 years). The amount of future payments and the period during which they will become due are:

(Rupees in '000)	Note	2021	2020
<b>Year ended 31 December</b>			
Due not later than 1 year		36,185	23,943
Due later than 1 year but not later than 5 years		66,500	18,914
	10.1	102,685	42,857
Less: Future finance charges		(16,170)	(4,414)
		86,515	38,443
Current portion		(28,566)	(20,983)
		57,949	17,460

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

**10.1** Lease payments (LP) and their present value (PV) are regrouped as below:

(Rupees in '000)	2021		2020	
	LP	PV of LP	LP	PV of LP
Due not later than 1 year	36,185	28,566	23,943	20,983
Due later than 1 year but not later than 5 years	66,500	57,949	18,914	17,460
	102,685	86,515	42,857	38,443

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(Rupees in '000)	2021	2020
As at 01 January	38,443	52,090
Additions	90,436	10,029
Accretion of interest	4,893	6,406
Payments	(30,058)	(30,082)
Security deposit adjusted against lease liability	(17,199)	-
As at 31 December	86,515	38,443
<b>11. LONG-TERM LOAN</b>		
Long-term loan	23,551	49,462
Less: current portion of long-term loan	(23,551)	(25,911)
	-	23,551

This represents loan amounting to Rs. 51.822 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 60 million. It carries mark-up at SBP rate plus 2% per annum. The security provided against this facility by the Company is same as disclosed in note 14.1.

(Rupees in '000)	2021	2020
<b>12. DEFERRED GRANT</b>		
Deferred Grant	269	1,736
Less: current portion of deferred grant	(269)	(1,218)
	-	518

**12.1** Set out below are the amount of deferred grant and the movements during the year:

(Rupees in '000)	Note	2021	2020
Opening balance		1,736	-
Recognized during the year	12.2	-	2,360
Amortization	33.2	(1,466)	(624)
Closing balance		269	1,736

**12.2** Government grant has been recognized against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

### 13. DEFERRED TAXATION

The net (asset) / liability for deferred taxation comprises temporary differences relating to:

(Rupees in '000)	2021	2020
Accelerated tax depreciation / amortization	2,935	8,460
Provision for doubtful debts / earnings	(37,621)	(16,872)
Unused tax losses	(12,458)	-
Tax credit under Second Schedule	(116,182)	(133,598)
Surplus on revaluation of Property and equipment	233	4,277
Deferred tax on incremental depreciation	3,593	3,360
Income taxable on receipt basis	167,600	76,923
	8,100	(57,450)
<b>13.1 Reconciliation of deferred tax (asset) / liability net</b>		
As of 01 January	(57,450)	(72,582)
Tax expense / (income) recognized in profit and loss	69,361	10,854
Tax expense recognized in other comprehensive income	233	4,278
As at 31 December	12,144	(57,450)

#### 13.2 Movement in deferred tax balances is as follows:

	(Reversal from) / charge to				
	Opening	Profit or loss	Equity	Other comprehensive income	Closing
2021	(Rupees in '000)				
Deductible / (taxable) temporary difference					
Income taxable on receipt basis	76,923	90,677	-	-	167,600
Tax credit under Second Schedule	(133,598)	17,416	-	-	(116,182)
Unused tax losses	-	(12,458)	-	-	(12,458)
Provisions	(16,872)	(20,749)	-	-	(37,621)
Accelerated tax depreciation allowances	8,460	(5,525)	-	-	2,935
Deferred tax on incremental depreciation	3,360	-	-	233	3,593
Surplus on revaluation of property and equipment	4,277	-	(4,044)	-	233
	(57,450)	69,361	(4,044)	233	8,100

	(Reversal from) / charge to				
	Opening	Profit or loss	Equity	Other comprehensive income	Closing
2020	(Rupees in '000)				
Deductible / (taxable) temporary difference					
Income taxable on receipt basis	30,024	46,899	-	-	76,923
Tax credit under Second Schedule	(107,905)	(25,693)	-	-	(133,598)
Provisions	(20,308)	3,436	-	-	(16,872)
Accelerated tax depreciation allowances	20,425	(11,965)	-	-	8,460
Deferred tax on incremental depreciation	3,071	289	-	-	3,360
Surplus on revaluation of property and equipment	2,111	-	2,166	-	4,277
	(72,582)	12,966	2,166	-	(57,450)

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 14. FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED

(Rupees in '000)	Note	2021	2020
Running finance	14.1	543,319	158,634
Inland bills purchased	14.2	34	260,372
		543,353	419,006

**14.1** The Company has obtained running finance facility from HBL, JS Bank, Faysal Bank and Standard Chartered Bank with a sanctioned limit of Rs. 120 million, 300 million, 200 million and 500 million, respectively, bearing mark-up at the rates prescribed therein the facility offer letters that includes 2 month KIBOR plus Bank spread (2.25%). The facilities are secured against first mortgage charges created through equitable mortgage with legal mortgage of notional value over fixed assets (land & building) of the Company, ranking hypothecation charge 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.

#### 14.2 Inland bills purchased

(Rupees in '000)	Note	2021	2020
Habib Bank Limited	14.2.1	-	120,000
JS Bank Limited	14.2.2	34	100,000
Faysal Bank Limited	14.2.3	-	40,372
		34	260,372

**14.2.1** This facility has a sanctioned limit of Rs. 334 million (2020: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2020: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2020: invoices / bills receivable from customers), 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.

**14.2.2** This facility has a sanctioned limit of Rs. 50 million (2020: Rs.100 million) bearing mark-up at the rate of 3 month KIBOR plus 2% (2020: 1 Month KIBOR plus 2% bank charges). The facility is secured against token mortgage charge of 100,000 along with equitable mortgage over residential property measuring 2 kanal, 1st Pari Passu charge of 235 million over current assets of the company with 15% margin and 25% over current assets.

**14.2.3** This facility has a sanctioned limit of Rs. 200 million (2020: Rs. 200 million) bearing mark-up at the rate of 3 month KIBOR plus 2% (2020: 3 month KIBOR plus 2%). The facility is secured against its Pari Passu charge of 267 million, invoices / bills receivable from customers, charge on present and future current assets of the Company with 5% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

(Rupees in '000)	Note	2021	2020
<b>15. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors		123,404	180,058
Accrued expenses		57,053	52,773
Payable to related parties	15.1 & 26.2.2	216,699	136,390
Payable to provident fund		3,958	28,600
Employee Share Portion - Vehicle		23,764	17,767
Tax payable:			
- Withholding tax		110,025	64,016
- Income tax		115,139	105,512
Mark up accrued on:			
- Long-term finances		3,481	1,277
- Finances under mark up arrangements and other credit facilities - secured		5,900	12,403
Loan from CEO	15.2	46,000	-
Other liabilities		42,055	15,220
		747,478	614,016



(Rupees in '000)	Note	2021	2020
<b>15.1 Payable to related parties</b>			
Avanceon FZE		-	11,502
Avanceon Automation and Control WLL		-	9,401
Octopus Digital Limited		216,699	115,487
	15.1.1	216,699	136,390

**15.1.1** This represents amount payable to related parties in respect of subcontracting charges and shared expenses. It is unsecured and does not bear interest.

**15.2** This represents interest free loan, payable on demand, obtained from CEO of the Company for working capital requirements.

(Rupees in '000)	Note	2021	2020
<b>16. CONTRACT LIABILITIES</b>			
Advances from customers		90,814	58,760
Billings in excess of earnings		67,173	23,416
		157,987	82,176
<b>16.1</b> Movement of contract liabilities is as follows:			
As at 01 January		82,176	73,858
Addition during the year		565,704	185,743
Recognized as revenue during the year		(489,893)	(177,425)
As at 31 December		157,987	82,176
<b>17. UNCLAIMED DIVIDEND</b>			
As at 01 January		1,665	253,669
Declared during the year		213,828	-
Paid during the year		(82,525)	(252,004)
As at 31 December	17.1	132,968	1,665

**17.1** This includes dividend payable to the Chief Executive, Mr. Bakhtiar Hameed Wain and Director, Mr. Aamir Wain amounting to Rs. 110 million (2020: Nil) and Rs. 19 million (2020: Nil) respectively.

## **18. CONTINGENCIES AND COMMITMENTS**

### **18.1 Contingencies**

There are no contingencies to report as at year end (2020: Nil)

### **18.2 Commitments**

- (i) Bank guarantees have been issued amounting to Rs. 52.173 million (2020: Rs. 23.168 million) against the performance of various contracts.
- (ii) Letters of credit outstanding at year end amount to Rs. 43.70 million (2020: 47.76 million) which relates to import acceptance bills.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 19. PROPERTY AND EQUIPMENT

### 19.1 Operating fixed assets

2021

(Rupees in '000)	Cost / Revalued Amount as at 01 January 2021	Additions/ Transfers*	Deletions	Effect of revaluation during the year	Cost/revalued amount as at 31 December 2021	Accumulated depreciation as at 01 January 2021	Depreciation charge for the year / (Deletions)	Effect of revaluation / transfers	Accumulated depreciation as at 31 December 2021	Net book value as at 31 December 2021	Rate %
<b>Owned assets</b>											
Freehold land	208,600	-	-	14,900	223,500	-	-	-	-	223,500	-
Buildings on freehold land	91,764	-	-	(1,342)	90,422	-	2,144	(2,144)	-	90,422	5
Tools and equipment	4,506	106	-	-	4,612	1,323	922	-	2,246	2,366	20
Furniture and fixture	14,283	-	-	-	14,283	13,080	554	-	13,634	649	20
Office equipment and appliances	33,494	2,893	(2,200)	-	34,188	29,810	1,768	-	29,378	4,810	20
							(2,200)				
Computers	30,056	15,008	-	-	45,064	20,476	8,414	-	28,891	16,173	33.33
Vehicles	46,376	74	(33,257)	-	32,281	43,527	2,374	-	32,195	86	20
		19,089*					(27,491)	13,785*			
	429,079	18,081	(35,457)	13,558	444,350	108,216	16,176	(2,144)	106,344	338,006	
		19,089*					(29,691)	13,785*			
<b>Right-of-use Assets</b>											
Vehicles	108,053	55,423	(2,111)	-	142,276	49,635	21,839	-	56,919	85,357	20
		(19,089)*					(774)	(13,785)*			
	108,053	55,423	(2,111)	-	142,276	49,635	21,839	-	56,919	85,357	
		(19,089)*					(774)	(13,785)*			
	537,132	73,504	(37,568)	13,558	586,626	157,851	38,016	(2,144)	163,263	423,363	
							(30,465)				

2020

(Rupees in '000)	Cost / Revalued Amount as at 01 January 2020	Additions/ Transfers*	Deletions	Effect of revaluation as at 31 December 2020	Cost/revalued amount as at 31 December 2020	Accumulated depreciation as at 01 January 2020	Depreciation charge for the year / (Deletions)	Effect of revaluation / transfers	Accumulated depreciation as at 31 December 2020	Net book value as at 31 December 2020	Rate %
<b>Owned assets</b>											
Freehold land	186,250	-	-	22,350	208,600	-	-	-	-	208,600	-
Buildings on freehold land	78,911	308	-	12,545	91,764	-	2,204	(2,204)	-	91,764	5
Tools and equipment	3,719	787	-	-	4,506	436	887	-	1,323	3,183	20
Furniture and fixture	14,245	38	-	-	14,283	12,310	770	-	13,080	1,203	20
Office equipment and appliances	32,582	1,012	(100)	-	33,494	28,252	1,658 (100)	-	29,810	3,684	20
Computers	27,368	4,887	(2,198)	-	30,056	15,626	7,024 (2,174)	-	20,476	9,580	33.33
Vehicles	9,959	- 41,174*	(4,757)	-	46,376	9,159	582 (4,504)	- 38,290*	43,527	2,849	20
	353,034	7,032 41,174*	(7,055)	34,895	429,079	65,783	13,124 (6,778)	(2,204) 38,290*	108,216	320,863	
<b>Right-of-use Assets</b>											
Vehicles	141,281	10,029 (41,174)*	(2,083)	-	108,053	63,912	25,506 (1,493)	- (38,290)*	49,635	58,418	20
	141,281	10,029 (41,174)*	(2,083)	-	108,053	63,912	25,506 (1,493)	- (38,290)*	49,635	58,418	
	494,315	17,061	(9,138)	34,895	537,132	129,695	38,630 (8,271)	(2,204)	157,851	379,281	

\* This represents transfer of vehicles from right-of-use asset to owned vehicle after the completion of lease term.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 19.1.1 The depreciation charge has been allocated as follows:

(Rupees in '000)	Note	2021	2020
Cost of revenue	30.1	19,008	19,315
Administrative and selling expenses	31	19,008	19,315
		38,016	38,630

**19.1.2** Fair value of the land and building as at 31 December 2021 was performed by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. The valuations have been performed based on proprietary databases of prices of transactions for assets of similar nature, location and condition.

This revaluation resulted in Rs. 14.9 million surplus (2020: Rs. 22.35 million) on land and Rs. 0.802 million surplus (2020: Rs. 14.749 million) in respect of building. Detailed particulars are as follows:

(Rupees in '000)	Cost / Depreciated	Revalued amount
Freehold land	208,600	223,500
Buildings on freehold land	89,620	90,422
	298,220	313,922

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

(Rupees in '000)	2021	2020
Freehold land	8,647	8,647
Buildings on freehold land	32,164	33,309
	40,811	41,956

**19.1.3** 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.

**19.1.4** The forced sales value of revalued assets at the revaluation date amounted to Rs. 262.312 million.

### 19.1.5 Disposal of Property and equipment

Detail of Property and equipment disposed off during the respective years is as follows:

(Rupees in '000)		2021					
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal
Owned Vehicles							
Suzuki Swift DX 1328CC-LE-16-2907	Employee (Abdul Rehman Zia)	1,316	1,316	-	256	256	As per policy
Honda City White LEE-15-4089	Employee (Adeel Shehzad Baig)	1,691	1,691	-	331	331	As per policy
H.Civic 1.8 i-vtech-SR Reg#LEA-18-7074	Employee (Saqib Rauf)	2,729	2,138	591	830	239	As per policy
Audi A4 1.4 TFSI Mythos Black MY16	Employee (Junaid Mushtaq Paracha)	6,072	6,072	-	2,795	2,795	As per policy
Audi A414 Glacier White 1395cc LEH-17	Employee (Adeel Khalid)	6,052	4,136	1,917	3,960	2,043	As per policy
Suzuki Swift 1300cc LEH-18-3839	Employee (Waqas Khalid)	1,477	935	542	807	265	As per policy
Honda City 1.5 Prosmetec LEE-18-2516	Employee (M. Fahad Shabir)	1,842	1,259	583	1,016	433	As per policy
Honda Civic PT 1.8 Auto Reg-BDY-974	Employee (Muhammad Akmal)	2,514	2,514	-	740	740	As per policy
Suzuki Swift DX 1328CC-BDV-985	Employee (Maria Urooj)	1,250	1,250	-	244	244	As per policy
Rivo 4x4 super white AEW-725	Employee (Hussain Ahmad)	4,458	3,863	594	2,490	1,896	As per policy
Suzuki WaginR VXL MT-LEC-18A-8762	Employee (Shahid Ali)	1,265	738	527	730	203	As per policy
TOYOTA Vitz- LEE-16-2682	Mr. Abid Ansar (in open Market)	1,326	862	464	1,560	1,096	Bidding
Suzuki WaginR VXL MT-LEC-18A-3515	Employee (Arsalan Ghazi)	1,265	717	548	1,375	827	Negotiation
		33,258	27,491	5,766	17,135	11,368	
Leased Asset							
Honda city prosmatec Reg.(ANX-601)	Employee (Saad Noor)	2,111	774	1,337	2,596	1,260	As per policy
Other assets with book value less than Rs. 500,000		2,200	2,200	-	528	528	Bidding
		37,568	30,465	7,103	20,259	13,156	
2020							
(Rupees in '000)		Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/ (Loss)	
		9,138	8,271	867	4,077	3,210	

(Rupees in '000)		Note	2021	2020
20. INTANGIBLE ASSETS				
Cost	20.1	17,677	17,677	
Less: Accumulated amortization	20.2	(17,677)	(17,677)	
Net book value as at 31 December			-	-
Amortization rate			33.33%	33.33%
20.1 Cost				
As at 01 January		17,677	17,677	
Additions during the year		-	-	
As at 31 December			17,677	17,677
20.2 Amortization				
As at 01 January		17,677	17,677	
For the year		-	-	
As at 31 December			17,677	17,677

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 21. LONG TERM INVESTMENTS

(Rupees in '000)	Note	2021		(Restated) 2020	
		Equity % held	Investment at cost	Equity % held	Investment at cost
Investment in subsidiaries - at cost					
<b>Avanceon FZE Dubai</b>					
- 26 (2020 : 26) fully paid ordinary shares of AED 1 million each	21.1	100	473,671	100	473,671
- Long-term interest free receivables	21.1.1		1,975,352		1,785,679
			2,449,023		2,259,350
<b>Avanceon Automation and Control W.L.L, Qatar</b>					
- 98 (2020 : 98) fully paid ordinary shares of QAR 1,000 each	21.2	49	8,446	49	8,446
- Long-term interest free receivables	21.2.1		1,024,100		475,526
			1,032,546		483,972
<b>Octopus Digital Limited</b>					
Opening balance (1,000,000 shares 2020: 1,000,000)		80	10,000	100	10,000
108,400,000 shares issued by ODL for business transfer at Rs. 10 each			-		-
Closing balance (109,399,995 shares 2020: 109,400,000)	21.3		10,000		10,000
The market value of investment of the Company as at year end amount to Rs. 8,506,943,611 (at Rs. 77.76 per share)					
<b>Octopus Digital Inc.</b>					
- Long-term interest free receivable	21.4	100	422,020	100	381,498
			3,913,589		3,134,820

**21.1** 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 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 provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services. The Establishment is wholly owned subsidiary of the Company.

**21.1.1** Under the agreement between the Company and Avanceon FZE, following amounts due from the subsidiary have been classified as interest free long-term receivables, payable at discretion of the subsidiary. The Company intends to make further equity investment in the subsidiary after obtaining the applicable regulatory approvals which would then enable the subsidiary to repatriate these amounts.

**21.2** 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 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 Company are to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services. It 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.

**21.2.1** Under the agreement between the Company and Avanceon Automation and Control WLL, amount due from the subsidiary in respect of trade debts has been classified as interest free long-term receivable, payable at discretion of the subsidiary. The Company intends to make further equity investment in the subsidiary after obtaining the applicable regulatory approvals which would then enable the subsidiary to repatriate this amount.

### 21.3 Business restructuring adjustment - restatement

Octopus Digital Limited (ODL) is a subsidiary of the Company where the Company owns 80% (2020: 100%) of the share capital of ODL. ODL was listed on PSX during the current year.

As explained note 1 to the financial statements the Company transferred AMS business segment to ODL in the prior year. The AMS business is also reported as separate business segment in the consolidated financial statements of the Company. The business transfer arrangement was approved by the members in Extraordinary General Meeting (EOGM). In order to determine the fair value of the segment the Company hired a third-party expert who determined the fair value by using Income Based approach, whereby calculating the present value of future cash flows of AMS business to be Rs. 1,084 million. The ODL, after the approval of the SECP, has issued 108,400,000 shares of Rs. 10 each to the Company as a consideration otherwise than in cash.

The effective date of business transfer was 01 January 2020 and from this date ODL was responsible for providing technical support for carrying AMS business throughout the group (local and foreign operations) for all the current and future contracts falling under AMS business. ODL is also carrying out AMS projects independently with third parties. The management considers AMS business to be niche segment and a separate company was incorporated to fully focus on this segment.

The issuance of additional shares by the wholly owned subsidiary to the Company in consideration of the AMS business should be recorded at the cost of the business transferred (i.e., NIL) considering the guidance available under the International Financial Reporting Standards and hence, and accordingly, the cost of investment has been adjusted retrospectively. This restatement has resulted in long-term investment and unappropriated profits of the Company being reduced by 1,084 million. The restatement did not have any impact to the statement of profit or loss and statement of cash flows for the year ended 31 December 2020.

#### 21.3.1 The summary of financial performance of Octopus Digital Limited is as follows:

(Rupees in '000)	2021	2020
Revenue from contracts with customers - net	625,196	277,114
Cost of revenue	(151,982)	(7,754)
Gross profit	473,215	269,360
Profit after taxation for the year	345,951	219,741

The revenue includes revenues billed to the parent and associated companies.

### 21.4 Octopus Digital Inc. (ODI) (formerly "Innovative Automation & Engineering Inc.") was incorporated in the state of Pennsylvania on 26 October 2006. It is a wholly owned subsidiary of Avanceon FZE. Its registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. It holds 26.11% (2020: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, the General Partner and has no operations. Under the agreement between the Company and ODI, amount due from the subsidiary in respect of other receivables has been classified as interest free long-term receivable, payable at discretion of the sub-subsidiary.

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

## 22. LONG TERM LOANS, DEPOSITS AND RECEIVABLES

(Rupees in '000)	Note	2021	2020
Security deposits	22.1	1,675	1,654
Loan to employees	22.2	3,409	618
		5,084	2,272
Less: Current portion of loan to employees		(800)	(200)
		4,284	2,072

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

**22.1** These are interest free deposits against utilities and lease facilities, in the normal course of business. The fair value adjustment in accordance with the requirements of IFRS 9 Financial Instruments: Recognition and Measurement' arising in respect of long-term loans is not considered material and hence not recognized.

**22.2 Reconciliation of carrying amount of loans to employees:**

(Rupees in '000)	2021	2020
Opening balance	618	1,861
Add: Disbursements during the year	2,791	
Less: Repayments during the year	-	(1,243)
Closing balance	3,409	618

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 instalments. The fair value adjustment in accordance with the requirements of IFRS 9 Financial Instruments: Recognition and Measurement' arising in respect of long-term loans is not considered material and hence not recognized.

(Rupees in '000)	Note	2021	2020
<b>23. STOCK-IN-TRADE</b>			
Local stock		1,480	1,521
Imported stock		53,183	38,463
		54,663	39,984
<b>24. TRADE DEBTS</b>			
Due from related parties	24.1	707,932	699,075
Less: Allowance for expected credit losses	24.4	(57,224)	(32,514)
		650,708	666,561
Due from others	24.2	427,141	302,898
Less: Allowance for expected credit losses	24.3	(1,638)	(1,649)
		425,503	301,249
		1,076,211	967,810

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

**24.1 Due from related parties**

Avanceon Free Zone Establishment, UAE	24.1.1	398,730	254,161
Avanceon Automation & Control WLL, Qatar	24.1.2	770,709	444,914
Less: Amount converted to long-term interest free receivable	21.2.1	(498,064)	-
		272,645	444,914
Octopus Digital Limited	24.1.3	31,853	-
Avanceon Saudi Energy Company	24.1.4	4,704	-
		707,932	699,075

The amounts due from related parties are interest free and repayable in normal course of business.



(Rupees in '000)		2021	2020
<b>24.1.1 Ageing of Avanceon Free Zone Establishment</b>			
30 days		22,975	122,355
30 - 90 days		50,668	36,216
90 - 180 days		63,264	27,257
180 - 360 days		261,823	68,333
		398,730	254,161
<b>24.1.2 Ageing of Avanceon Automation and Control WLL</b>			
30 days		33,964	192,588
30 - 90 days		104,577	58,835
90 - 180 days		91,492	58,255
180 - 360 days		42,612	135,236
		272,645	444,914
<b>24.1.3 Ageing of Octopus Digital Limited</b>			
30 days		-	-
30 - 90 days		31,618	-
90 - 180 days		235	-
180 - 360 days		-	-
		31,853	-
<b>24.1.4 Ageing of Avanceon Saudi Energy Company</b>			
30 days		2,043	-
30 - 90 days		2,661	-
90 - 180 days		-	-
180 - 360 days		-	-
		4,704	-
<b>24.2 Ageing of due from others</b>			
Less than one year		392,912	275,587
One to two years		6,852	11,697
Two to three years		27,377	15,614
		427,141	302,898
<b>24.3 Allowance for expected credit losses - Others</b>			
Balance as at 01 January - Reported		1,649	7,919
Add: Allowance for the year		-	1,649
Less: Reversal during the year	33.2	(11)	(7,919)
Balance as at 31 December		1,638	1,649
<b>24.4 Allowance for expected credit losses - Related parties</b>			
Balance as at 01 January		32,514	-
Add: Allowance for the year	33.2	24,710	32,514
Balance as at 31 December		57,224	32,514

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

(Rupees in '000)	Note	2020	2019
Avanceon Free Zone Establishment		398,730	254,161
Avanceon Automation & Control WLL		770,709	444,914
Octopus Digital Limited		31,853	-
Avanceon Saudi for Energy Company		4,704	-

## 25. CONTRACT ASSETS

Earnings in excess of billings	25.1	137,727	135,894
Project deferred revenue		45,059	49,251
Project Revenue - unbilled		-	3,403
Less: Allowance for expected credit losses	25.2	(589)	(617)
		182,197	187,931

### 25.1 Ageing of Earnings In Excess of Billings

Less than one year		121,926	117,225
One to two years		12,983	17,929
Two to three years		2,818	740
		137,727	135,894

### 25.2 Allowance for expected credit losses

Balance as at 01 January		617	3,375
Add: Allowance for the year		-	617
Less: Reversal during the year	33.2	(28)	(3,375)
Balance as at 31 December		589	617

## 26. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good			
- To employees		42,886	9,673
- To suppliers		15,820	40,961
		58,706	50,634
Prepayments		44,709	3,394
Margin paid against bank guarantees / letters of credit		35,327	23,396
Tax refunds due from government - considered good - Sales tax		60,312	50,285
Retention money - considered good		-	1,277
Earnest money - considered good		300	408
Due from subsidiaries - unsecured			
- Dividend receivable	26.1	950,823	485,086
- Others	26.2	1,496	-
		952,319	485,086
Due from subsidiary - Octopus Digital Limited		-	26,805
Other receivables - considered good		4,781	1,270
		1,156,454	642,555

**26.1** This represents dividend receivable from Avanceon FZE and Avanceon Automation and Control WLL, wholly owned subsidiaries.

(Rupees in '000)	Note	2021	2020
Avanceon FZE		451,815	205,020
Avanceon Automation and Control WLL		638,589	303,912
Total dividend receivable		1,090,404	508,932
Less: Allowance for expected credit losses	26.1.1	(139,581)	(23,846)
		950,823	485,086
<b>26.1.1 Allowance for expected credit losses</b>			
Balance as at 01 January		23,846	13,094
Add: Allowance for the year	33.2	115,735	10,752
Balance as at 31 December		139,581	23,846

**26.1.2** Provision for expected credit loss - Avanceon Automation and Control WLL

**26.2** This represents amount due from following related parties in respect of expenses incurred by the Company on their behalf:

(Rupees in '000)	2021	2020
Avanceon Saudi Energy Company	1,496	-

**26.2.2** Corresponding figures have been reclassified for the purpose of better presentation as follows:

Description	Reclassified to	Reclassified from	2020
Related party balances	Creditors, accrued and other liabilities	Due from subsidiaries	20,903,000

**27. SHORT-TERM INVESTMENTS**

2021 (Number of Shares)	2020 (Number of Shares)	Name of investee companies	Fair value	
			2021 (Rupees in '000)	2020 (Rupees in '000)
424	11,424	The General Tyre and Rubber Company of Pakistan Ltd.	185	947
-	9,000	Gul Ahmed Textile Mills	-	331
-	15,025	Maple Leaf Cement Factory	-	676
-	30,000	Hascol Petroleum Limited	-	441
-	15,000	Ghani Global Holdings Limited	-	245
-	1,265	The Searle Company Limited	-	315
			185	2,955

(Rupees in '000)	Note	2021	2020
<b>28. CASH AND BANK BALANCES</b>			
Cash in hand		128	144
Cash with banks:			
Current accounts			
Local currency		94,158	54,220
Foreign currency		111	101
Savings accounts			
Local currency	28.1	16,990	11,973
		111,259	66,294
		111,387	66,438

**28.1** Profit on balances in saving accounts ranges from 7.25% to 8.75% (2020: 6.58% to 7.48%) per annum.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 29. REVENUE FROM CONTRACTS WITH CUSTOMERS

(Rupees in '000)	Note	2021	(Restated) 2020
<b>29.1 Disaggregation of revenue</b>			
Local sales and services	29.1.1	1,196,181	840,950
Export sales and services	29.2 & 29.4	639,032	585,197
		1,835,213	1,426,147
<b>Timing of revenue recognition</b>			
At a point in time		789,501	741,786
Over the time		1,045,712	684,361
		1,835,213	1,426,147
<b>29.1.1 Local sales and services</b>			
Sale of goods		1,084,103	727,738
Less: Sales tax		(164,360)	(105,088)
		919,743	622,650
Services rendered		311,034	240,697
Less: Sales tax		(34,596)	(22,397)
		276,438	218,300
Net sales	29.1.2	1,196,181	840,950
<b>29.2 Export sales and services</b>			
Agency commission		14,483	11,767
Project revenue - export		215,548	165,958
IT enabled back office support		155,196	150,412
IT enabled engineering / support services		253,805	257,060
		639,032	585,197
<b>29.3 Contract balances</b>			
Trade receivables		1,076,211	967,810
Contract assets		182,197	187,931
Contract liabilities		157,987	82,176

In 2021, Rs. 23.211 million (2020: Rs. 16.65 million) was recognised as allowances for expected credit losses on trade debts whereas no trade debts were written off (2020: Nil). The Company's trade debts increased due to related parties balances as disclosed in Note 24.

Contract assets relate to revenue earned from ongoing projects which has not been billed yet. As such, the balances of this account vary and depend on the number of ongoing projects at the end of the year. In 2021, the contract balances increased due to on-going projects which have not yet approached their billing milestones at the year end as per the contract terms.

Contract liabilities include billings in excess of earnings. This results from projects where the billing milestones are reached in advance of the Company's progress towards satisfaction of performance obligations. The outstanding balances of these accounts show nominal increase in 2021 which is mainly due to projects undertaken for which the Company has reached billing milestones as per terms agreed in the contracts.

- 29.4** The Company entered into contract with group companies for the transfer of After Market Support (AMS) business segment of the Company with effect from 01 January 2020, whereby for the year ended 31 December 2020, the group companies shall transfers profit margins earned from AMS business segment to Octopus Digital Limited (ODL)

via the Company. During the year, the Company has changed this practice and the profit margin of prior years is recorded directly between ODL and other group companies. This change has resulted in decrease in corresponding figures of Project revenue - export and Cost of sales - installation charges by Rs. 121 million. However there is no change in the gross profit and profit after tax of the Company for the year ended 31 December 2020. Since this change in policy has an impact only on the balances as at 31 December 2020 therefore statement of financial position as at 01 January 2020 has not been presented.

## 29.5 Performance Obligation

### Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 days from delivery.

### Services

The performance obligation is satisfied over-time and payment is generally due within 30 days of the end of term period. In some contracts, short-term advances are required before the technical and engineering services are provided.

### Project revenue

The performance obligation is satisfied over-time and payment is generally due within 30 days from reaching a milestone as per contract and acceptance of the customer. In some contracts, short-term advances are required before the services are provided under the contract.

As at year end, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) amounted to Rs. 1,178.491 million (2020: Rs. 1,262.5 million) and the Company expects to recognize this as revenue when the milestones are achieved in future or when the services are rendered, mostly within one to two years.

Contract assets and liabilities mainly arise from the projects as the Company recognizes revenue using cost to complete method while the respective customers are billed when a milestone is achieved as agreed in the contract.

(Rupees in '000)	Note	2021	(Restated) 2020
<b>30. COST OF REVENUE</b>			
Opening stock		39,984	52,733
Purchases and direct expenses		1,249,173	849,068
Closing stock		(54,663)	(39,984)
	30.1	1,234,494	861,817
<b>30.1 Cost of revenue</b>			
Materials consumed		684,596	473,611
Salaries, wages, allowances and other benefits	30.2	212,807	165,848
Employees' share option expense		39,355	9,154
Telephone, postage and telex		9,459	6,010
Utilities		3,104	2,138
Travelling and conveyance relating to engineering services		52,408	28,824
Installation charges	29.4	188,863	142,235
Agency commission		-	-
Entertainment relating to engineering services		4,139	1,640
Repairs and maintenance		1,381	1,529
Printing and stationery		982	625
Insurance		8,403	2,153
Office rent		1,903	2,678
Training		710	1,209
Fee and subscription		580	975
Depreciation on property and equipment	19.1.1	19,008	19,315
Amortization on intangible assets	20.2.1	-	-
Other expenses		6,796	3,873
		1,234,494	861,817

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- 30.2** Salaries, wages and benefits include Rs. 11.577 million (2020: Rs. 9.9 million) and Rs. 0.99 million (2020: Rs. 0.432 million) representing provident fund contribution by the Company and accumulating compensated absences respectively. Amount of Rs. 181.61 million (2020: Rs. 117.49 million) relates to project services revenue.

(Rupees in '000)	Note	2021	2020
<b>31. ADMINISTRATIVE AND SELLING EXPENSES</b>			
Salaries, wages, allowances and other benefits	31.1	74,815	77,026
Employees' share option expense		59,032	13,731
Telephone, postage and telex		8,045	5,133
Utilities		3,101	2,135
Entertainment		991	826
Repairs and maintenance		3,903	4,496
Sales promotion expenses		1,006	1,737
Printing, stationery and periodicals		574	622
Vehicle running and maintenance		2,832	1,919
Travelling and conveyance		7,310	7,653
Office rent		1,903	2,678
Training		350	796
Insurance		4,075	2,153
Legal and professional charges		8,415	2,748
Auditors' remuneration	31.2	3,167	2,914
Fee and subscription		8,812	6,506
Corporate expenses		11,254	374
Late delivery charges		-	30
Depreciation on property and equipment	19.1.1	19,008	19,315
Bad debts write-off		2,384	-
Provision for bad earnings		1,575	1,179
Provision for retention money		1,277	-
Provision for earnest money		408	-
Allowance for expected credit losses - trade debts		1,765	-
Allowance for expected credit losses - contract assets		1,702	-
Allowance for expected credit losses - related parties		137,772	-
Other expenses		6,853	4,047
		372,329	158,018

- 31.1** Salaries, wages and benefits include Rs. 3.67 million (2020: Rs. 2.2 million) and Rs. 0.66 million (2020: Rs. 0.288 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

(Rupees in '000)	Note	2021	2020
<b>31.2 Auditor's remuneration</b>			
Statutory audit		2,079	1,890
Half yearly review		704	640
Code of corporate governance		100	100
Other charges and out of pocket expenses		284	284
		3,167	2,914
<b>32. OTHER OPERATING EXPENSES</b>			
Donations	32.1	4,617	3,857

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

(Rupees in '000)	Note	2021	2020
<b>33. OTHER OPERATING INCOME</b>			
Income from financial assets	33.1	498,168	102,009
Income from non-financial assets	33.2	481,836	328,704
		980,004	430,713
<b>33.1 Income from financial assets</b>			
Profit on bank deposits		1,143	651
Capital gain on short-term investment		282	994
Exchange gain		496,743	99,847
Fair value gain on short-term investments		-	517
		498,168	102,009
<b>33.2 Income from non-financial assets</b>			
Gain on disposal of property and equipment	19.1.5	13,156	3,210
Dividend income on short-term investment		-	5
Reversal of allowance for expected credit losses-trade debts	24.3	-	6,270
Reversal of allowance for expected credit losses-contract asset	25.2	-	2,758
Reversal of allowance for expected credit losses-related parties		-	2,798
Dividend income from subsidiaries		461,370	301,500
Amortization of deferred grant	12	1,466	624
Others		5,844	11,539
		481,836	328,704
<b>34. FINANCE COSTS</b>			
Mark-up and interest on:			
- Long-term loan		3,568	1,277
- Finances under mark up arrangements and other credit facilities - secured		39,678	57,163
- Lease liabilities		4,893	6,406
- Provident fund		3,881	2,177
Bank charges		3,527	1,166
Guarantee commission		1,139	899
		56,686	69,088
<b>35. TAXATION</b>			
Current			
- for the year		56,620	79,387
- for prior years		-	-
Deferred			
- for the year		69,361	10,854
		125,981	90,241

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Numerical reconciliation between the accounting profit and tax expense for the year is as follows:

(Rupees in '000)	2021	2020
Accounting profit before tax from continuing operations	-	764,080
Tax at the applicable rate	-	221,583
Add: Effect of inadmissible / admissible expenses - net	-	(31,752)
Less: Effect of income chargeable to tax at Final Tax Regime	-	(2,427)
Less: Tax credits	-	(20,909)
Less: Income chargeable to tax on receipt basis	-	(87,435)
Others	-	326
Tax expense	-	79,387

**35.1** Reconciliation between accounting profit and tax expense for the current year is not presented as the provision for current income tax for the year is based on minimum tax under section 153 of Income Tax Ordinance, 2001.

### 36. EARNINGS PER SHARE

		2021	2020
<b>36.1 Basic earnings per share</b>			
Net profit for the year	Rupees in thousand	1,021,110	673,839
			Restated
Weighted average number of ordinary shares	Numbers in thousand	256,593	211,790
Earnings per share	Rupees	3.98	3.18

#### 36.2 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.

		2021	2020
Net profit for the year	Rupees in thousand	1,021,110	673,839
			Restated
Weighted average number of ordinary shares	Numbers in thousand	256,593	211,790
Adjustment for share options	Numbers in thousand	4,246	4,862
Weighted average number of ordinary shares for diluted earnings per share	Numbers in thousand	260,839	216,652
Diluted earnings per share	Rupees	3.91	3.11

**36.2.1** 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.

The weighted average number of ordinary shares of 2020 has been restated in accordance with the requirements of IAS 33 due to issuance of 42,765,560 bonus shares in 2021.



**37. CASH FLOWS FROM OPERATING ACTIVITIES**

(Rupees in '000)	Note	2021	2020
Profit before tax		1,147,091	764,080
Adjustments for:			
Depreciation on property and equipment	19	16,176	13,124
Depreciation on right of use of assets	19	21,839	25,506
Provision for doubtful debts and earnings	31	1,575	1,179
Employees' share option expense	30 & 31	98,387	20,408
Trade debts written off - specific	31	2,384	-
Allowance for expected credit losses - trade debts	31	1,765	(6,270)
Allowance for expected credit losses - contract assets	31	1,702	(2,758)
Allowance for expected credit losses - related parties	31	137,772	(2,798)
Capital gain on short-term investment	33	(282)	(994)
Provision for retention money	31	1,277	-
Provision for earnest money	31	408	-
Fair value gain on short-term investments	33	-	(517)
Exchange gain	33	(496,743)	(79,452)
Gain on disposal of property and equipment	33	(13,156)	(3,210)
Finance cost	34	56,686	69,088
Profit on bank deposits	33	(1,143)	(651)
Dividend income	33	(461,370)	(301,500)
Amortization of deferred grant	33	(1,466)	(624)
		(634,189)	(269,469)
Profit before working capital changes		512,902	494,611
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets			
- Stock in trade		(14,679)	12,749
- Trade debts		(109,020)	(661,335)
- Contract assets		7,436	(36,990)
- Advances, deposits, prepayments and other receivables		(409,561)	293,411
Increase / (decrease) in current liabilities			
- Creditors, accrued and other liabilities		91,752	203,140
- Contract liabilities		75,811	8,318
		(358,261)	(180,707)
Cash generated from operations		154,641	313,904

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 38. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiaries, shareholders, directors of the Company, employees benefit funds and key management personnel. The Company carries out transactions with its related parties as per agreed terms. Significant related party transactions, other than remuneration of directors which is disclosed in Note 43, are as follows:

Name of related party	Relationship with the Company	Basis of Relationship	Nature of transactions	(Restated)	
				2021 (Rupees in thousand)	2020
Avanceon FZE- UAE (AVFZE)	Subsidiary	100% shareholding	Agency commission charged	14,483	11,767
			Income against engineering / support services	80,556	19,470
			Back office support income	77,598	75,206
			Revenue recognized on the projects based on the stage of completion	71,762	69,340
			Dividend income	200,250	101,304
			Collection / adjustment from AVFZE	150,670	348,248
			Payment to suppliers by AVFZE on behalf of the Company	117,704	113,878
			Payment during the year	87,396	-
			Payment to employees by AVL on behalf of the AFZE	24,230	42,205
			Payment to suppliers by AVL on behalf of AVFZE	104,375	25,263
Avanceon Automation and Control - AVAC	Subsidiary	49% shareholding and control over financial and operating decision making.	Income against engineering / support services	173,249	237,591
			Back office support income	77,599	75,206
			Revenue recognized on the projects	139,131	96,599
			Dividend income	261,120	200,196
			Payment to suppliers by AVAC on behalf of the Company	36	1,539
			Payment to employees by AVL on behalf of the AVAC	44,639	22,938
			Payment to suppliers by AVL on behalf of AVAC	9,895	13,009
			Cash received from AVAC	142,310	28,132
			Interest free financing converted into equity	498,064	-
Avanceon Saudi Energy Company - KSA (AVSEC)	Subsidiary	100% shareholding	Payment to suppliers by AVL on behalf of AVSEC	1,462	-
			Revenue recognized on the projects	4,655	-
Innovative Travels (Private) Limited	Associated Company	Common directorship	Services rendered during the year	-	703
			Payments during the year	-	703
Octopus Digital Limited - ODL	Subsidiary	80% shareholding	Reimbursement of expenses	4,896	1,820
			Salaries payment	51,335	27,540
			Installation charges	41,014	65,577
			Subcontracting charges incurred	21,205	17,151
			Fee for technical services charged	24,000	24,000
			Payments to suppliers by AVL on behalf of ODL	63,135	7,885
				408,404	1,130
			Payments during the year	50,000	-
			Back office support income	596,400	6,000
			Payment received		
Bakhtiar Hameed Wain	Key Management Personnel	CEO		46,000	-
Contribution to staff provident fund	Employees' Provident Fund	Provident fund	Loan received Expense	15,247	12,071

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

**38.1 PARTICULARS OF RELATED PARTIES INCORPORATED OUTSIDE PAKISTAN**

	Name of Entity			
	Avanceon FZE (UAE)	Avanceon Saudi Energy Company	Avanceon Automation and Control WLL, (Qatar)	Octopus Digital Inc. USA
Registered address	Jebel Ali Free Zone, Dubai, United Arab Emirates	3141 Ans Ibn Malik - AlMalqa Dist. Unit No. 718, Riyadh, 13521-8292	Al Jaber Engg. HO Building, Fox Hills, Lusail, Doha - Qatar	1800 John F. Kennedy Boulevard Suite 1601 Philadelphia, PA
Country of incorporation	UAE	Kingdom Saudi Arabia	Qatar	USA
Basis of association	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Aggregate Percentage of shareholding	100%	100%	49% shareholding and control over financial and operating decision making.	100%
Shareholding through other entities	N/A	N/A	Remaining 51% shareholding by Arkan Integrated Development LLC	N/A
Chief Executive	Bakhtiar Hameed Wain	Junaid Ul Islam	Bakhtiar Hameed Wain	Bakhtiar Hameed Wain
Operational status	Providing industrial automation, process control and systems integration solutions, trading in products of automation and control equipment and providing related technical services.	Providing industrial automation, process control and systems integration solutions, trading in products of automation and control equipment and providing related technical services.	Providing industrial automation, process control and systems integration solutions, trading in products of automation and control equipment and providing related technical services.	The Company holds 26.11% (2020: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.
Auditor's opinion on latest available financial statements	Unmodified opinion	Modified opinion	Unmodified opinion	Unmodified opinion

**39. PROVIDENT FUND**

(Rupees in '000)

	2021	2020
Size of fund	194,807	134,885
Fair value of investments made	147,444	97,207
Cost of investment made	138,641	95,091
Percentage of investments made	76%	72%

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

	2021 (Un-audited)		2020 (Audited)	
	Investments (Rupees in '000)	Investment as % of size of the fund	Investments (Rupees in '000)	Investment as % of size of the fund
Government Securities	77,843	53%	53,319	40%
Scheduled Banks	10,563	7%	5,635	4%
Other Mutual Funds	20,528	14%	18,676	14%
Listed Securities	38,509	26%	19,577	15%
	147,443		97,207	

**39.2** 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.

**40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**
**40.1 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 Centre of the Company.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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.

**(ii) 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 Centre. 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 Euro (EUR), United States Dollar (USD), United Arab Emirates Dirham (AED) and Qatari Riyal (QAR). The Company's exposure to foreign currency changes for all other currencies is not material. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency creditors, debtors and bank balances as shown below:

(Amounts in '000)	2021				
	Rupees	EUR	USD	AED	QAR
Trade debts					
- Avanceon FZE Dubai	398,730	-	-	8,226	-
- Avanceon Automation and Control W.L.L, Qatar	272,645	-	-	-	5,579
Dividend receivable - due from related parties					
- Avanceon FZE Dubai	451,815	-	-	9,322	-
- Avanceon Automation and Control W.L.L, Qatar	638,589	-	-	-	13,067
- Octopus Digital Inc., USA	-	-	-	-	-
Bank balances	111	-	1	-	-
	1,761,890	-	1	17,548	18,646
Trade Payables					
- Avanceon FZE Dubai	-	-	-	-	-
- Others					
AED	(12)	-	-	(.25)	-
EUR	(24,182)	(122)	-	-	-
USD	(55,366)	-	(311)	-	-
<b>Net Exposures</b>	<b>1,682,330</b>	<b>(122)</b>	<b>(310)</b>	<b>17,548</b>	<b>18,646</b>
(Amounts in '000)	2020				
	Rupees	EUR	USD	AED	QAR
Trade debts					
- Avanceon FZE Dubai	527,137	-	-	12,188	-
- Avanceon Automation and Control W.L.L, Qatar	780,973	-	-	-	18,256
- Octopus Digital Inc., USA	-	-	-	-	-
Bank balances	101	-	1	-	-
	1,308,211	-	1	12,188	18,256
Trade Payables					
- Avanceon FZE Dubai	-	-	-	-	-
- Others					
AED	(12)	-	-	(.28)	-
EUR	(24,182)	(123)	-	-	-
USD	(55,366)	-	(346)	-	-
<b>Net Exposures</b>	<b>1,228,651</b>	<b>(123)</b>	<b>(345)</b>	<b>12,188</b>	<b>18,256</b>

The following significant exchange rates were applied during the year:

	2021	2020
<b>Rupees per USD</b>		
Average rate	163.70	157.67
Reporting date rate	177.88	160.23
<b>Rupees per Euro</b>		
Average rate	197.50	185.12
Reporting date rate	198.50	196.50
<b>Rupees per AED</b>		
Average rate	44.73	42.74
Reporting date rate	48.47	43.25
<b>Rupees per QAR</b>		
Average rate	45.03	42.69
Reporting date rate	48.87	42.78

#### Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in the US Dollar, Arab Emirates Dirham, Qatari Riyal and Euro exchange rate, with all other variables held constant, of the Company's profit before tax and equity.

		EUR		
		Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
(Rupees in '000)				
2021	5%	(1,211)	(860)	
	-5%	1,211	860	
2020	5%	(1,208)	(858)	
	-5%	1,208	858	
(Rupees in '000)		USD		
2021	5%	(2,757)	(1,957)	
	-5%	2,757	1,957	
2020	5%	(2,763)	(1,962)	
	-5%	2,763	1,962	
(Rupees in '000)		QAR		
2021	5%	45,562	32,349	
	-5%	(45,562)	(32,349)	
2020	5%	39,049	27,725	
	-5%	(39,049)	(27,725)	
(Rupees in '000)		AED		
2021	5%	42,528	30,195	
	-5%	(42,528)	(30,195)	
2020	5%	26,356	18,713	
	-5%	(26,356)	(18,713)	

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### (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 lease liabilities and 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 reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

(Rupees in '000)	2021	2020
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances	16,990	11,973
<b>Financial liabilities</b>		
Long-term loan	23,551	49,462
Lease liabilities	86,515	38,443
Finances under markup arrangements and other credit facilities - secured	543,353	419,006
<b>Total exposure</b>	<b>636,429</b>	<b>494,938</b>

### 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:

(Rupees in '000)	Increase/ Decrease in basis points	Effect on Profit/(loss) before tax	Effect on equity
2021	+100	(6,364)	(4,518)
	-100	6,364	4,518
2020	+100	(4,949)	(3,514)
	-100	4,949	3,514

### (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. The exposure in respect of short-term investment amounts to Rs. 0.19 million (2020: Rs. 2.95 million).

### (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 balances with banks, long-term deposits, trade debts, due from related parties 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:

(Rupees in '000)	2021	(Restated) 2020
Long-term loans, deposits and other receivables	4,284	2,072
Contract asset	182,197	187,931
Trade debts	1,076,211	967,810
Deposits and other receivables	992,727	511,437
Bank balances	111,259	66,294
	2,366,678	1,735,544

The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows:

(Rupees in '000)	2021	2020
Domestic	454,781	301,249
Export	621,430	666,561

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's local trade receivables assets using a provision matrix:

(Rupees in '000)	2021									
	0-90 days	90-180 days	180-270 days	270-360 days	360-450 days	450-540 days	540-630 days	630-720 days	720-810 days	Total
Expected credit loss rate (%)	1%	1%	11%	23%	36%	47%	64%	73%	100%	
Estimated total gross carrying amount at default	365,367	19,563	3,249	2,878	1,673	1,261	2,088	1,831	29,231	427,141
Estimated total gross carrying amount - secured	-	-	-	-	-	-	-	-	-	
Expected credit loss	85	89	30	42	32	33	62	74	1,191	1,638

(Rupees in '000)	2020									
	0-90 days	90-180 days	180-270 days	270-360 days	360-450 days	450-540 days	540-630 days	630-720 days	720-810 days	Total
Expected credit loss rate (%)	2%	2%	9%	19%	30%	48%	66%	100%	100%	
Estimated total gross carrying amount at default	100,843	-	-	-	-	-	-	-	-	100,843
Estimated total gross carrying amount - secured	153,412	8,161	5,797	7,300	4,937	3,330	1,247	2,183	15,688	202,055
Expected credit loss	1,649	-	-	-	-	-	-	-	-	1,649

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 equipment / services under binding contract terms.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

As at 31 December 2021, the Company has 33 (2020: 36) customers owing more than Rs. 1 million (2020: Rs. 1 million) each which account for 95% (2020: 93.6%) 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	
				2021 (Rupees in '000)	2020
Faysal Bank limited	A-1+	AA	JCR-VIS	1,955	1,326
Habib Bank limited	A-1+	AAA	JCR-VIS	3,412	40,512
National Bank of Pakistan	A-1+	AAA	JCR-VIS	436	344
MCB Bank Limited	A1+	AAA	PACRA	4,151	93
United Bank Limited	A-1+	AAA	JCR-VIS	684	684
JS Bank Limited	A1+	AA-	PACRA	82,399	4,730
Standard Chartered	A1+	AAA	PACRA	18,223	18,606
				111,259	66,294

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 counterparties on their obligations to the Company. Accordingly, the credit risk faced by the Company is minimal.

The Company has not recognised an impairment allowance on financial assets held with banking companies during the year ended 31 December 2021, as the impact was immaterial.

### (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 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:

(Rupees in '000)	Total	On demand	Less than one year	Between one to five years	More than five years
<b>2021</b>					
Long-term loan	23,551	-	23,551	-	-
Finances under mark up arrangements	543,353	-	543,353	-	-
Lease liabilities	86,515	-	36,185	66,500	-
Creditors, accrued and other liabilities	514,312	46,000	468,312	-	-
Unclaimed dividend	132,968	-	132,968	-	-
	1,300,699	46,000	1,204,369	66,500	-
<b>2020</b>					
Long-term loan	49,462	-	25,911	23,551	-
Finances under mark up arrangements	419,006	-	419,006	-	-
Lease liabilities	38,443	-	23,943	18,914	-
Creditors, accrued and other liabilities	415,888	-	415,888	-	-
Unclaimed dividend	1,665	-	1,665	-	-
	924,464	-	886,413	42,465	-



(Rupees in '000)	2021			
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
<b>40.2 Financial instruments by categories</b>				
<b>Financial assets</b>				
<b>Debt instruments at amortized cost</b>				
Long-term loans, deposits and other receivables	-	-	4,284	4,284
Trade debts	-	-	1,076,211	1,076,211
Deposits and other receivables				
- Bank guarantee margin	-	-	35,327	35,327
- Earnest money	-	-	300	300
- Retention money	-	-		
- Due from associated companies	-	-	952,319	952,319
- Others	-	-	4,781	4,781
<b>Cash and bank balances</b>	-	-	111,387	111,387
<b>Equity instruments at fair value through profit or loss</b>				
Short-term investment	-	185	-	185
	-	185	2,184,609	2,184,794

(Rupees in '000)	2021	
	Financial liabilities at amortized cost	
<b>Financial liabilities</b>		
Long-term loan		23,551
Lease liabilities		86,515
Finances under mark up arrangements and other credit facilities - secured		543,353
Creditors, accrued and other liabilities		514,312
Unclaimed dividend		132,968
		1,300,699

(Rupees in '000)	(Restated) 2020			
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
<b>Financial instruments by categories</b>				
<b>Financial assets</b>				
<b>Debt instruments</b>				
Long-term loans, deposits and other receivables	-	-	2,072	2,072
Trade debts	-	-	967,810	967,810
Deposits and other receivables				
- Bank guarantee margin	-	-	23,396	23,396
- Earnest money	-	-	408	408
- Retention money	-	-	1,277	1,277
- Due from associated companies	-	-	485,086	485,086
- Others	-	-	1,270	1,270
<b>Cash and bank balances</b>	-	-	66,438	66,438
<b>Equity instruments at fair value through profit or loss</b>				
Short-term investment	-	2,955	-	2,955
	-	2,955	1,547,757	1,550,712

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2020
(Rupees in '000)	Financial liabilities at amortized cost
Financial liabilities	
Long-term loan	49,462
Lease liabilities	38,443
Finances under mark up arrangements and other credit facilities - secured	419,006
Creditors, accrued and other liabilities	415,888
Unclaimed dividend	1,665
	924,464

### 40.3 Fair values of financial assets and liabilities

Fair value of short-term investments is derived from quoted market prices in active markets.

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

### 40.4 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the Company's freehold land and building that are measured at fair value.

#### Recurring fair value measurements of following items:

(Rupees in '000)	Level 1	Level 2	Level 3	Total
<b>31 December 2021</b>				
Freehold land	-	-	223,500	223,500
Buildings on freehold land	-	-	90,422	90,422
Short-term investment	185	-	-	185
	185	-	313,922	314,107
<b>31 December 2020</b>				
Freehold land	-	-	208,600	208,600
Buildings on freehold land	-	-	91,764	91,764
Short-term investment	2,955	-	-	2,955
	2,955	-	300,364	303,319

### 41. 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 statement of financial position plus net debt. The gearing ratio as at year ended 31 December 2021 and 2020 are as follows:

(Rupees in '000)	2021	(Restated) 2020
Borrowings	653,419	506,911
Less: Cash and bank balances	(111,387)	(66,438)
Net debt	542,032	440,473
Total equity - excluding surplus on revaluation	4,965,815	4,032,965
Total capital	5,507,847	4,473,438
Gearing ratio	9.84%	9.85%

#### 42. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

(Rupees in '000)	2021						
	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
<b>Balance as at 01 January 2021</b>	2,117,900	38,443	49,462	419,006	13,680	1,665	2,640,156
<b>Cash flows</b>							
Repayment of loans	-	-	-	-	-	-	-
Lease payments	-	(47,257)	-	-	-	-	(47,257)
Issuance of shares	20,378	-	-	-	-	-	20,378
Loan repayment	-	-	(27,378)	124,347	-	-	96,969
Finance cost paid	-	-	-	-	(56,092)	-	(56,092)
Dividends paid	-	-	-	-	-	(82,525)	(82,525)
<b>Total changes from financing cash flows</b>	20,378	(47,257)	(27,378)	124,347	(56,092)	(82,525)	(68,527)
<b>Other changes including non-cash</b>							
Changes in running finances	-	-	-	-	-	-	-
Bonus shares issuance	427,656	-	-	-	-	-	427,656
Amortization of deferred grant	-	-	1,466	-	-	-	1,466
Addition in lease	-	90,436	-	-	-	-	90,436
Dividend declared	-	-	-	-	-	213,828	213,828
Finance cost	-	4,893	-	-	51,793	-	56,686
<b>Total liability related other changes</b>	427,656	95,329	1,466	-	51,793	213,828	790,072
<b>Closing as at 31 December 2021</b>	2,565,934	86,515	23,551	543,353	9,381	132,968	3,361,701

(Rupees in '000)	2020						
	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
<b>Balance as at 01 January 2020</b>	1,925,364	52,090	1,515	383,294	12,099	253,669	2,628,031
<b>Cash flows</b>							
Repayment of loans	-	-	-	-	-	-	-
Lease payments	-	(30,082)	-	-	-	-	(30,082)
Issuance of shares	-	-	-	-	-	-	-
Proceeds from loans	-	-	50,307	35,712	-	-	86,019
Finance cost paid	-	-	-	-	(61,101)	-	(61,101)
Dividends paid	-	-	-	-	-	(252,004)	(252,004)
<b>Total changes from financing cash flows</b>	-	(30,082)	50,307	35,712	(61,101)	(252,004)	(257,168)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
<b>Other changes including non-cash</b>							
Changes in running finances	-	-	-	-	-	-	-
Bonus shares issuance	192,536	-	-	-	-	-	192,536
Recognition of deferred grant	-	-	(2,360)	-	-	-	(2,360)
Addition in lease	-	10,029	-	-	-	-	10,029
Finance cost	-	6,406	-	-	62,682	-	69,088
<b>Total liability related other changes</b>	<b>192,536</b>	<b>16,435</b>	<b>(2,360)</b>	<b>-</b>	<b>62,682</b>	<b>-</b>	<b>269,293</b>
<b>Closing as at 31 December 2020</b>	<b>2,117,900</b>	<b>38,443</b>	<b>49,462</b>	<b>419,006</b>	<b>13,680</b>	<b>1,665</b>	<b>2,640,156</b>

## 43. 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:

(Rupees in '000)	Director		Other Executives	
	2021	2020	2021	2020
Managerial remuneration	5,372	4,493	86,873	65,184
House rent	2,149	1,797	34,749	26,073
Utilities	537	449	8,545	6,518
Contribution to provident fund	537	449	8,487	6,518
Others	1,197	34	3,517	2,619
	<b>9,792</b>	<b>7,222</b>	<b>142,172</b>	<b>106,912</b>
Number of persons	2	1	45	31

**43.1** 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.

## 44. NUMBER OF EMPLOYEES

	2021	2020
Average number of employees	230	206
Closing number of employees	244	216

## 45. CORRESPONDING FIGURES

Corresponding figures have been rearranged / reclassified where considered necessary for the purpose of better presentation, however, no significant rearrangement / reclassification has been made during the year except as disclosed in note 26.2.2.

## 46. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 01 April 2022 has proposed bonus shares issue at the rate of 25% (2020: 20%) and final cash dividend at the rate of Rs. 1 per share (2020: Rs. 1 per share) in respect of the year ended 31 December 2021 for the approval 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.

## 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 01 April 2022.



Chief Executive  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi



Director  
Tanveer Karamat

**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2021





**EY Ford Rhodes**  
Chartered Accountants  
P.O. Box 104  
4<sup>th</sup> Floor, 96, B1  
Pace Mall Building  
M.M. Alam Road, Gulberg II  
Lahore 54660  
Islamic Republic of Pakistan

Tel: +92 42 3721 1531  
Fax: +92 42 3721 1539  
ey.lhr@pk.ey.com  
ey.com

## 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 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 2021 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 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 matter(s):

Key audit matter	How our audit addressed the key audit matter
<b>1. Revenue Recognition</b> <p>The Group's revenue is derived from various revenue streams, as referred to in Note 31 to the accompanying consolidated financial statements which primarily includes sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases lead to revenue being recognized over multiple accounting periods.</p> <p>Revenue is recognized based on performance obligations as mentioned in Note 5.18 to the accompanying consolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to complete.</p> <p>Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process we have identified measurement of revenue recognition as a key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding and evaluated the appropriateness of the Group's revenue recognition policies, in accordance with IFRS 15, including those relating to the stage of completion method and related management assessments based on the Group's operating model and its system of recording revenue related transactions;</li> <li>• Tested operating effectiveness of internal controls relating to the Group's revenue recognition process including budgetary control, appropriate review and approval practices and its recognition in the books of accounts;</li> <li>• Performed substantive analytical procedures including, amongst others, developing an expectation of 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. We compared the actual cost of projects completed during the year with their forecast cost;</li> <li>• Performed test of details including examination of a sample of underlying contracts, review of the contractual terms and conditions and evaluating appropriate accounting treatment thereof;</li> <li>• Selected a sample of revenue transactions recognized during the year and recalculated the revenue recognized along with evaluation of the management basis used in determining the performance</li> </ul>





Key audit matter	How our audit addressed the key audit matter
	<p>obligations in accordance with accounting policies; and</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of disclosures in the consolidated financial statements in relation to revenue.</li> </ul>

### Information Other than the Consolidated financial statements and Auditor's 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 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.



## Auditor's 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 auditor's report is Sajjad Hussain Gill.



EY Ford Rhodes  
Chartered Accountants  
Lahore: 20 April 2022  
UDIN: AR202110087r19wa5LdT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 500,000,000 (2020: 250,000,000)			
ordinary shares of Rs 10 each		5,000,000	2,500,000
Issued, Subscribed and Paid up share capital			
256,593,358 (2020: 211,790,006) ordinary shares of Rs. 10 each	6	2,565,934	2,117,900
<b>CAPITAL RESERVES</b>			
Share premium	7	144,189	138,384
Statutory reserve	8	3,002	3,002
Employees' share compensation reserve	9	172,658	74,270
Exchange revaluation reserve		754,971	632,410
Gain on dilution of interest		631,367	-
Surplus on revaluation of property and equipment	10	256,297	241,827
		1,962,484	1,089,893
<b>REVENUE RESERVES</b>			
Un-appropriated profits		3,346,044	2,409,500
		7,874,463	5,617,292
<b>Non-controlling Interest</b>		458,911	4,506
		8,333,374	5,621,798
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities	11	69,627	42,300
Long - term loan	12	-	23,551
Provision for gratuity	13	119,342	100,787
Deferred grant	14	-	517
Deferred taxation	23	3,673	-
		192,642	167,155
<b>CURRENT LIABILITIES</b>			
Current portion of lease liabilities	11	46,757	38,159
Current portion of long - term loans	12	23,551	25,911
Current portion of deferred grant	14	269	1,218
Finances under mark up arrangements and other credit facilities - secured	15	713,748	487,386
Creditors, accrued and other liabilities	16	3,296,491	2,739,492
Contract Liabilities	17	883,074	902,093
Unclaimed dividend	18	153,095	10,951
Taxation		36,343	-
		5,153,328	4,205,210
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		
		13,679,344	9,994,163

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

Chief Executive  
**Bakhtiar Hameed Wain**

Chief Financial Officer  
**Saeed Ullah Khan Niazi**

Director  
**Tanveer Karamat**

  
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 DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
Revenue from contracts with customers - net	31	7,117,894	6,444,692
Cost of revenue	32	(4,840,198)	(4,603,147)
<b>Gross Profit</b>		<b>2,277,696</b>	<b>1,841,545</b>
Administrative and selling expenses	33	(933,499)	(684,524)
Other operating expenses	34	(4,617)	(4,300)
Other operating income	35	543,746	162,990
		(394,370)	(525,834)
<b>Profit from operations</b>		<b>1,883,326</b>	<b>1,315,711</b>
Finance costs	36	(124,621)	(132,337)
<b>Profit before tax</b>		<b>1,758,705</b>	<b>1,183,374</b>
Taxation	37	(158,612)	(138,395)
<b>Profit for the year</b>		<b>1,600,093</b>	<b>1,044,979</b>
<b>Attributable to:</b>			
Equity holders of the Holding Company		1,577,030	1,044,979
Non-controlling interest		23,063	-
		<b>1,600,093</b>	<b>1,044,979</b>
<b>Combined earnings per share</b>			<b>(Restated)</b>
<b>Basic</b>	38.1	7.38	4.93
<b>Diluted</b>	38.2	6.05	4.82

The annexed notes 1 to 50 form an integral part of these consolidated condensed 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 DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
Profit for the year		1,600,093	1,044,979
<b>Other comprehensive income</b>			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent period</i>			
- Revaluation surplus of land and building - net of tax	10	15,469	32,821
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
- Exchange difference on translating foreign operations		122,561	22,310
<b>Total comprehensive income for the period</b>		<b>1,738,123</b>	<b>1,100,110</b>
<b>Attributable to:</b>			
Equity holders of the Holding Company		1,738,123	1,099,950
Non-controlling interest		-	160
		<b>1,738,123</b>	<b>1,100,110</b>

The annexed notes 1 to 50 form an integral part of these consolidated condensed 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 DECEMBER 31, 2021

(Rupees in '000)	Capital Reserves						Revenue Reserve		Sub-total	Non-Controlling Interest	TOTAL
	Share capital	Share premium reserve	Gain on dilution of interest	Employee share compensation reserve	Statutory Reserve	Exchange revaluation reserve	Surplus on Revaluation of Property, Plant and Equipment	Un-appropriated (loss) / profit			
<b>Balance as on January 01, 2020</b>	1,925,364	138,384	-	53,862	3,002	610,100	209,721	1,562,534	4,502,967	4,346	4,507,313
Profit for the period	-	-	-	-	-	-	-	1,044,979	1,044,979	-	1,044,979
Other comprehensive income	-	-	-	-	-	22,310	32,821	-	55,131	160	55,291
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	-	-	-	(715)	715	-	-	-
	-	-	-	-	-	22,310	32,106	1,045,694	1,100,110	160	1,100,270
Bonus Share Issue @ 10%	192,536	-	-	-	-	-	-	(192,536)	-	-	-
Dividend payable	-	-	-	-	-	-	-	(6,192)	(6,192)	-	(6,192)
Employee share option reserve	-	-	-	20,408	-	-	-	-	20,408	-	20,408
	192,536	-	-	20,408	-	-	-	(198,728)	14,216	-	14,216
<b>Balance as on December 31, 2020</b>	2,117,900	138,384	-	74,270	3,002	632,410	241,827	2,409,500	5,617,293	4,506	5,621,799
Profit for the period	-	-	-	-	-	-	-	1,577,030	1,577,030	23,063	1,600,093
Other comprehensive income	-	-	-	-	-	122,562	15,469	-	138,031	-	138,031
	-	-	-	-	-	122,562	15,469	1,577,030	1,715,061	23,063	1,738,123
Issuance of new shares	20,378	5,805	-	-	-	-	-	-	26,183	431,342	457,525
Gain on dilution of interest	-	-	631,367	-	-	-	-	-	631,367	-	631,367
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	-	-	-	(999)	999	-	-	-
20% bonus share issue for the period ended December 31, 2020	427,656	-	-	-	-	-	-	(427,656)	-	-	-
10% final dividend for the period ended December 31, 2020 @ Re 1 per share	-	-	-	-	-	-	-	(213,828)	(213,828)	-	(213,828)
Employee share compensation reserve	-	-	-	98,388	-	-	-	-	98,388	-	98,388
	448,034	5,805	631,367	98,388	-	-	(999)	(640,485)	542,110	431,342	973,452
<b>Balance as on December 31, 2021</b>	2,565,934	144,189	631,367	172,658	3,002	754,971	256,297	3,346,044	7,874,464	458,911	8,333,374

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



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**



## CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	39	122,544	838,585
Finance costs paid		(122,561)	(126,919)
Increase / decrease in long term loans and deposits - net		(5,544)	(911)
Gratuity paid		(21,020)	(3,522)
Taxes paid		(56,721)	(16,810)
<b>Net cash flows (used in) / generated from operating activities</b>		<b>(83,302)</b>	<b>690,423</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(26,380)	(13,934)
Proceeds from sale of property and equipment		20,259	4,077
Additions in intangible assets - capital work in progress		(31,692)	(20,029)
Increase / decrease in short term investments		(233,913)	123,496
Profit on bank deposit		1,157	7,306
<b>Net cash flows (used in) investing activities</b>		<b>(270,568)</b>	<b>100,916</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(82,525)	(252,004)
Issuance of shares		293,878	-
Share premium		795,014	-
Long term loan (repaid) / received		(27,377)	50,307
Finances under mark up arrangements and other credit facilities		226,362	(111,953)
Repayment of lease liabilities		(66,475)	(55,586)
<b>Net cash flows generated from / (used in) financing activities</b>		<b>1,138,877</b>	<b>(369,236)</b>
<b>Net increase in cash and cash equivalents</b>		<b>785,007</b>	<b>422,103</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>527,329</b>	<b>105,226</b>
<b>Cash and cash equivalents at the end of year</b>		<b>1,312,336</b>	<b>527,329</b>

The annexed notes 1 to 50 form an integral part of these consolidated condensed 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 DECEMBER 31, 2021

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Holding Company) was incorporated in Pakistan on 26 March 2003 as a private limited Company which was converted to a public Company on 31 March 2008 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited.

The principal activity of the Holding Company is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and 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 54500.
<b>REGIONAL OFFICES</b>	
Karachi	MA Tabba Foundation Building, First Floor, Gizri Road Block 9 Clifton Karachi, Sindh 75600
Islamabad	Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000

#### 1.1 The "Group" consists of:

##### Holding Company

Avanceon Limited (AVL)

##### Subsidiary Companies

##### % age of Holding

- Avanceon Free Zone Establishment, UAE (AFZE)	100%
- Octopus Digital Inc. USA (ODI)	100%
- Avanceon Automation and Control W.L.L (AVAC)	49%
- Avanceon Saudi Energy Company (AVSEC)	100%
- Octopus Digital Limited	80%

The Avanceon FZE is a Free Zone Establishment which was incorporated in Jebel Ali Free Zone of Dubai as a private limited company under the Jebel Ali Free Zone Companies under Implementation Regulations 2016. The principal activity of the Establishment is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services. The registered office and business unit of FZE is located at FZS 1BD04 Jebel Ali Free Zone.

The Avanceon Automation and Control W.L.L (AVAC) is a limited liability formed pursuant to Commercial Companies Law No. (11) 2015 and was registered with the Ministry of Economy and Commerce under Registration No. 99027 on May 22, 2017, and its registered office and business unit is situated in the Office No. 12, M Floor, Al Jabber, Engg. H0 Building, PO Box 15976, Fox Hills, Lusail, Doha, Qatar. The principal activity of the Company is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services.

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.

This represents the investment made during the year in Avanceon Saudi Energy Company a single member company with Limited Liability registered in Riyadh, Saudi Arabia. The Establishment holds 100% capital of Avanceon Saudi energy company. The principal activity of the entity is repair and maintenance of power and control stations, installation of control equipment and management of energy efficiency projects.

Octopus Digital Inc. registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Group holds 26.11% (2020: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

Octopus Digital Limited (ODL) is a public limited company registered under the Companies Act, 2017 and having registered office and business unit at 19 km, Multan Road, Lahore. The Company is engaged in providing after sale and related technical services. The Company is wholly owned subsidiary of the Holding Company. During the year 31 December 2020, ODL entered

into a Business Arrangement Contract dated 08 December 2020 with the Holding Company. Under the contract, entire business of AMS segment was transferred to ODL along-with the existing customer contracts. ODL acquired the rights to carry on AMS business with effect from 01 January 2020 against consideration of Rs. 1,084 million settled through issuance of 108,400,000 shares of ODL at face value of Rs. 10 each.

## 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 (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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.

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

#### 2.2.1 Standards, amendments or interpretations to approved accounting standards that are not yet effective

The following standards, amendments and interpretations 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 Interpretations		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - Definition of a Business (amendments)	01 January 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by: <ul style="list-style-type: none"> <li>- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and</li> <li>- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.</li> </ul>	01 January 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	01 January 2023

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2021

Standard or Interpretations		Effective date (annual periods beginning on or after)
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	'01 January 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (Amendment)	'01 January 2023

The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
IFRS 1	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
IAS 41	Agriculture: Taxation in fair value measurements - The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

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

Standard or Interpretations		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 January 2009
IFRS 17	Insurance Contracts	01 January 2023

The Group expects that the adoption of the above standards will have no material effect on the Group's financial statements, in the period of initial application.

### 2.2.2 Changes in accounting policies and disclosures resulting from amendments in standards during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to following standards as described below:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

## 3. BASIS OF MEASUREMENT

**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 Holding 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 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 consolidated 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 consolidated financial statements are as follows:

### a) Useful lives, residual value and revalued amount of property and equipment

Estimates of useful life of owned fixed assets and leased assets are based on management's best estimate. In making the estimate of the depreciation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment. Further, the Company estimates the revalued amounts of property, plant and equipment on regular basis. The estimates are based on valuation carried out by an independent valuer expert under the market conditions.

### b) Provision for expected credit loss

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### c) 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.

### d) Cost to complete the projects and related revenue

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

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 cost to cost method.

**e) Fair value of share based payment transaction**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date using a Black Scholes Model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.5.

## 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.

### 5.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Holding Company and entities controlled by the Holding Company (its subsidiaries).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

All intra-group balances, income and expenses and unrealized gain and losses resulting from intra-group transactions are eliminated in full.

## **5.2 Staff retirement benefits**

### **Defined contribution plan**

The Holding Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Holding Company and employees to the fund at the rate of 10% (2020:10%) of the basic salary.

### **Defined benefit plan**

AVAC and FZE operate 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 employees covered under the plan.

## **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, while 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 statement of changes in equity. 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 20.1 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

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 Group 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.

The Group reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

#### 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 Group 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 21.

The Group 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 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 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.

#### 5.8 Leases

##### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, if any. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### a) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.



**b) Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which these are incurred.

In calculating the present value of lease payments, the Group uses the implicit rate in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**c) Determining the lease term of contracts**

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

The Group has lease contracts that include the transfer of assets (i.e. vehicles) at the end of lease term.

**d) Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of offices on rent (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of rented offices that are of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense 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**

**a) Initial recognition and measurement**

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

#### b) Subsequent measurement

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

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

#### Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes long term loans and deposits, trade debts, deposits, and other receivables.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Based on business model of the Group, it elected to classify its short - term investments under this category.

#### Financial assets at fair value through OCI (debt instruments)

The Group measures financial assets at fair value through OCI if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group has no financial assets under this category as on the reporting date.

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

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

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

The Group's investment in Avanceon LP, USA is classified under this category.

#### **c) Derecognition**

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

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

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

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

#### **d) Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### **5.10.2 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 Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 5.10.3 Financial liabilities

#### a) Initial recognition and measurement

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

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

The Group's financial liabilities include creditors, accrued and other liabilities, lease liabilities, long term loan, unclaimed dividend and short term borrowings.

#### b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at amortized cost

Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to the liabilities as disclosed in Note 43.2.

##### Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

### 5.10.4 Dividend income

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

### 5.10.5 Financial income

Financial income is recognized as it accrues on a time proportion basis by reference to the principal outstanding, using the effective interest rate method.

### 5.11 Contract balances

#### Contract asset

A contract asset is initially recognised for revenue earned from projects and service contracts because the receipt of consideration is conditional on successful completion of the projects and service contracts. Upon completion and acceptance by the customer, amount recognized as contract asset is reclassified to trade receivables. Contract assets are also subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 5.10.1(d).

#### Trade receivables

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in Note 26.3.

#### Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the related goods or services are transferred. Contract liabilities are recognized as revenue as and when performance obligations are delivered under contract.

### 5.12 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.

### 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 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 Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### 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 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

### 5.17 Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the related goods or services are transferred. Contract liabilities are recognized as revenue as and when performance obligations are delivered under contract.

### 5.18 Revenue recognition

The Group is in the business of automation and engineering solutions. The products and services are sold on their own in separately identified contracts with customers and products together with services are sold in projects as one performance obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### Sale of goods

Revenue from sale of goods is to be recognized at a point in time when control of the goods is transferred to the customers, generally on delivery of products to customers.

#### Rendering of services

Maintenance and service income comprises of revenue earned from service level agreements, where the customer enters into a contract with the Group for a fixed period of time and fee amount, both pre-defined in the contract, for various technical and engineering services. Revenue is recognized on the basis of percentage of rendering of services, i.e. on the number of days of services performed out of the total contracted days for service level agreements.

#### Project revenue

These comprise of projects such as Hardware and Software Automation, Efficiency solution, Scada Upgradation etc. Revenue from these projects is accounted for using cost to cost method, according to which the Group's progress towards satisfaction of performance obligations is determined by dividing actual cost incurred on the project to date by total forecasted cost, which is calculated by a team of engineers on the inception of the project.

#### 5.19 Share based payment transactions

The Holding Company operates an equity settled share based Employee Stock Option Scheme. The compensation committee of the Board of Directors of the Company evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of company's shares at a price determined on the date of grant of options.

At the grant date of share options to the employees, the Company initially recognizes employee compensation expense with corresponding credit to equity as employee compensation reserve at the fair value of options at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

#### 5.20 Contingent liability

Contingent liability is disclosed when:

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

#### 5.21 Compensated absences

The Company also provide benefit to employees to accumulate earned leave and carries a provision for its liability in respect of accumulated leave. Employees are granted 14 days leave each year. No leaves are carried forward to next year however if employee leaves during the year then they will get encashment on pro rata basis

#### 5.22 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.

#### 5.23 Earnings per share - basic and diluted

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

## 6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2021 (Number of shares)	2020 (Number of shares)		2021 (Rupees in thousand)	2020 (Rupees in thousand)
57,166,850	57,166,850	Ordinary shares of Rs 10 each fully paid in cash	571,669	571,669
191,505,973	148,740,413	Ordinary shares of Rs. 10 each issued as fully paid bonus share	1,915,060	1,487,404
4,399,629	4,399,629	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I	43,996	43,996
3,520,906	1,483,115	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III	35,209	14,831
256,593,358	211,790,007		2,565,934	2,117,900

	2021 (Number of Shares)	2020 (Number of Shares)
<b>6.1 Movement during the year is as follows:</b>		
Balance as at 01 January	211,790,007	192,536,370
Shares issued under Employees' Share Options Schemes during the year	2,037,791	-
Bonus shares issued during the year	42,765,560	19,253,637
<b>Balance as at 31 December</b>	<b>256,593,358</b>	<b>211,790,007</b>

**6.2** Chief Executive Officer holds 61% (2020: 61%) share capital of the Holding Company.

## 7. SHARE PREMIUM

(Rupees in '000)	2021	2020
Opening balance	177,145	177,145
Employees share option scheme	5,805	-
	182,950	177,145
Less: Costs incurred on Initial Public Offering	(38,761)	(38,761)
	144,189	138,384

**7.1** This reserve shall be utilized for the purpose as specified in section 81(2) of the Companies Act, 2017.

(Rupees in '000)	2021	2020
<b>8. STATUTORY RESERVE</b>		
	3,002	3,002

The statutory reserve has been created under the Qatar Commercial Companies Law, to the extent of the 50% of the share capital of a subsidiary, AVAC until such time as the reserve equals 50% of the capital of the subsidiary.

## 9. EMPLOYEES' SHARE COMPENSATION RESERVE

(Rupees in '000)	Note	2021	2020
Share options scheme I	9.1	7,339	8,054
Share options scheme II	9.2	15,453	29,645
Share options scheme III	9.3	-	2,155
Share options scheme IV	9.4	149,866	34,416
		172,658	74,270

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 9.1 Share options scheme I

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 were 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.

Movement in the amount of options granted is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	8,054	6,457
Options issued during the year recognized at fair value	-	1,597
Adjustment of reserve for option holders resigning during the year	(715)	-
Balance as at 31 December	7,339	8,054

#### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	306,000	1.95	326,000	1.92
Forfeited during the year	(15,000)	1.95	(20,000)	1.92
Outstanding at 31 December	291,000	1.85	306,000	1.92
Exercisable at 31 December	136,000		136,000	

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 1.56 years (2020: 2.56 years).

The range of exercise price for options outstanding at the end of the year was Rs. 1.2 to Rs. 2.0 (2020: Rs. 1.2 to Rs. 1.73).

#### 9.2 Share options scheme II

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%.

Movement in the amount of options granted against the reserve is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	29,645	43,205
Options issued during the year recognized at fair value	-	(12,814)
Adjustment of reserve for option holders resigning during the year	(7,563)	(746)
Transfer to share capital on issuance of shares during the period	(6,629)	-
Balance as at 31 December	15,453	29,645

#### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year



	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	2,648,640	20.52	2,702,687	20.48
Forfeited during the year	(22,789)	20.52	(54,048)	21.02
Exercised during the year	(849,029)	20.52	-	-
Outstanding at 31 December	1,776,822	22.60	2,648,640	20.52
Exercisable at 31 December	974,141		974,141	

The weighted average share price at the date of exercise of these options was Rs. 76.51 (2020: Nil).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 2.03 years (2020: 3.03 years).

The range of exercise price for options outstanding at the end of the year was Rs. 16.80 to Rs. 24.20 (2020: Rs. 16.80 to Rs. 24.20).

### 9.3 Share options scheme III

Employee Stock Option Scheme, 2018 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 23 July 2018 which comprises of an entitlement pool of 1.75 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 are exercised within one year after the one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2018, Rs. 10.5 in 2019, Rs. 11.03 in 2020, Rs. 11.58 in 2021 and Rs. 12.15 in 2022.

Movement in the amount of options granted against the reserve is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	2,155	1,775
Options issued during the year recognized at fair value	-	380
Transfer to share capital on issuance of shares during the period	(2,155)	-
Balance as at 31 December	-	2,155

#### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	62,501	10.50	62,501	10.50
Exercised during the year	(62,501)	10.50	-	-
Outstanding at 31 December	-	-	62,501	10.50
Exercisable at 31 December	-		62,501	

The weighted average share price at the date of exercise of these options was Rs. 48.78 (2020: Nil).

### 9.4 Share options scheme IV

Employee Stock Option Scheme, 2019 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 November 2019 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 & 2 (who have completed minimum of 7 years of service period with the Company), MT3 and above. The share options can be exercised up to one year after the one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2019, Rs. 10.5 in 2020, Rs. 11.03 in 2021, Rs. 11.58 in 2022 and Rs. 12.15 in 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

Movement in the amount of options granted against the reserve is as follows:

(Rupees in '000)	2021	2020
Balance as at 01 January	34,416	2,425
Options issued during the year recognized at fair value	144,850	31,991
Adjustment of reserve for option holders resigning during the year	(1,132)	-
Transfer to share capital on issuance of shares during the period	(28,268)	-
Balance as at 31 December	149,866	34,416

#### Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	1,844,988	10.19	1,145,328	10.00
Granted during the year	1,473,984	10.50	736,644	10.50
Forfeited during the year	(14,799)	10.24	(36,984)	10.24
Exercised during the year	(1,126,259)	10.25	-	-
Outstanding at 31 December	2,177,914	10.25	1,844,988	10.19
Exercisable at 31 December	1,844,988	10.19	1,145,328	10.00

The fair value of options granted during the year was Rs. 76.52 (2020: Rs. 53.86).

The weighted average share price at the date of exercise of these options was Rs. 90.55 (2020: Nil).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 0.39 years (2020: 1.39 years).

The range of exercise price for options outstanding at the end of the year was Rs. 10.25 to Rs. 10.5 (2020: Rs. 10 to Rs. 10.5).

- 9.5** The following tables list the inputs to the models used for the three plans for the years ended 31 December 2021 and 2020, respectively:

	2021	2020
Expected volatility (%)	33	31
Risk-free interest rate (%)	9.87	7
Expected life of share options (years)	1	1
Weighted average share price (Rupees)	90.55	67
Model used	Black Scholes	Black Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 10. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

(Rupees in '000)	2021	2020
Opening balance of surplus on revaluation of property and equipment	241,827	209,721
Revaluation surplus arising during the year - net of tax	15,469	32,821
Surplus transferred to unappropriated profit on account of incremental depreciation	(999)	(715)
Closing balance of surplus on revaluation of property and equipment - net of tax	256,297	241,827

## 11. LEASE LIABILITIES

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 9.29% to 13.37% (2020: 9.1% to 15.24%) per annum and lease period 4 to 5 years (2020: 3 to 4 years) for the Holding Company. The interest rates for subsidiaries (Avanceon Automation & Control W.L.L. and Avanceon FZE) are 10% and 7% respectively. The amount of future payments and the period during which they will become due are:

(Rupees in '000)	Note	2021	2020
<b>Year ended 31 December</b>			
Due not later than 1 year		55,879	42,535
Due later than 1 year but not later than 5 years		78,556	46,298
Lease payments	11.1	134,435	88,833
Less: Future finance charges		(18,051)	(8,374)
		116,384	80,459
Current portion		(46,757)	(38,159)
		69,627	42,300

**11.1** Lease payments (LP) and their present value (PV) are regrouped as below:

	2021		2020	
	LP	PV of LP	LP	PV of LP
Due not later than 1 year	55,879	46,757	42,535	38,159
Due later than 1 year but not later than 5 years	78,556	69,627	46,298	42,300
	134,435	116,384	88,833	80,459

Set out below is the movements during the year:

(Rupees in '000)	2021	2020
As at 1 January	80,459	113,191
Additions during the year	90,763	10,029
Security deposits adjusted during the year	(17,199)	-
Accretion of interest	7,473	10,616
Payments during the year	(49,276)	(55,586)
Foreign exchange movement	4,164	2,209
As at 31 December	116,384	80,459

## 12. LONG-TERM LOAN

Long-term loan	23,551	49,462
Less: current portion of long term loan	(23,551)	(25,911)
	-	23,551

This represents loan of Rs. 51.822 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 60 million. It carries mark-up at SBP rate plus 2% per annum and is secured against a pari passu charge of Rs. 375 million over the current assets of the Company, equitable mortgage over the residential property measuring 1 Kanal and 44 sqft owned by wife of CEO situated at 351-W, Phase III, DHA, Lahore and personal guarantees of sponsor directors of the Company. The loan is repayable in equal quarterly installments commencing January 01, 2022 and ending October 30, 2022. This loan was initially recognized at fair value in accordance with IFRS 9 - Financial instruments using effective interest rate of 10.33% (1-month KIBOR). The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government grants and disclosure of Government assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 13. PROVISION FOR GRATUITY

This relates to unfunded gratuity scheme operated by Avanceon FZE and Avanceon Automation and Control WLL for their permanent employees. Movement during the year is as follows:

(Rupees in '000)	2021	2020
Opening balance	100,787	80,901
Charge for the year	26,571	20,603
Payments during the year	(21,020)	(3,522)
Foreign exchange movement	13,004	2,805
Closing balance	119,342	100,787

#### 14. DEFERRED GRANT

Deferred grant	269	1,735
Less: current portion of deferred grant	(269)	(1,218)
	-	517

14.1 Set out below are the amount of deferred grant and the movements during the year:

(Rupees in '000)	Note	2021	2020
Opening balance		1,735	-
Recognized during the year		-	2,360
Amortization	35.2	(1,466)	(625)
Recognized during the year		269	1,735

14.2 Government grant has been recognized against loan obtained by the Holding Company at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

#### 15. FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED

(Rupees in '000)	Note	2021	2020
JS Bank Limited	15.1	345,289	258,633
Habib Bank Limited	15.2	-	120,000
United Bank Limited	15.3	-	52,299
Bank of Singapore	15.4	-	16,082
National Bank of Fujairah	15.5	170,395	-
Standard Chartered Bank	15.6	198,064	-
Faysal Bank Limited	15.7	-	40,372
		713,748	487,386

(Rupees in '000)	Note	Maturity Days	Limit	2021	2020
<b>15.1 JS Bank Limited</b>					
Running finance	15.1.1	365	300,000	345,255	158,633
Inland bill purchase	15.1.2	90	100,000	34	100,000
				345,289	258,633

15.1.1 The Holding Company has obtained running finance facility from HBL, JS Bank, Faysal Bank and Standard Chartered Bank with a sanctioned limit of Rs. 120 million, 300 million, 200 million and 500 million, respectively, bearing mark-up at the rates prescribed therein the facility offer letters that includes 2 month KIBOR plus Bank spread (2.25%). The facilities are secured against first mortgage charges created through equitable mortgage with legal mortgage of notional value over fixed assets (land & building) of the Holding Company, ranking hypothecation charge over all present and future current assets of the Holding Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Holding Company, covering total security package.

**15.1.2** This facility has a sanctioned limit of Rs. 50 million (2020: Rs.100 million) bearing mark-up at the rate of 3 month KIBOR plus 2% (2020: 1 Month KIBOR plus 2% bank charges). The facility is secured against token mortgage charge of 100,000 along with equitable mortgage over residential property measuring 2 kanal, 1st Pari Passu charge of 235 million over current assets of the company with 15% margin and 25% over current assets.

(Rupees in '000)	<u>Maturity</u> Days	Limit	2021	2020
<b>15.2 Habib Bank Limited</b>				
Inland bill purchase	180	334,000	-	120,000

This facility has a sanctioned limit of Rs. 334 million (2020: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2020: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2020: invoices / bills receivable from customers), charge on present and future current assets of the Holding Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Holding Company.

(Rupees in '000)	<u>Maturity</u> Days	Limit	2021	2020
<b>15.3 United Bank Limited</b>				
Trust receipt loans	180	145,410	-	52,299

As per the renewed facility letter dated 5 September 2021, the finance facilities bear mark-up at the rate of 4.5% per annum over prevailing three months EIBOR with a minimum of 9 percent per annum. These facilities are secured by way of undated cheque of AED 1,025,000, Lien on import documents for LC Sigh, assignment of receivables from respective projects, Assignment of project receivables for any new project in the favor of Bank from the project employer, Subordination of Director(s) Loan and current account against the bank borrowings from the bank, personal guarantees of Mr. Bakhtiar H Wain, Khalid Wain and Amir Waheed Wain, Avanceon Limited and Board Resolution, Demand Promissory Note, Agreement of Standard Terms & Conditions, Discounting Agreement and Deed of Assignment duly signed by the authorized signatories. Overdue outstanding and/ or excess utilization over the limit will be charged interest rate @ 2.5% per annum over the normal rate for the period from the due date or date of excess utilization to the date of actual settlement of overdue outstanding or excess utilization.

(Rupees in '000)	<u>Maturity</u> Days	Limit	2021	2020
<b>15.4 Bank of Singapore</b>				
Short term loan	180	48,470	-	16,082

This loan has been obtained by Avanceon FZE and bears mark-up at the rate of 3.6% per annum. It is secured against the investments made by the Establishment in the Bank of Singapore.

(Rupees in '000)	<u>Maturity</u> Days	Limit	2021	2020
<b>15.5 National Bank of Fujairah</b>				
Trust receipts	120	363,525	147,546	-
Invoice discounting	120	363,525	22,849	-
			170,395	-

These finance facilities bear mark-up at NBF prime rate less 1% per annum or minimum rate of 8%, whichever is higher. This facility is secured by hypothecation of stocks belonging to M/S Avanceon FZE, in the favor of bank, assignment of proceeds of contracts / project financed in the favor of bank, personal guarantee of a Director of Parent Company and pledge over fixed deposit of AED 200,000 in favor of bank, Cross corporate guarantees between M/s Avanceon FZE-Dubai and M/s Innovative Technology Solutions FZE- an associated company, settlement cheque covering the total facilities amount (less fixed deposits under pledge) drawn on National bank of Fujairah PJSC by M/s Avanceon FZE- Dubai in favor of the bank and assignment of proceeds of contracts/ project financed, in favor of bank, Assignment of Insurance policy covering stocks for not less than AED 1,500,000 in name of Avanceon FZE, Dubai in favour of the bank on Pari Passu and Subordination of Bakhtiar Hameed Wain's loan and current account balances balance to the bank for the borrowings of Avanceon FZE Dubai.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Maturity Days	Limit	2021	2020
<b>15.6 Standard Chartered Bank Limited</b>				
Running finance	365	500,000	198,064	-

The Holding Company has obtained running finance facility from HBL, JS Bank, Faysal Bank and Standard Chartered Bank with a sanctioned limit of Rs. 120 million, 300 million, 200 million and 500 million, respectively, bearing mark-up at the rates prescribed therein the facility offer letters that includes 2 month KIBOR plus Bank spread (2.25%). The facilities are secured against first mortgage charges created through equitable mortgage with legal mortgage of notional value over fixed assets (land & building) of the Holding Company, ranking hypothecation charge over all present and future current assets of the Holding Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Holding Company, covering total security package.

(Rupees in '000)	Maturity Days	Limit	2021	2020
<b>15.7 Faysal Bank Limited</b>				
Inland bill purchase	90	200,000	-	40,372

This facility has a sanctioned limit of Rs. 200 million (2020: Rs. 200 million) bearing mark-up at the rate of 3 month KIBOR plus 2% (2020: 3 month KIBOR plus 2%). The facility is secured against 1st Pari Passu charge of 267 million, invoices / bills receivable from customers, charge on present and future current assets of the Holding Company with 5% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Holding Company.

(Rupees in '000)	Note	2021	2020
<b>16. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors		2,362,596	2,202,123
Accrued expenses		268,963	168,022
Payable to related parties	16.1	291,580	34,662
Employee share portion - vehicle		23,764	17,767
Balance due to statutory authorities			
- Income tax		237,770	231,164
Mark up accrued on:			
- Long term finances		3,481	1,277
- Finances under mark up arrangements and other credit facilities - secured		5,900	12,402
Loan from director		46,000	-
Other liabilities		56,437	72,075
		3,296,491	2,739,492
<b>16.1 Payable to related parties</b>			
Avanceon LP		267,644	-
Arkan Integrated Development L.L.C - Commission payable		22,616	33,332
Innovative Travels (Private) Limited		1,320	1,320
		291,580	34,652
<b>17. CONTRACT LIABILITIES</b>			
Advances from customers		222,468	-
Billings in excess of earnings	17.1	660,606	902,093
		883,074	902,093

(Rupees in '000)	Note	2021	2020
<b>17.1 Movement of contract liability:</b>			
As at 01 January		902,093	1,127,342
Recognized as revenue during the year		(2,995,902)	(2,764,461)
Addition during the year		2,867,852	2,480,123
Foreign exchange movement		(113,437)	59,089
As at 31 December		660,606	902,093
<b>18. UNCLAIMED DIVIDEND</b>			
As at 01 January		10,951	256,763
Declared during the year		224,669	6,192
Paid during the year		(82,525)	(252,004)
As at 31 December	18.1	153,095	10,951

**18.1** This includes dividend payable to the Chief Executive Officer, Mr. Bakhtiyar H Wain and Director, Mr. Aamir Wain amounting to Rs. 110 million (2020: Nil) and Rs. 19 million (2020: Nil) respectively. This also includes dividend payable to Arkan Integrated Development L.L.C., minority shareholder of Avanceon Automation and Control WLL of Rs. 19.751 million (2020: Rs. 9.40 million).

## 19. CONTINGENCIES AND COMMITMENTS

### 19.1 Holding Company

#### 19.1.1 Contingencies

There are no contingencies to report as at year end (2020: Nil)

#### 19.1.2 Commitments

- (i) Bank guarantees have been issued amounting to Rs. 52.173 million (2020: Rs. 23.168 million) against the performance of various contracts.
- (ii) Letters of credit outstanding at year end amount to Rs. 43.70 million (2020: 47.76 million) which relates to import acceptance bills.

### 19.2 Subsidiaries

#### 19.2.1 Contingencies

There is no contingency related to subsidiaries to report at year end (2020: Nil).

#### 19.2.2 Commitments

Subsidiaries' commitments as at year end are as follows:

(Rupees in '000)	Note	2021	2020
<b>AVAC</b>			
Bank guarantees		74,027	19,877
Post dated cheques issued against payment of rent		24,692	6,221
		98,719	26,098
<b>FZE</b>			
Bank guarantees	19.2.2.1	259,348	262,802
Letters of credit		144,036	155,071
Post dated cheques issued against payment of rent		11,287	15,994
		414,671	433,867

**19.2.2.1** Guarantees are given by the bank on behalf of the Establishment in favor of Emirates Central Cooling Systems and Corporations (Empower), Oil and Gas Development Company Limited, Pak Arab Pipeline Company and other companies against the performance guarantee and bid bond guarantee.

## 20. PROPERTY AND EQUIPMENT

(Rupees in '000)	Note	2021	2020
Operating fixed assets	20.1	467,762	431,326

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 20.1 Operating fixed assets

2021													
(Rupees in '000)	Cost / Revalued amount as at 01 January 2021	Exchange adjustment on cost	Additions/ Transfers*	Deletions	Effect of revaluation during the revaluation	Cost / revalued amount as at 31 December 2021	Accumulated Depreciation as at 01 January 2021	Exchange adjustment on accumulated depreciation	Depreciation charge for the year/ (Deletions)	Effect of revaluation/ transfers*	Accumulated depreciation as at 31 December 2021	Net Book value as at 31 December 2021	Rate %
<b>Owned assets</b>													
Freehold land	208,600	-	-	-	14,900	223,500	-	-	-	-	-	223,500	-
Buildings on freehold land	91,763	-	-	-	(1,342)	90,421	-	-	2,144	(2,144)	-	90,421	3.13
Tools and equipment	14,571	687	106	-	-	15,364	7,802	668	1,751	-	10,221	5,143	20
Office equipment and appliances	45,757	1,496	5,177	(2,200)	-	50,230	38,333	849	3,262	-	40,244	9,986	20
Furniture and fixture	26,039	1,217	-	(451)	-	26,805	23,201	729	1,453	-	25,128	1,677	20
Computers	42,698	1,723	21,023	-	-	65,444	30,636	1,949	10,921	-	43,505	21,939	33.33
Vehicles	49,116	294	74	(33,257)	-	35,316	46,268	293	2,374	-	35,229	87	20
			19,089*						(27,491)	13,785*			
	478,544	5,417	26,380	(35,908)	13,558	507,080	146,240	4,488	21,905	(2,144)	154,327	352,753	
			19,089*						(29,946)	13,785*			
<b>Right of use assets</b>													
Building	77,455	6,757	(17,710)	-	-	66,502	41,398	3,931	12,282	-	39,901	26,601	20
Vehicles	117,461	1,106	55,423	(2,111)	-	152,790	54,496	684	23,761	-	64,382	88,408	20
			(19,089)*						(774)	(13,785)*			
	194,916	7,863	37,713	(2,111)	-	219,292	95,894	4,615	36,043	-	104,283	115,009	
			(19,089)*						(774)	(13,785)*			
	673,460	13,280	64,093	(38,019)	13,558	726,372	242,134	9,103	57,948	(2,144)	258,610	467,762	
									(30,720)				



2020

(Rupees in '000)	Cost / Revalued amount as at 01 January 2020	Exchange adjustment on cost	Additions/ Transfers*	Deletions	Effect of revaluation during the revaluation	Cost / revalued amount as at 31 December 2020	Accumulated Depreciation as at 01 January 2020	Exchange adjustment on accumulated depreciation	Depreciation charge for the year/ (Deletions)	Effect of revaluation/ transfers*	Accumulated depreciation as at 31 December 2020	Net Book value as at 31 December 2020	Rate %
<b>Owned assets</b>													
Freehold land	186,250	-	-	-	22,350	208,600	-	-	-	-	-	208,600	-
Buildings on freehold land	78,910	-	308	-	12,545	91,763	-	-	2,204	(2,204)	-	91,763	3.13
Tools and equipment	9,801	223	4,547	-	-	14,571	6,318	215	1,269	-	7,802	6,769	20
Office equipment and appliances	42,519	319	3,019	(100)	-	45,757	35,160	206	3,067	-	38,333	7,424	20
Furniture and fixture	25,516	414	109	-	-	26,039	21,519	333	1,349	-	23,201	2,838	20
Computers	38,435	510	5,951	(2,198)	-	42,698	23,720	345	8,745	-	30,636	12,062	33.33
Vehicles	12,603	96	-	(4,757)	-	49,116	11,803	97	582	-	46,268	2,848	20
			41,174*						(4,504)	38,290*			
	394,034	1,562	13,934	(7,055)	34,895	478,544	98,520	1,196	17,216	(2,204)	146,240	332,304	
			41,174*						(6,778)	38,290			
<b>Right of use assets</b>													
Building	74,715	2,740	-	-	-	77,455	19,971	567	20,860	-	41,398	36,057	20
Vehicles	150,356	333	10,029	(2,083)	-	117,461	66,785	92	27,402	-	54,496	62,965	20
			(41,174)*						(1,493)	(38,290)*			
	225,071	3,073	10,029	(2,083)	-	194,916	86,756	659	48,262	-	95,894	99,022	
			(41,174)						(1,493)	(38,290)			
	619,105	4,635	23,963	(9,138)	34,895	673,460	185,276	1,855	65,478	(2,204)	242,134	431,326	
			-						(8,271)				

\* This represents transfer of vehicles from right of use to owned vehicle after the completion of lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

(Rupees in '000)	Note	2020	2019
Cost of revenue	32.1	28,974	32,739
Administrative and selling expenses	33	28,974	32,739
		57,948	65,478

Fair value of the land and building as at 31 December 2021 was performed by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. The valuations have been performed based on proprietary databases of prices of transactions for assets of similar nature, location and condition. This revaluation resulted in Rs. 14.9 million surplus (2020: Rs. 22.35 million) on land and Rs. 0.802 million surplus (2020: Rs. 14.749 million) in respect of building. Detailed particulars are as follows

(Rupees in '000)	Depreciated cost	Revalued amount
Freehold land	208,600	223,500
Buildings on freehold land	89,619	90,421
	298,219	313,921

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

(Rupees in '000)	2021	2020
Freehold land	8,647	8,647
Buildings on freehold land	31,162	32,302
	39,809	40,949

**20.1.2** 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.

**20.1.3** The forced sales value of revalued assets at the revaluation date amounted to Rs. 262.312 million.

### 20.1.4 Disposal of property and equipment

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

(Rupees in '000)

		2021					
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal
<b>Owned Vehicles</b>							
Suzuki Swift DX 1328CC-LE-16-2907	Employee (Abdul Rehman Zia)	1,316	1,316	-	256	256	As per policy
Honda City White LEE-15-4089	Employee (Adeel Shehzad Baig)	1,691	1,691	-	331	331	As per policy
H.Civic 1.8 i-vtech-SR LEA-18-7074	Employee (Saqib Rauf)	2,729	2,138	591	830	239	As per policy
Audi A4 1.4 TFSI Mythos Black MY16	Employee (Junaid Mushtaq Paracha)	6,072	6,072	-	2,795	2,795	As per policy
Audi A414 Glacier White 1395cc LEH-17	Employee (Adeel Khalid)	6,053	4,136	1,918	3,960	2,043	As per policy
Suzuki Swift 1300cc LEH-18-3839	Employee (Waqas Khalid)	1,477	935	542	807	265	As per policy
Honda City 1.5 Prosmetec LEE-18-2516	Employee (M. Fahad Shabir)	1,842	1,259	583	1,016	433	As per policy
Honda Civic PT 1.8 Auto BDY-974	Employee (Muhammad Akmal)	2,514	2,514	-	740	740	As per policy
Suzuki Swift DX 1328CC-BDV-985	Employee (Maria Urooj)	1,250	1,250	-	244	244	As per policy
Rivo 4x4 super white AEW-725	Employee (Hussain Ahmad)	4,458	3,863	594	2,490	1,896	As per policy
Suzuki WaginR VXL MT-LEC-18A-8762	Employee (Shahid Ali)	1,265	738	527	730	203	As per policy
TOYOTA Vitz- LEE-16-2682	Mr. Abid Ansar (in open Market)	1,326	862	464	1,560	1,096	Bidding
Suzuki WaginR VXL MT-LEC-18A-3515	Employee (Arsalan Ghazi)	1,265	717	548	1,375	827	Negotiation
		33,258	27,491	5,767	17,134	11,368	
<b>Leased Asset</b>							
Honda city prosmatec Reg.(ANX-601)	Employee (Saad Noor)	2,111	774	1,337	2,596	1,259	As per policy
<b>Other assets with book value less than Rs. 500,000</b>		2,651	2,455	196	528	333	Bidding
		38,020	30,721	7,300	20,258	12,960	

(Rupees in '000)

		2020					
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal
<b>Owned Vehicles</b>							
Toyota Corolla XLI AT 1299CC-LEH-15-8204	Employee (Muhammad Ishaq)	1,683	1,430	253	732	479	As per policy
Suzuki Cultus - Pool Car LED-10-5875	Employee (Saeed Ullah Khan Niazi - CFO)*	903	903	-	539	539	Bidding
Toyota Atlas Cruistronic LEC-7592	Rasheed Ahmad	2,171	2,171	-	1,834	1,834	Negotiation
		4,757	4,504	253	3,105	2,852	
<b>Leased Asset</b>							
Toyota Corolla Atlas 1.6 AT LEF-17-1286	Employee (Salah ud din)	2,083	1,493	590	898	308	As per policy
<b>Other assets with book value less than Rs. 500,000</b>		2,298	2,274	24	74	50	Negotiation
		9,138	8,271	867	4,077	3,210	

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### 21. INTANGIBLE ASSETS

(Rupees in '000)	Note	2021	2020
Intangibles	21.1	-	-
Capital work in progress	21.2	51,722	20,029
		51,722	20,029
<b>21.1 Cost</b>	21.1.1	17,677	17,677
Less: Accumulated amortization	21.1.2	(17,677)	(17,677)
Net book value as at 31 December		-	-
Amortization rate		33.33%	33.33%
<b>21.1.1 Cost</b>			
As at 01 January		17,677	17,677
Additions during the year		-	-
As at 31 December		17,677	17,677
<b>21.1.2 Amortization</b>			
As at 01 January		17,677	17,677
For the year		-	-
As at 31 December		17,677	17,677
<b>21.2</b> This relates to the development of software for providing digital services.			
<b>22. LONG TERM INVESTMENT</b>			
Unquoted - at fair value through other comprehensive income			
Avanceon LP		967,659	874,023

Octopus Digital Inc., USA has a 26.11% (2020: 26.11%) interest in profits/ losses of Avanceon LP. 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.

The group does not have significant influence over Avanceon LP. Accordingly, the management of the Group has elected to classify this investment to be measured at fair value through other comprehensive income.

### 23. DEFERRED TAXATION

(Rupees in '000)	2021	2020
The net asset / (liability) for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation / amortization	(2,965)	(8,409)
Provision for expected credit losses	43,245	17,510
Provision for gratuity	653	714
Tax credits under Second Schedule	116,182	133,598
Surplus on revaluation of property and equipment during the year	(233)	(4,277)
Deferred tax on incremental depreciation	(3,593)	(3,360)
Unused tax losses	12,457	-
Income taxable on receipt basis	(169,420)	(76,923)
Net deferred tax (asset) / liability	(3,673)	58,853

**23.1 Reconciliation of deferred tax (asset) / liability net**

(Rupees in '000)	2021	2020
As of 01 January	58,853	73,815
Tax income recognized in profit and loss	(66,494)	(10,727)
Tax income recognized in other comprehensive income	3,811	(4,278)
Exchange difference during the year	157	44
As at 31 December	(3,673)	58,853

**23.2 Movement in deferred tax balances is as follows:**

	(Reversal from) / charge to				
	Opening	Profit or loss	Equity	Other comprehensive income	Closing
2021	(Rupees in '000)				
Deductible / (taxable) temporary difference					
Income taxable on receipt basis	(76,923)	(92,497)	-	-	(169,420)
Tax credit under Second Schedule	133,598	(17,416)	-	-	116,182
Unused tax losses	-	12,457	-	-	12,457
Employees end of service benefits	714	(61)	-	-	653
Provisions	17,510	25,735	-	-	43,245
Accelerated tax depreciation allowances	(8,409)	5,444	-	-	(2,966)
Deferred tax on incremental depreciation	(4,277)	-	-	684	(3,593)
Surplus on revaluation of property and equipment	(3,360)	-	3,127	-	(233)
	58,853	(66,338)	3,127	684	(3,673)

	(Reversal from) / charge to				
	Opening	Profit or loss	Equity	Other comprehensive income	Closing
2020	(Rupees in '000)				
Deductible / (taxable) temporary difference					
Income taxable on receipt basis	(30,021)	(46,902)	-	-	(76,923)
Tax credit under Second Schedule	107,905	25,693	-	-	133,598
Provisions	21,017	(3,507)	-	-	17,510
Employees end of service benefits	457	257	-	-	714
Accelerated tax depreciation allowances	(20,361)	11,952	-	-	(8,409)
Deferred tax on incremental depreciation	(3,071)	-	-	(1,206)	(4,277)
Surplus on revaluation of property and equipment	(2,111)	-	(1,249)	-	(3,360)
	73,815	(12,507)	(1,249)	(1,206)	58,853

(Rupees in '000)		2021	2020
<b>24. LONG-TERM LOANS AND DEPOSITS</b>			
Security deposits	24.1	35,784	32,431
Loan to employees	24.2	3,409	618
		39,193	33,049
Current portion of loan to employees		(800)	(200)
		38,393	32,849

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 24.2 Reconciliation of carrying amount of loans to employees:

(Rupees in '000)	2021	2020
Opening balance	618	1,861
Add: Disbursements during the year	2,791	-
Less: Repayments during the year	-	(1,243)
Closing balance	3,409	618

These represent interest free loans (as per Holding 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.

**24.3** The present value adjustment in accordance with the requirements of IFRS 9: 'Recognition and Measurement' arising in respect of long term loans and security deposits are not considered material and hence not recognized.

## 25. STOCK-IN-TRAD

(Rupees in '000)	Note	2021	2020
Local		16,313	55,652
Imported		56,500	68,131
		72,813	123,783

## 26. TRADE DEBTS

Export		5,208,748	3,313,468
Local		439,427	312,351
		5,648,175	3,625,819
Less: Provision for expected credit loss	26.1 26.2	(96,736)	(39,792)
		5,551,439	3,586,027

### 26.1 Ageing of trade debts

Less than one year		2,825,575	2,918,866
One to two years		2,167,698	624,676
Two to three years		654,902	82,277
		5,648,175	3,625,819

### 26.2 Provision for expected credit loss

Balance as at 01 January		39,792	32,909
Add: Provision for the year	33	43,150	18,988
Less: Reversal of provision for ECL		(11)	(12,920)
Foreign exchange movement		13,805	815
Balance as at 31 December		96,736	39,792

## 27. CONTRACT ASSETS

Earnings in excess of billings	27.1	3,677,799	3,681,180
Project deferred revenue		524,402	102,670
		4,202,201	3,783,850
Less: Provision for expected credit loss	27.2	(81,846)	(21,307)
		4,120,355	3,760,963

(Rupees in '000)		Note	2021	2020
<b>27.1</b>	<b>Ageing of earnings in excess of billings</b>			
	Less than one year		2,234,081	2,034,081
	One to two years		1,078,531	1,278,531
	Two to three years		365,187	368,568
			3,677,799	3,681,180
<b>27.2</b>	<b>Provision for expected credit loss</b>			
	Balance as at 01 January		21,307	42,906
	Add: Provision for the year	35.1	54,214	617
	Reversal of provision for ECL		(28)	(22,216)
	Foreign exchange movement		5,709	1,597
	Balance as at 31 December		81,846	21,307
<b>28.</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Advances - considered good			
	- To employees		109,825	23,395
	- To suppliers		165,785	145,932
			275,610	169,327
	Prepayments		58,200	12,352
	Bank guarantee / LC cash margin		288,541	236,192
	Tax refunds due from government - considered good		122,869	71,143
	Retention money - considered good		-	1,277
	Earnest money - considered good		301	408
	Receivable from related parties	28.1	33,123	7,618
	Other receivables - considered good		7,565	3,922
			786,209	502,239

**28.1** This represents incorporation charges incurred by Group Companies for formation of new entities in Saudi Arabia and Qatar.

## 29. SHORT TERM INVESTMENTS

(Rupees in '000)		Note	2021	2020
	Investment in equity instrument	29.1	185	2,955
	Term deposit receipts		310,471	73,788
			310,656	76,743

### 29.1 Investment in equity instruments

		Name of investee companies	Fair value	
2021 (Number of Shares)	2020		2021 (Rupees in '000)	2020
424	11,424	The General Tyre and Rubber Company of Pakistan Ltd.	185	947
-	9,000	Gul Ahmed Textile Mills	-	331
-	15,025	Maple Leaf Cement Factory	-	676
-	30,000	Hascol Petroleum Limited	-	441
-	15,000	Ghani Global Holdings Limited	-	245
-	1,265	The Searle Company Limited	-	315
			185	2,955

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
<b>29.2 Term deposit receipts</b>			
National Bank of Fujairah	29.2.1	10,471	9,460
Bank of Singapore	29.2.2	-	64,328
JS Bank Limited	29.2.3	300,000	-
		310,471	73,788

**29.2.1** These represent term deposits receipts of National Bank of Fujairah having maturity of 12 months (2020: 12 months) carrying mark-up at the rate of 0.51% per annum (2020: 0.51%) per annum. This is pledged against the trust receipts obtained from National Bank of Fujairah to the extent of AED 216,032.

**29.2.2** These represented term deposit receipts of Bank of Singapore having maturity of 6 months carrying mark-up at the rate of 6.75% per annum respectively.

**29.2.3** This represents term deposits receipts of JS Bank Limited having maturity of three months and carried mark-up at the rate of 8.5% per annum.

(Rupees in '000)	Note	2021	2020
<b>30. CASH AND BANK BALANCES</b>			
Cash in hand		26,643	18,230
Cash with banks:			
Current accounts			
Local currency		1,229,161	129,956
Foreign currency		39,542	328,626
Savings accounts			
Local currency	30.1	16,990	50,517
		1,285,693	509,099
		1,312,336	527,329

**30.1** Profit on balances in saving accounts ranges from 7.25% to 8.75% (2020: 6.58% to 7.48%) per annum.

### 31. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

(Rupees in '000)	2021	2020
<b>31.1 Disaggregation of revenue</b>		
Country wise breakup:		
Qatar	3,394,653	3,409,616
Nigeria	503,727	-
The Islamic Republic of Pakistan	1,861,694	1,912,213
Kingdom of Saudi Arabia	679,846	601,014
The United Arab Emirates	677,974	521,849
	7,117,894	6,444,692
<b>Nature</b>		
Sale of goods	2,082,973	576,349
Services	578,647	565,957
Project revenue	4,456,274	5,302,386
	7,117,894	6,444,692
<b>Timing of revenue recognition</b>		
At a point in time	2,082,973	576,349
Over the time	5,034,921	5,868,343
	7,117,894	6,444,692



(Rupees in '000)	Note	2021	2020
<b>31.2 Reconciliation with Segment Information</b>			
Gross revenue	31.2.1	8,591,671	7,421,052
Intersegment elimination		(1,473,777)	(976,360)
		7,117,894	6,444,692

### 31.2.1 Break up of gross revenue

2021				
(Rupees in '000)	sale of goods	Services	Project revenue	Total
Core Business	337,842	-	131,579	469,421
Manufacturing and Assembling	99,236	-	265,062	364,298
Specialized Business	23,816	-	402,829	426,645
Engineering and Back Office	-	639,033	-	639,033
Middle East and USA	1,409,833	605,534	4,282,107	6,297,473
After Market Support	212,246	(26,887)	209,442	394,801
	2,082,973	578,647	5,291,018	8,591,671

2020				
(Rupees in '000)	sale of goods	Services	Project revenue	Total
Core Business	320,397	3,568	125,581	449,546
Manufacturing and Assembling	80,719	25,962	22,296	128,977
Specialized Business	189	2,420	788,607	791,216
Engineering and Back Office	-	602,513	-	602,513
Middle East and USA	1,831	1,164	4,534,461	4,537,456
After Market Support	173,213	522,695	215,436	911,344
	576,349	1,158,322	5,686,381	7,421,052

(Rupees in '000)	2021	2020
<b>31.3 Contract balances</b>		
Trade receivables	5,551,439	3,586,027
Contract assets	4,120,355	3,760,963
Contract liabilities	883,074	902,093

The Group's trade debts increased due to an overall increase in business operations of all the entities within the Group.

Contract assets relate to revenue earned from ongoing projects which has not been billed yet. As such, the balances of this account vary and depend on the number of ongoing projects at the end of the year. In 2021, the contract balances increased due to on-going projects which have not yet approached their billing milestones at the year end as per the contract terms.

Contract liabilities include billings in excess of earnings. This results from projects where the billing milestones are reached in advance of the Company's progress towards satisfaction of performance obligations. The outstanding balances of these accounts show nominal decrease in 2021 which is mainly due to satisfaction of performance obligations of majority of projects of Company due to which revenue relating to those projects has increased. However, billings of those projects have not increased with same effect due to the terms of contracts with customers where billings is deferred for future milestones.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 31.4 Performance obligations

##### Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 days from delivery.

##### Services

The performance obligation is satisfied over-time and payment is generally due within 30 days of the end of term period. In some contracts, short-term advances are required before the technical and engineering services are provided.

##### Project revenue

The performance obligation is satisfied over-time and payment is generally due within 30 days from reaching a milestone as per contract and acceptance of the customer. In some contracts, short-term advances are required before the services are provided under the contract.

As at year end, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) amounted to Rs. 16,390.057 million (2020: Rs. 9,003.71 million) which is to be satisfied within one to four years.

Contract assets and liabilities mainly arise from the projects as the Company recognizes revenue using cost to cost method while the respective customers are billed when a milestone is achieved as agreed in the contract.

(Rupees in '000)	Note	2021	2020
<b>32. COST OF REVENUE</b>			
Materials consumed		3,610,503	3,283,615
Salaries, wages, allowances and other benefits	32.1	384,546	307,468
Employees' share option expense		39,355	9,154
Telephone, postage and telex		15,733	13,221
Utilities		3,104	2,138
Travelling and conveyance relating to engineering services		164,966	236,990
Back office support		5,403	-
Installation charges relating to engineering services	32.2	477,029	671,106
Entertainment relating to engineering services		5,161	4,053
Repairs and maintenance		4,276	3,009
Printing and stationery		982	625
Insurance		37,305	12,480
Office rent		17,391	13,079
Training		711	1,209
Fee and subscription		3,574	975
Depreciation on property and equipment	20.1.1	28,974	32,739
Miscellaneous expenses		41,183	11,286
		<b>4,840,198</b>	<b>4,603,147</b>

**32.1** Salaries, wages and benefits include Rs. 11.76 million (2020: Rs. 9.9 million) and Rs. 0.99 million (2020: Rs. 0.432 million) representing provident fund contribution by the Holding Company and accumulating compensated absences respectively. It also includes provision for gratuity of subsidiary companies amounting to Rs. 8.94 million (2020: Rs. 10.30 million). Amount of Rs. 181.61 million (2020: Rs. 117.49 million) relates to project services revenue.

**32.2** This includes commission expense of Rs.57.46 million (2020: 49.26 million) to Arkan Integrated Development L.L.C. as per the agreement between Holding Company and Arkan Integrated Development L.L.C.

(Rupees in '000)	Note	2021	2020
<b>33. ADMINISTRATIVE AND SELLING EXPENSES</b>			
Salaries, wages, allowances and other benefits	33.1	553,127	484,294
Employees' share option expense		59,032	13,731
Telephone, postage and telex		14,321	12,345
Utilities		3,101	2,135
Entertainment		991	826
Repairs and maintenance		6,798	5,975
Sales promotion expenses		5,881	3,250
Printing, stationery and periodicals		574	622
Travelling, conveyance and vehicle maintenance		34,664	25,117
Office rent		9,676	7,844
Training		350	796
Insurance		14,341	5,599
Legal and professional charges		23,561	9,636
Auditors' remuneration	33.2	9,271	7,855
Fee and subscription		28,962	24,840
Corporate expenses		11,254	374
Late delivery charges		-	30
Depreciation on property and equipment	20.1.1	28,974	32,739
Bad debts write-off - specific		2,384	17,049
Provision for bad earning		38,592	1,179
Balances written off		39,257	-
Provision for expected credit losses - contract assets	27.2	17,127	-
Provision for expected credit losses - trade debts	26.2	13,054	6,070
Other expenses		18,207	22,218
		933,499	684,524

**33.1** Salaries, wages and benefits include Rs. 4.71 million (2020: Rs. 2.2 million) and Rs. 0.66 million (2020: Rs. 0.288 million) representing provident fund contribution by the Holding Company and accumulating compensated absences respectively. It also includes provision for gratuity of subsidiary companies amounting to Rs. 16.35 million (2020: Rs. 10.30 million).

(Rupees in '000)	Note	2021	2020
<b>33.2 Auditors' remuneration</b>			
EY Ford Rhodes			
Statutory audit		7,189	6,562
Half yearly review		704	641
Code of corporate governance		310	100
Other charges and out of pocket expenses		337	284
		8,540	7,587
Other firms annual audit fee relating to subsidiaries		731	267
		9,271	7,855
<b>34. OTHER OPERATING EXPENSES</b>			
Donations	34.1	4,617	4,300

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in '000)	Note	2021	2020
<b>35.1 Income from financial assets</b>			
Profit on bank deposits		4,464	7,306
Exchange gain		494,521	106,172
Reversal of provision for expected credit loss - contract assets	27.2	-	21,599
Reversal of provision for expected credit loss - long term deposit	24.1	-	4,458
Dividend on short term investment		-	5
Capital gain on short term investment		282	994
Fair value gain on short term investments		-	517
		499,267	141,051
<b>35.2 Income from non-financial assets</b>			
Gain on disposal of property and equipment	20.1.4	12,960	3,210
Amortization of deferred grant	14.1	1,466	624
Others		30,052	18,105
		44,478	21,939
<b>36. FINANCE COSTS</b>			
Mark up and interest on:			
- Long term loan		5,950	1,277
- Finances under mark up arrangements and other credit facilities - secured		47,773	85,327
- Finance lease		4,893	10,617
- Provident fund		3,881	6,179
Bank charges		49,699	20,008
Guarantee commission		5,623	3,468
Project financial cost		6,803	5,461
		124,621	132,337
<b>37. TAXATION</b>			
Current			
- for the year		91,883	127,857
- for prior years		-	(189)
Deferred			
- for the year		66,729	10,727
		158,612	138,395

**37.1** The Group is subject to taxation under jurisdictions of Pakistan and Qatar. Each of the Group's entities is subject to tax at varying tax regimes such as corporate tax and minimum taxation whereas one of the subsidiaries is exempt from taxation. Further, there are inter-company transactions which have been eliminated while computing the consolidated accounting profit. Due to this, a numerical reconciliation between accounting profit and tax expenses is not meaningful.

## 38. EARNINGS PER SHARE

		2021	2020
<b>38.1 Basic earnings per share</b>			
Net profit for the year	Rupees in thousand	1,577,030	1,044,979
			Restated
Weighted average number of ordinary shares	Numbers in thousand	213,828	211,790
Earnings per share	Rupees	7.38	4.93

**38.2 Diluted earnings per share**

		2021	2020
Net profit for the year	Rupees in thousand	1,577,030	1,044,979
			Restated
Weighted average number of ordinary shares	Numbers in thousand	256,593	211,790
Adjustment for share options	Numbers in thousand	4,246	4,862
Weighted average number of ordinary shares for diluted earnings per share	Numbers in thousand	260,839	216,652
Diluted earnings per share	Rupees	6.05	4.82

**38.2.1** Share options issued by the Holding 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.

**38.3** The weighted average number of ordinary shares of 2020 has been restated in accordance with the requirements of IAS 33 due to issuance of 42,765,560 bonus shares in 2021.

**39. CASH FLOWS FROM OPERATING ACTIVITIES**

(Rupees in '000)

	2021	2020
Profit before tax	1,758,705	1,183,374
Adjustments for:		
Depreciation on property and equipment	57,948	65,478
Allowances for expected credit losses - contract assets	17,127	(21,599)
Allowances for expected credit losses - trade debts	13,054	6,070
Balances written off	39,257	-
Reversal of provision - long term deposits	-	(4,458)
Amortization of deferred grant	(1,466)	(624)
Employees' end of service benefits	26,571	20,603
Employees' share option expense	98,388	20,408
Bad debts written-off - specific	2,384	17,049
Capital gain on short term investment	(282)	(994)
Fair value gain on short term investments	-	(517)
Exchange gain	(494,521)	(6,235)
Gain on disposal of property and equipment	(12,960)	(3,210)
Finance costs	124,621	139,115
Profit on bank deposits	(4,464)	(7,306)
	(134,343)	223,780
Profit before working capital changes	1,624,363	1,407,154
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	50,970	37,146
- Trade debts	(1,980,755)	(1,177,742)
- Contract asset	(376,520)	(137,184)
- Advances, deposits, prepayments and other receivables	268,815	3,289
(decrease) / Increase in current liabilities		
- Creditors, accrued and other liabilities	554,691	931,171
- Contract liabilities	(19,019)	(225,249)
	(1,501,819)	(568,569)
Cash flows generated from operations	122,544	838,585

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 40. 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 46. Other significant transactions with related parties are as follows:

Name of related party	Relationship with the Group	Basis of Relationship	Nature of transactions	2021 (Rupees in thousand)	2020 (Rupees in thousand)
Innovative Travels (Private) Limited	Associated Company	Common directorship	Services rendered during the year	-	703
			Payment during the year	-	703
Arkan Integrated Development L.L.C.	Associated Company	Non controlling interest in AVAC	Commission expense	57,458	46,866
			Back office support	10,806	10,602
			Dividend	8,617	6,192
Contribution to staff provident fund	Provident fund	Provident fund	Expense charged in respect of retirements benefit plans	15,247	12,071

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

#### 41. PROVIDENT FUND

(Rupees in '000)	2021	2020
Size of fund	194,807	134,885
Fair value of investments made	147,444	97,207
Cost of investment made	138,641	95,091
Percentage of investments made	76%	72%

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

	2021 (Un-audited)		2020 (Audited)	
	Investments (Rupees in '000)	Investment as % of size of the fund	Investments (Rupees in '000)	Investment as % of size of the fund
Government Securities	77,843	53%	53,319	40%
Scheduled Banks	10,563	7%	5,635	4%
Other Mutual Funds	20,528	14%	18,676	14%
Listed Securities	38,509	26%	19,577	15%
	147,443		97,207	

41.2 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.

#### 4.2 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) i.e. the Chief Executive Officer of the Holding Company. 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 (stock in trade, trade debts and contract assets). 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.

## 42.1 Consolidated operating segment results

		2021							
		Core Business			Specialized Business	Engineering and Back Office	Middle East	Elimination	Total
(Rupees in '000)	AMS	Core Business	Manufacturing and Assembling						
Segment profit or loss account									
Revenue from external customers		1,229,042	469,421	363,803	426,983	639,033	5,463,390	(1,473,777)	7,117,894
Cost of revenue		(422,622)	(335,569)	(237,744)	(298,165)	(471,253)	(4,453,551)	1,378,706	(4,840,198)
Gross profit		806,420	133,852	126,059	128,819	167,780	1,009,839	(95,071)	2,277,697
Segment assets									
Stock in trade		15,313	19,316	7,313	15,070	-	15,801	-	72,813
Trade debts		485,801	211,517	191,802	262,478	328,435	5,376,594	(1,305,189)	5,551,439
Contract assets		206,908	126,255	135,349	150,801	213,238	3,287,805	-	4,120,355
Segment total assets		708,022	357,089	334,465	428,349	541,673	8,680,200	(1,305,189)	9,744,608
		2020							
		Core Business			Specialized Business	Engineering and Back Office	Middle East	Elimination	Total
(Rupees in '000)	AMS	Core Business	Manufacturing and Assembling						
Segment profit or loss account									
Revenue from external customers		911,344	449,546	128,977	791,215	602,513	4,537,457	(976,360)	6,444,692
Cost of revenue		(201,408)	(298,702)	(84,611)	(543,165)	(456,121)	(3,921,210)	902,070	(4,603,147)
Gross profit		709,936	150,844	44,366	248,050	146,392	616,247	(74,290)	1,841,545
Segment assets									
Stock in Trade		13,751	17,635	4,050	13,197	-	75,150	-	123,783
Trade debts		421,646	154,131	63,145	364,515	199,215	3,049,936	(666,561)	3,586,027
Contract assets		42,316	85,461	19,241	86,413	13,255	3,514,277	-	3,760,963
Segment total assets		477,713	257,227	86,436	464,125	212,470	6,639,363	(666,561)	7,470,773

**42.2** For management purposes the Chief Operating Decision Maker (Board of Directors), views the activities of the Group organised into business units based on the nature of products and expertise required by with four groups containing eight reportable operating segments.

**(i) After Marketing Support (AMS)**

**(a) 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, software, 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) equipment, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### (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)

High End Solutions focuses on specialized areas i.e. Manufacturing Execution Systems, Plant Information Management Systems, and Advanced Process Control.

### (iv) Engineering services

#### Engineering services business includes revenues from:

- man-hours charged to Avanceon FZE and Avanceon Automation and Control WLL 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 FZE and Avanceon Automation and Control WLL project sites for installation, commissioning and post implementation support of systems.

### (v) Middle East

Middle East segment consists of core business, specialized business, and engineering services (as stated above) to UAE, Qatar, Pakistan and European Union countries.

### 42.3 Reconciliation of segment profit and loss

Reportable segments gross profit is reconciled to profit after tax as follows:

(Rupees in '000)	Note	2021	2020
Gross profit for reportable segments	42.1	2,277,697	1,841,545
Administrative and selling expenses		(933,499)	(684,524)
Other operating expenses		(4,617)	(4,300)
Other operating income		543,746	162,990
		(394,369)	(525,834)
Finance costs		(124,621)	(132,337)
Profit before tax		1,758,706	1,183,374
Taxation		(158,612)	(138,395)
Profit for the year		1,600,094	1,044,979

### 42.4 Reconciliation of segment assets

Reportable segments assets are reconciled to total assets as follows:

#### Assets

Segment assets for reportable segments	42.1	9,744,608	7,470,773
Tangible(Property and equipment) and intangible assets		519,483	451,355
Other assets		1,006,052	965,725
		11,270,142	8,887,854

#### Unallocated portion of current assets

Advances, deposits, prepayments and other receivables		786,209	502,239
Term deposits with banks		-	-
Short term investments		310,656	76,743
Cash and bank balances		1,312,336	527,329
		2,409,201	1,106,311
Total assets as per statement of financial position		13,679,343	9,994,165



Segment assets include the operating assets used by each segment and consist of stocks, trade debts and contract assets. All other assets and liabilities are not allocated to operating segments as such information is not presented separately for each segment for the purposes of management decision making.

All expenses and income other than revenue and cost of revenue are not allocated to segments, as this is driven by the central treasury function, which manages the cash position of the Group.

#### 43. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### 43.1 Financial risk factors

The 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 program 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 guidelines approved by the Corporate Center of the Group.

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 its investment in Avanceon LP, USA, 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 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.

The Group is exposed to currency risk arising primarily with respect to the United States Dollar (USD) and United Arab Emirates Dirham (AED). The Group's exposure to foreign currency changes for all other currencies is not material. Currently, the Group's foreign exchange risk exposure is restricted to foreign currency creditors, debtors and bank balances as shown below:

(Amounts in '000)	2021						
	Rupees	EUR	USD	AED	QAR	SGD	SAR
Investment in Avanceon LP	967,659	-	5,440	-	-	-	-
Trade debts	5,208,748	692	7,919	41,961	50,688	-	11,649
Short term investments	10,471	-	-	216	-	-	-
Bank balances	39,542	97	38	-	2	-	262
Trade Payables	(2,299,567)	(187)	(10,948)	(5,549)	-	(5)	(959)
<b>Net Exposures</b>	<b>3,926,852</b>	<b>602</b>	<b>2,449</b>	<b>36,628</b>	<b>50,690</b>	<b>(5)</b>	<b>10,952</b>

(Amounts in '000)	2020						
	Rupees	EUR	USD	AED	QAR	SGD	SAR
Investment in Avanceon LP	874,023	-	5,435	-	-	-	-
Trade debts	486,081	989	13,619	40	6,257	-	12,425
Short term investments	-	-	459	-	3,227	-	-
Bank balances	328,626	0.172	485	-	3	-	4
Trade payables	(15,592,193)	(24,833)	(66,211)	(24)	(39)	(8)	-
<b>Net Exposures</b>	<b>(13,903,463)</b>	<b>(23,844)</b>	<b>(46,213)</b>	<b>16</b>	<b>9,448</b>	<b>(8)</b>	<b>10,971</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

The following significant exchange rates were applied during the year:

	2021	2020
<b>Rupees per USD</b>		
Average rate	163.70	162.14
Reporting date rate	177.88	160.80
<b>Rupees per Euro</b>		
Average rate	197.50	185.12
Reporting date rate	198.50	196.50
<b>Rupees per AED</b>		
Average rate	44.73	44.13
Reporting date rate	48.47	43.79
<b>Rupees per QAR</b>		
Average rate	45.03	44.53
Reporting date rate	48.87	44.17
<b>Rupees per SGD</b>		
Average rate	126.18	118.04
Reporting date rate	131.49	120.86
<b>Rupees per SAR</b>		
Average rate	43.63	41.89
Reporting date rate	47.43	42.55

At 31 December 2020, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar or AED with all other variables held constant, post tax profit / 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 Group's profit before tax and equity. The Group's exposure to foreign currency changes for all other currencies is not material.

(Rupees in '000)	AED		
	Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
2021	5%	88,768	63,025
	-5%	(88,768)	(63,025)
2020	5%	35	25
	-5%	(35)	(25)
(Rupees in '000)	USD		
	Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
2021	5%	21,781	15,464
	-5%	(21,781)	(15,464)
2020	5%	(371,553)	(263,803)
	-5%	371,553	263,803

(Rupees in '000)	EUR		
	Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
2021	5% -5%	5,975 (5,975)	4,242 (4,242)
2020	5% -5%	(234,267) 234,267	(166,330) 166,330
(Rupees in '000)	QAR		
	Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
2021	5% -5%	123,861 (123,861)	87,942 (87,942)
2020	5% -5%	20,866 (20,866)	14,815 (14,815)
(Rupees in '000)	SGD		
	Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
2021	5% -5%	(237) 237	(168) 168
2020	5% -5%	(967) 967	(687) 687
(Rupees in '000)	SAR		
	Change in Exchange rate	Effect on Profit/(loss) before tax	Effect on equity
2021	5% -5%	25,972 (25,972)	18,440 (18,440)
2020	5% -5%	466,816 (466,816)	331,439 (331,439)

**(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 lease liabilities and liabilities against finances under mark-up arrangements. These liabilities 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 KIBOR.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

Rupees in '000)	2021	2020
<b>Floating rate instruments</b>		
Financial assets		
Bank balances	(16,990)	(50,517)
Financial liabilities		
Long term loan	23,551	49,462
Lease liabilities	116,384	80,459
Finances under markup arrangements and other credit facilities - secured	713,748	487,386
Total exposure	836,693	566,790

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 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 Group's profit before tax:

(Rupees in '000)	Increase/ decrease in basis points	Effect on Profit/(loss) before tax	Effect on equity
2021	+100	(8,537)	(6,061)
	-100	8,537	6,061
2020	+100	(5,668)	(4,024)
	-100	5,668	4,024

#### (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 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.

Group's credit risk is primarily attributable to its trade debts and contract assets. 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 Group 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:

(Rupees in '000)	2021	2020
Long term loans and deposits	39,193	32,849
Trade debts	5,648,175	3,586,027
Deposits and other receivables	150,814	249,417
Bank balances	1,285,693	509,099
	7,123,874	4,377,392

- The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows:

(Rupees in '000)	2021	2020
Domestic	439,427	310,702
Export	5,208,748	3,275,325

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's local trade receivables assets using a provision matrix:

(Rupees in '000)	2021									
	0-90 days	90-180 days	180-270 days	270-360 days	360-450 days	450-540 days	540-630 days	630-720 days	720-810 days	Total
Estimated total gross carrying amount at default	3,624,382	370,236	248,630	342,508	127,456	98,149	10,845	360,154	465,813	5,648,175
Estimated total gross carrying amount - secured	2,873,550	273,656	157,984	264,914	16,254	42,883	-	-	147,997	3,777,238
Expected credit loss rate	0.38%	0.63%	1.43%	2.60%	11.61%	8.32%	0.84%	5.73%	5.30%	-
Expected credit loss	13,595	2,316	3,546	8,894	14,796	8,167	91	20,626	24,704	96,736

(Rupees in '000)	2020									
	0-90 days	90-180 days	180-270 days	270-360 days	360-450 days	450-540 days	540-630 days	630-720 days	720-810 days	Total
Estimated total gross carrying amount at default	888,074	155	-	-	-	-	-	-	-	888,229
Estimated total gross carrying amount - secured	153,412	8,161	36,509	7,300	187,439	154,086	16,789	22,987	82,351	669,034
Expected credit loss rate	4%	5%	0%	0%	0%	0%	0%	0%	0%	
Expected credit loss	39,784	7	-	-	-	-	-	-	-	39,791

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

As at 31 December 2020, the Group has 23 customers owing more than Rs. 30 million each which account for 85% of total debtors.

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

(Rupees in '000)	Rating Short Term	Rating Long Term	Rating Agency	Balances at banks	
				2021	2020
Faysal Bank limited	A1+	AA	PACRA	123,172	1,326
Habib Bank limited	A1+	AAA	JCR-VIS	3,412	40,512
Dubai Islamic Bank	A1+	AA	JCR-VIS	101,937	-
National Bank of Pakistan	A1+	AAA	PACRA	436	344
MCB Bank Limited	A1+	AAA	PACRA	229,151	93
United Bank Limited	A1+	AAA	JCR-VIS	4,377	68,944
JS Bank Limited	A1+	AA-	PACRA	233,153	5,181
Standard Chartered	A1+	AAA	PACRA	18,223	18,606
Bank of Singapore Limited	P-1	Aa1	Moody's	328	10,373
Habib Bank AG Zurich	A1+	AAA	JCR-VIS	42,305	3,139
National Bank of Fujairah	P-2	Baa1	Moody's	54,884	197
Qatar International Islamic Bank	A2	A	Capital Intelligence	87,003	39,954
Doha Bank	F1	A	Fitch	11,995	245
Mashreq Bank	F1	A	Fitch	24,277	318,811
Qatar Islamic Bank	F1	A	Fitch	71,764	1,375
				1,006,416	509,099

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

The Group has not recognised an impairment allowance on financial assets held with banking companies during the year ended 31 December 2021, as the impact was immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

### (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 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:

(Rupees in '000)	Carrying amount	Contractual cashflow	Less than one year	Between one to five years	More than five years
<b>2021</b>					
Long term loan	23,551	-	23,551	-	-
Finances under mark up arrangements	713,748	-	713,748	-	-
Lease liabilities	116,384	-	46,757	69,627	-
Creditors, accrued and other liabilities	3,034,956	-	3,034,956	-	-
Unclaimed dividend	153,095	153,095	153,095	-	-
	4,041,734	153,095	3,972,107	69,627	-
<b>2020</b>					
Long term loan	49,462	51,822	25,911	25,911	-
Finances under mark up arrangements	487,386	487,386	487,386	-	-
Lease liabilities	80,459	88,833	42,535	46,298	-
Creditors, accrued and other liabilities	2,490,561	2,490,561	2,490,561	-	-
Unclaimed dividend	10,951	10,951	10,951	-	-
	3,118,819	3,129,553	3,057,344	72,209	-

(Rupees in '000)	2021			
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
<b>43.2 Financial instruments by categories</b>				
<b>Financial assets</b>				
<b>Debt instruments</b>				
Long term loans and deposits	-	-	38,393	38,393
Long term investments	967,659	-	-	967,659
Trade debts	-	-	5,551,439	5,551,439
Deposits and other receivables				
- Bank guarantee margin	-	-	288,541	288,541
- Earnest money	-	-	301	301
- Retention money	-	-	-	-
- Due from related parties	-	-	33,123	33,123
- Others	-	-	7,565	7,565
<b>Cash and bank balances</b>	-	-	1,312,336	1,312,336
<b>Equity instruments</b>				
Short term investment	-	185	310,471	310,656
	967,659	185	7,542,169	8,510,012
<b>Total current</b>				7,503,960
<b>Total non current</b>				1,006,052

	2020			
(Rupees in '000)	At fair value through OCI/ Available for sale	At fair value through profit or loss	At amortized cost	Total
Financial instruments by categories				
Financial assets				
Debt instruments				
Long term loans and deposits	-	-	32,849	32,849
Long term investments	874,023	-	-	874,023
Trade debts	-	-	3,586,027	3,586,027
Deposits and other receivables				
- Bank guarantee margin	-	-	236,192	236,192
- Earnest money	-	-	408	408
- Retention money	-	-	1,277	1,277
- Due from related parties	-	-	7,618	7,618
- Others	-	-	3,922	3,922
Cash and bank balances	-	-	527,329	527,329
Equity instruments				
Short term investment	-	2,955	-	2,955
	874,023	2,955	4,395,622	5,272,600
Total current				4,365,728
Total non current				906,872

(Rupees in '000)	2021	2020
	Financial liabilities at amortized cost	Financial liabilities at amortized cost
<b>Financial liabilities</b>		
Long term loan	23,551	49,462
Lease liabilities	80,459	80,459
Finances under mark up arrangements and other credit facilities - secured	487,386	487,386
Creditors, accrued and other liabilities	3,034,956	2,490,561
Unclaimed dividend	153,095	10,951
	3,779,447	3,118,819
<b>Total current</b>	3,745,745	3,052,968
<b>Total non current</b>	33,702	65,851

#### 43.3 Fair values of assets and liabilities

Fair value of financial assets at fair value through profit or loss is derived from quoted market prices in active markets.

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

#### 43.4 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

The following table presents the Group's freehold land and building that are measured at fair value.

#### Recurring fair value measurements of assets:

(Rupees in '000)	Level 1	Level 2	Level 3	Total
<b>31 December 2021</b>				
Freehold land	-	-	223,500	223,500
Buildings on freehold land	-	-	90,422	90,422
Long term investments	-	-	874,023	874,023
Short term investment	185	-	-	185
	185	-	1,187,945	1,188,130
<b>31 December 2020</b>				
Freehold land	-	-	208,600	208,600
Buildings on freehold land	-	-	91,763	91,763
Long term investments	-	-	874,023	874,023
Short term investment	2,955	-	-	2,955
	2,955	-	1,174,386	1,177,341

#### 44. 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 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 minimize 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 bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratio as at year ended 31 December 2020 and 2019 are as follows:

(Rupees in '000)	2021	2020
Borrowings	617,307	617,307
Less: Cash and bank balances	(527,329)	(527,329)
Net debt	89,978	89,978
Total equity - excluding surplus on revaluation and exchange revaluation reserve	4,745,895	4,745,895
Total capital	4,835,873	4,835,873
Gearing ratio	1.86%	1.86%



**45. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

(Rupees in '000)	2021						
	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
<b>Balance as at 01 January 2021</b>	2,117,900	80,459	49,462	487,386	13,679	10,951	2,759,837
<b>Cash flows</b>							
Repayment of loans	-	-	(25,911)	-	-	-	(25,911)
Lease payments	-	(66,475)	-	-	-	-	(66,475)
Issuance of shares	20,378	-	-	-	-	-	20,378
Proceeds from loans	-	-	-	226,362	-	-	226,362
Finance cost paid	-	-	-	-	(122,561)	-	(122,561)
Dividends paid	-	-	-	-	-	(82,525)	(82,525)
<b>Total changes from financing cash flows</b>	20,378	(66,475)	(25,911)	226,362	(122,561)	(82,525)	(50,731)
<b>Other changes including non-cash</b>							
Dividend declared	-	-	-	-	-	224,669	224,669
Bonus shares issuance	427,656	-	-	-	-	-	427,656
Addition in lease	-	90,763	-	-	-	-	90,763
Finance cost	-	7,473	-	-	119,728	-	127,201
Foreign exchange movement	-	4,164	-	-	-	-	4,164
<b>Total liability related other changes</b>	427,656	102,400	-	-	119,728	224,669	874,452
<b>Closing as at 31 December 2021</b>	2,565,934	116,384	23,551	713,748	10,846	153,095	3,583,558

(Rupees in '000)	2020						
	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
<b>Balance as at 01 January 2020</b>	1,925,364	113,191	1,515	599,339	12,099	256,763	2,908,271
<b>Cash flows</b>							
Repayment of loans	-	-	-	(111,953)	-	-	(111,953)
Lease payments	-	(55,586)	-	-	-	-	(55,586)
Issuance of shares	-	-	-	-	-	-	-
Proceeds from loans	-	-	50,307	-	-	-	50,307
Finance cost paid	-	-	-	-	(126,920)	-	(126,920)
Dividends paid	-	-	-	-	-	(245,812)	(245,812)
<b>Total changes from financing cash flows</b>	-	(55,586)	50,307	(111,953)	(126,920)	(245,812)	(489,964)
<b>Other changes including non-cash</b>							
Changes in running finances	-	-	-	-	-	-	-
Bonus shares issuance	192,536	-	-	-	-	-	192,536
Recognition of deferred grant	-	-	(2,360)	-	-	-	(2,360)
Addition in lease	-	10,029	-	-	-	-	10,029
Finance cost	-	10,616	-	-	128,499	-	139,115
Foreign exchange movement	-	2,209	-	-	-	-	2,209
<b>Total liability related other changes</b>	192,536	22,854	(2,360)	-	128,499	-	341,529
<b>Closing as at 31 December 2020</b>	2,117,900	80,459	49,462	487,386	13,678	10,951	2,759,836

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2021

### 46. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES

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

(Rupees in '000)	Cheif Executives		Director		Other Executives	
	2021	2020	2021	2020	2021	2020
Managerial remuneration	63,994	59,840	11,562	7,167	270,891	211,613
House rent	17,157	16,946	3,499	1,808	91,782	72,981
Utilities	9,651	9,532	875	452	22,781	18,894
Contribution to provident fund	5,065	5,000	1,107	673	22,527	13,882
Others	1,608	1,589	1,205	3	18,556	16,177
	97,476	92,907	18,247	10,103	426,537	333,547
Number of persons	1	1	4	1	65	43

**46.1** Salary of the Chief Executive Officer is paid by subsidiary; Avanceon FZE. The Holding Company also provides Director and certain executives with Holding Company maintained vehicles. No remuneration has been paid to non-executive Directors of the Holding Company.

(Rupees in '000)	2021	2020
<b>47. NUMBER OF EMPLOYEES</b>		
Average number of employees	281	242
Closing number of employees	304	258

### 48. CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified and restated, wherever necessary. However, no significant rearrangement, reclassification and restatement have been made.

### 49. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on 01 April 2022 has proposed bonus shares issue at the rate of 25% (2020: 20%) and final cash dividend at the rate of Rs. 1 per share (2020: Rs. 1 per share) in respect of the year ended 31 December 2021 for the approval 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.

### 50. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 01 April 2022.



Chief Executive  
**Bakhtiar Hameed Wain**



Chief Financial Officer  
**Saeed Ullah Khan Niazi**



Director  
**Tanveer Karamat**

## 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, eg, fixtures and fittings, equipment, buildings.

### Cost of goods sold (COGS)

The directly attributable costs of products or services sold, (like materials, installations, direct labour & 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 JANUARY 1, 2021 TO DECEMBER 31, 2021

### FINANCIALS:

Financial Results announced as per the following schedule:

Annual General Meeting	29th May 2021
Analyst Briefing	14th May 2021
1st Quarter ending 31 March 2021	28th May 2021
Half year ending 30 June 2021	15th September 2021
3rd Quarter ending 30 September 2021	27th October 2021
Financial year ending 31 December 2021	20th April 2021


:- (Pattern of Share Holding) بنیادی سرمایہ داروں کی تفصیل  
 بنیادی سرمایہ داروں کی تفصیل جو کہ مالی سال 31 دسمبر 2021 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 تخصّص میں کوئی بھی خریداری نہیں کی سوائے  
 انکے جو کہ اس بنیادی سرمایہ کے شیڈول میں دیے گئے ہیں۔

:- (Statutory Auditors of Company) کمپنی کے بیرونی آڈیٹر  
 نے سبکدوش ہونے کیلئے اور دوبارہ منتخب کرنے کیلئے اپنے آپ کو پیش کیا۔ (M/s. EY Ford Rhodes) کمپنی کے موجودہ آڈیٹر میسرز ای وائی فورڈ روڈز  
 آڈٹ کمیٹی کی سفارش پر کمپنی نے انکو سبکدوش ہونے کے بعد دوبارہ مالی سال 2022 کے آڈٹ کیلئے منتخب کرنے کا فیصلہ کیا ہے۔

:- (Communication) مواصلات  
 ہم اپنے بنیادی حصہ داروں کے ساتھ مواصلات کو بہت اہمیت دیتے ہیں، کمپنی نے تمام نتائج جو کہ سہ ماہی، ششماہی، نو ماہی اور سالانہ پر مشتمل ہیں اپنے  
 SECP حصہ داروں کو کمپنیز ایکٹ 2017 کے قواعد و ضوابط کے مطابق پہنچائے۔ کمپنی نے تمام معلومات جو کہ اہم تھیں وقت مقررہ پر پاکستانی تجارتی منڈی اور  
 پر بھی رکھ دی ہیں۔ [www.avanceon.ae](http://www.avanceon.ae) کے قواعد و ضوابط کے مطابق پہنچائیں۔ کمپنی نے تجارتی اور مالیاتی خبریں اور رپورٹس اپنی ویب سائٹ

:- (Acknowledgement) اعتراف کرنا  
 بورڈ آف ڈائریکٹرز بڑے پر مسرت طریقے سے اپنے تمام ملازمین کی مسلسل لگن کے ساتھ خدمات کو سراہتا ہے۔

منجانب  
 بورڈ آف ڈائریکٹرز

  
 بختیار حمید وائیں  
 چیف ایگزیکٹو آفیسر



توپر کرامت  
 ڈائریکٹر  
 لاہور

تاریخ: 01 اپریل 2022

## امور برائے یقینی معیار

(Proceedures Adopted for Quality Assurance)

صحت، حفاظت اور ماحولیات کے اعداد و شمار کے انتظامی امور کے معاملات کا انتظام اعداد و شمار کے اکٹھے کرنے کا طریقہ اور شفاف رپورٹنگ جو کہ کے معیار پر پورا اترتے ہیں۔ صحت، حفاظت اور ماحولیات کے ISO کی قواعد و ضوابط جو کہ SMETA 4 کمپنی کی کاروباری ذمہ داری کا بنیادی جزو ہے۔ کمپنی 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۔

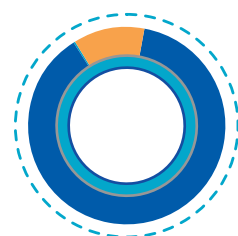
## صدقات اور رفاہی کام

(Donation &amp; 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۔



2,960 Education  
1,078 Health  
261 Other

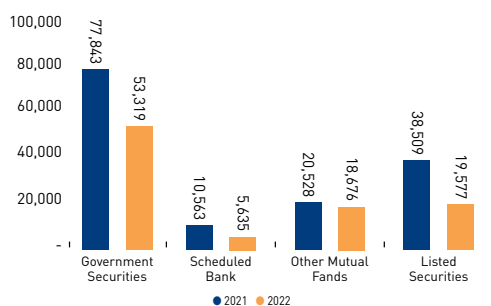


4,067 Education  
550 Other  
0 Health

ملازمین کی ریٹائرمنٹ اور سہولیات:- کمپنی نے اپنے مستقل ملازمین کیلئے ایک منظور شدہ پروویڈنٹ فنڈ سکیم کے ذریعے حصہ داری منصوبہ پیش کیا ہے۔ پروویڈنٹ فنڈ کی سرمایہ کاری اور دیگر تفصیلات نیچے دی گئی ہیں۔

2021		2020		
سرمایہ داری فیصد میں	سرمایہ داری (روپے ہزاروں میں)	سرمایہ داری فیصد میں	سرمایہ داری (روپے ہزاروں میں)	
40%	53,319	40%	77,843	گورنمنٹ سکیورٹیز
4%	5,635	4%	10,563	شیڈولڈ بینکنگ
14%	18,676	14%	20,528	میوچل فنڈز
15%	19,577	15%	38,509	لیسٹڈ سکیورٹیز
	97,207		147,443	ٹوٹل

## Employee Retirement Benefits



یہ تمام سرمایہ داری پروویڈنٹ فنڈ ہے ان اصول و ضوابط کے تحت کی گئی ہے جو کمپنیز آرڈیننس 1984 کے سیکشن 227 میں دیے گئے ہیں۔ پروویڈنٹ فنڈ ٹرسٹ کا مالی سال 30 جون ہے

## روزمرہ کاروباری اعداد و شمار (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۔

## ڈائریکٹرز رپورٹ

کارپوریٹ گورننس کے امور

(Corporate Governance Practice):

اویسنیون لمیٹڈ کا بورڈ آف ڈائریکٹرز کمپنی کے اصول و ضوابط کا پابند ہے اور کمپنیز ایکٹ 2017 میں شامل کوڈ آف کارپوریٹ گورننس کے تقاضوں کی تعمیل کرتا ہے۔

کارپوریٹ گورننس کا ضابطہ وضع کیا گیا ہے اور تعمیل کے بیان کے ساتھ صفحہ نمبر۔۔ پر ملاحظہ کیا جاسکتا ہے۔

مرد ڈائریکٹرز: چھ (6)

خاتون ڈائریکٹر: ایک (1)

بورڈ آف ڈائریکٹرز کا اجلاس (Board of Directors'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	تعداد حاضری	تعداد غیبتی
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 اقبال خان	2	2
6	محترمہ حنان درویش	0	4
7	جناب محمد شاہد میر	4	0

بورڈ آف ڈائریکٹرز کی ٹریننگ

اس سال کے دوران کسی بھی ڈائریکٹر کی کوئی ٹریننگ نہیں ہوئی۔

افسران کی طرف سے حصص کی خرید و فروخت

(Shares Traded by Executives):

اس سال کے دوران جن افسران نے کمپنی (اویسنیون لمیٹڈ) کے حصص میں خرید و فروخت کی ہے ان کی تفصیل صفحہ نمبر۔۔۔۔۔ پر دی گئی ہے۔

(Segmental Business Performance & Market Share Information) مارکیٹ شیئر کی معلومات اور کاروباری حصص کی کارکردگی

کنٹرول انجینئرنگ جیانت لسٹ کے مطابق اویسنیون کا مارکیٹ شیئر 4% کے نزدیک ہے جو کہ عالمی درجہ بندی میں 15 ویں نمبر پر کے طور پر شامل (Systems Integrators) بہترین سسٹمز انٹیگریٹرز کیا جاتا ہے۔ موجود مارکیٹ لیڈر 9% فیصد کے ساتھ سب سے آگے ہے۔ بنیادی وجوہات جو اویسنیون کو پاکستان میں مارکیٹ کا لیڈر رکھنے میں کارگر ثابت ہوئی ہیں یہ ہیں کہ کمپنی 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 اویسنیون لمیٹڈ کو دوسری مارکیٹوں میں ممتاز کرتی ہے۔ اس وقت اویسنیون لمیٹڈ جو کہ ٹوٹل مارکیٹ کا 63% فیصد حصہ رکھتی ہے۔ جو اپنے مقابلے کی کمپنیوں سے زیادہ آمدنی کماتی ہے۔

بورڈ آڈٹ کمیٹی

(Composition of Board Audit Committee):

1	جناب محمد شاہد میر	چیئرمین	انڈینڈنٹ ڈائریکٹر
2	جناب خالد حمید وائیں	ممبر	نان ایگزیکٹو ڈائریکٹر
3	جناب عامر وحید وائیں	ممبر	نان ایگزیکٹو ڈائریکٹر

ہیومن ریسورس اور ایچ آر کمیٹی

(Composition of Human Resource & HR Committee):

1	جناب محمد شاہد میر	چیئرمین	انڈینڈنٹ ڈائریکٹر
2	جناب خالد حمید وائیں	ممبر	نان ایگزیکٹو ڈائریکٹر
3	محترمہ حنان درویش	ممبر	انڈینڈنٹ ڈائریکٹر

بورڈ آف ڈائریکٹرز (Board of Directors):

بورڈ سات ڈائریکٹرز پر مشتمل ہے۔ جن میں چھ مرد اور ایک خاتون

ڈائریکٹر شامل ہے جن کی تفصیل درج ذیل ہے

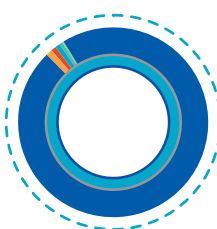
1	جناب محمد خالد حمید وائیں	چیئف ایگزیکٹو ڈائریکٹر، ناٹ انڈینڈنٹ
2	جناب بختیار حمید وائیں	ایگزیکٹو ڈائریکٹر
3	جناب عامر حمید وائیں	چیئف ایگزیکٹو ڈائریکٹر، ناٹ انڈینڈنٹ
4	جناب تنویر کرامت	ایگزیکٹو ڈائریکٹر
5	جناب محمد شاہد میر	انڈینڈنٹ ڈائریکٹر
6	جناب عمر اقبال خان	انڈینڈنٹ ڈائریکٹر
7	محترمہ حنان درویش	انڈینڈنٹ فی میل ڈائریکٹر

Revenue 2020



4533, 71%	Middle East & USA
791, 12%	Specialized Business
525, 8%	Engineering
450, 7%	Core Business
129, 2%	Core Business-Manufacturing
17, 0%	AMS

Revenue 2021



5215, 73%	Middle East & USA
642, 9%	Engineering
469, 7%	Core Business
427, 6%	Specialized Business
364, 5%	Core Business-Manufacturing
0, 0%	AMS

لیجنڈ نمبر 7 آرٹیکلز آف ایسوسی ایشن کے آرٹیکل 5 میں تبدیلی کی منظوری دی گئی کہ مجاز سرمایہ - مبلغ 2.5 ارب روپے (250 ملین آرڈنری شیئرز (capital) بحساب 10 روپے فی کس) سے بڑھا کر مبلغ 5.00 ارب روپے (500 ملین آرڈنری شیئرز بحساب 10 روپے فی کس) جیسا کہ سرمایہ کو بڑھانے، مضبوط کرنے، منسوخ کرنے، ذیلی تقسیم کرنے اور کم کرنے یا دوبارہ ترتیب دینے کا اختیار ایکٹ کے سیکشن 85 اور 89 میں وضع کیا گیا ہے۔

لیجنڈ نمبر 8 ممبران نے منظوری دی کہ بورڈ کی منظوری سے کوئی بھی کاروباری ٹرانزیکشن کی جاسکے گی۔

مندرجہ بالا لیجنڈے 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۔ کمپنی ڈائریکٹر اور صدر جناب تنویر کرامت نے سوالوں کے جوابات دیے اور کمپنی کے کاروباری معاملات آڈیٹیشن کے کاروبار کے بارے میں آگاہی دی۔ کمپنی کے مستقبل کی مالیاتی منصوبہ بندی، کاروبار کی بڑھوتری اور نئے انڈسٹریل پلانٹس کے بارے میں بھی تبادلہ خیال کیا گیا۔

#### بورڈ آف ڈائریکٹرز کے معاوضے

-(Board of Directors Remuneration):

کے علاوہ کمپنی کے (President) اور صدر (CEO) چیف ایگزیکٹو آفیسر تمام ڈائریکٹر صاحبان نان ایگزیکٹو ڈائریکٹر ہیں۔ کمپنی چیف ایگزیکٹو آفیسر اور صدر کو کمپنی کی جیو من ریسورس کے منظور شدہ قواعد و ضوابط کے مطابق تنخواہیں اور دیگر مراعات دیتی ہے۔ جو کہ سالانہ بنیادوں پر جیو من 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 Parties):

کمپنی مروجہ کاروباری قواعد و ضوابط کے مطابق اپنے مشترکہ کاروباری Arms Length اداروں کے ساتھ کاروباری لین دین کرتی ہے جو کہ Transfer Pricing پر مشتمل ہے۔ کمپنی Mechanism اور Pricing جو کہ پاکستان اسٹاک ایکسچینج کی لسٹنگ کے قواعد و ضوابط کے مطابق سرانجام دیتی ہے۔

صحت کے معاملات اور ماحولیات کو یقینی بناتی ہے۔ ہم وعدہ کرتے ہیں کہ صحت، حفاظتی اور اس سے متعلق 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 سد باب 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 میں درج ہے۔ ISO 14001:2004 مطابق سرانجام دیں گے جو کہ ہم یہ بھی یقین دلاتے ہیں کہ ہماری مصنوعات، حفاظتی اور قانونی ضروریات کے مطابق بھیجی جائیں گی

پچھلے سالانہ اجلاس میں اٹھائے گئے معاملات

-(Issued Raised in Last AGM)

مالی سال 2020 ء کے سالانہ اجلاس عام میں کوئی بھی خاص

معاملہ نہیں اٹھا یا گیا تھا۔

لیجنڈ نمبر 1 اور (Consolidated) ممبران نے اکاؤنٹس

آڈٹ کیے گئے اکاؤنٹس مع آڈیٹر (Standalone)

کی رپورٹ اور چیئرمین کی جائزہ رپورٹ جو کہ مالی سال 31 دسمبر 2020 پر مشتمل ہیں کی تصدیق کی اور منظوری دی۔

لیجنڈ نمبر 2 (EY Ford Rhodes) ممبران نے موجودہ آڈیٹر

کو اگلے مالی سال (Chartered Accountants) 2021 کیلئے منتخب کیا اور اس کے معاوضے کی منظوری دی۔

لیجنڈ نمبر 3 ممبران نے بورڈ کے منظور شدہ کیش ڈیویڈنڈ بحساب 10 فیصد کی منظوری دی۔

لیجنڈ نمبر 4 ممبران نے بورڈ کے منظور شدہ بونس شیئرز بحساب 20 فیصد کی منظوری دی۔

لیجنڈ نمبر 5 (Authorised) ممبران نے کمپنی کا مجاز سرمایہ - مبلغ 2.5 ارب روپے (250 ملین آرڈنری شیئرز (capital) بحساب 10 روپے فی کس) سے بڑھا کر مبلغ 5.00 ارب روپے (500 ملین آرڈنری شیئرز بحساب 10 روپے فی کس) کرنے کی منظوری دی

لیجنڈ نمبر 6 میمورنڈم آف ایسوسی ایشن کے آرٹیکل 5 میں تبدیلی کی منظوری دی گئی کہ مجاز سرمایہ - مبلغ 2.5 ارب روپے (250 ملین آرڈنری شیئرز (capital) بحساب 10 روپے فی کس) سے بڑھا کر مبلغ 5.00 ارب روپے (500 ملین آرڈنری شیئرز بحساب 10 روپے فی کس) جیسا کہ سرمایہ کو بڑھانے یا کم کرنے اور سرمایہ کے حصص کہ فی الحال کئی طبقات میں تقسیم کرنے کا اختیار کمپنیز ایکٹ 2017 وضع کیا گیا ہے۔



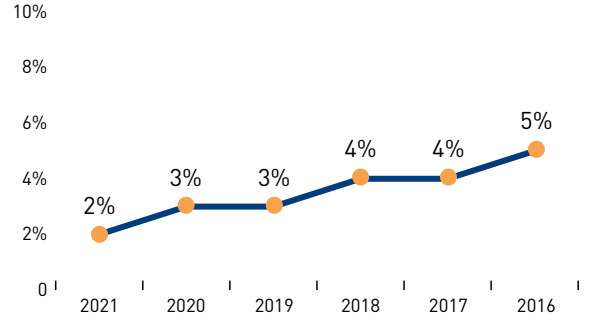
کیا جاسکے۔ انتظامیہ پر امید ہے کہ مالی سال 2022 میں اس پالیسی کے اہداف مکمل کر لئے جائیں گے۔

مستقبل کی کاروباری منصوبہ بندی (Future Prospects):  
 ((The Road to 100)) کمپنی نے مالی سال 2022 میں دی روڈ ٹو ہنڈرڈ کے نام سے ایک نیا کاروباری منصوبہ شروع کیا ہے تاکہ مالی سال 2025 تک بنیادی کاروباری ہدف 100 ملین امریکی ڈالر حاصل کیا جاسکے۔ بورڈ نے اپنے دعویٰ، قطر اور پاکستان کے کاروباری دفاتر کو بالترتیب 40 ملین، 40 ملین اور 20 ملین امریکی ڈالر تفویض کیے ہیں۔ مزید برآں بڑھتی ہوئی کاروباری سرگرمیوں کے پیش نظر ہم نے سعودی عرب میں مستقل آپریشنل موجودگی کا فیصلہ کیا ہے۔ سعودی عرب جو کہ جواشم ایندھن میں مالا مال ملک میں ایک کاروباری ضرورت بن جاتا ہے۔ تاکہ موجودہ انجینئرنگ پراجیکٹس پر اعلیٰ سطح کی خدمات کے جاری رکھ سکے۔ بلکہ اس لیے بھی کہ کاروباری ٹینڈر کے دوران بولی میں بڑے ٹینڈر کو مینڈیٹ دیا جاتا ہے اسی نقطہ کے پیش نظر کمپنی کا مقصد سعودی عرب میں ایک بڑے مالیاتی گروپ کے ساتھ ایک نیا جوائنٹ وینچر کرنا ہے۔ یہ مطلوبہ مشترکہ منصوبہ مشرق وسطیٰ میں اوبیسون گروپ کی موجودگی میں اضافہ کرے گا۔ کمپنی آئندہ مالی سال میں اوبیسون لیمیٹڈ بشمول آکٹوپس ڈیجیٹل کے کارپوریٹ پلان کو حاصل کرنے کے لیے پر اعتماد ہے۔ آئندہ سال مکمل عالمی معاشی بحالی بالخصوص متحدہ عرب امارات، سعودی عرب، قطر، عمان، مصر، نائجیریا، امریکہ اور پاکستان میں سیاسی و اقتصادی استحکام لائے 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 مالی معاونت اور مدد کر سکیں۔ ہمیں اس بات کو بخوبی سمجھتے ہیں 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۔

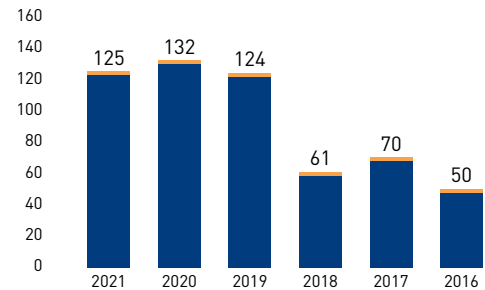
صحت، حفاظت اور ماحولیات (Health, Safety & Environment):  
 اوبیسون انتہائی سنجیدگی کے ساتھ صحت کے معاملات کی دیکھ بھال اور حفاظتی معاملات کے رجحانات کے مطابق کام کی جگہوں اور دفاتر کے اندر

### Gearing Ratio



عارضی سرمائے کے انتظامی امور (Working Capital Management):  
 پچھلے پانچ سالہ موجودہ اور فوری تناسب کی بنیاد پر ہم کمپنی کی آپریٹنگ سرگرمیوں، ٹھوس لیکویڈٹی کی بہتری اور مضبوط قلیل مدتی ورکنگ کیپٹل پوزیشن دیکھ سکتے ہیں کمپنی ہر آرڈر کی نقد رقم کو مثبت اور معقول طے شدہ اوقات کے اندر جمع کرنے کے قابل بنا کر صارفین کے ساتھ بہتر این کریڈٹ شرائط پر گفت و شنید کر کے اپنی تمام ورکنگ کیپٹل کی ضروریات کا انتظام کر رہی ہے۔ کمپنی نے بہت مضبوط اور سخت مالیاتی نظم و ضبط کے ذریعے تمام قلیل مدتی قرضوں کو مناسب سطحوں پر برقرار رکھتے ہوئے اپنی ورکنگ کیپٹل کی ضرورت کو مؤثر طریقے سے منظم کیا تاکہ مثبت نقدی کی آمد پیدا کر کے مالی لاگت سے بچا جاسکے۔

### FINANCIAL EXPENSE

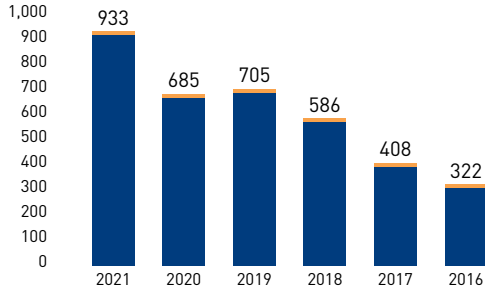


سرمایہ کی صورت حال کو بہتر بنانے کی حکمت عملی

(Strategy to Overcome Liquidity Issues):

بڑھتی ہوئی کاروباری مالی ضروریات اور کارپوریٹ ڈیوڈنڈ پالیسی کی کیش ضروریات کو پورا کرنے کے لیے کمپنی نے مالی سال 2021 میں نئے سرے سے ایک لیکویڈٹی سٹریٹیجی پالیسی کی منظوری دی ہے اس کے تناظر میں ہم بنکوں سے مالی معاونت حاصل کرنے کے لیے تمام لوکل اور بین الاقوامی بنکوں سے رابطے میں ہیں تاکہ بنکوں سے رنگ فنانس، پراجیکٹ فنانسنگ، بل ڈسکاؤنٹنگ اور بینک گارنٹی جیسی سہولیات سے فائدہ حاصل

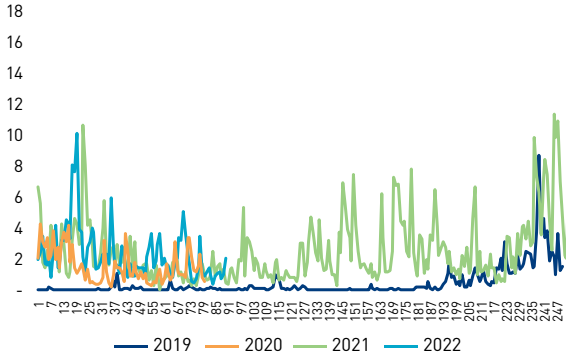
## FIXED COST



حصص کا رجحان (Stock Liquidity):

سٹاک لیکویڈٹی سال 2021 کے اہداف حاصل (AVN) بالآخر اویسنیون کرنے اور نئے چھوٹے اور بڑے سرمایہ داروں کی توجہ حاصل کرنے میں سکیم کے مالکان بڑی (ESOS) کامیاب رہی۔ اب ہمارے ملازمین آسانی سے سٹاک بیچ سکتے ہیں اور لیکویڈٹی مواقع ضائع کئے بغیر مارکیٹ میں پوزیشن مزید مستحکم کر سکتے ہیں۔

## STOCK LIQUIDITY

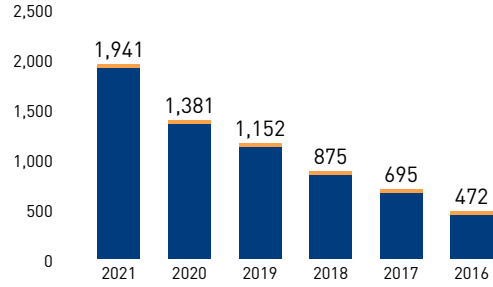


منصوبہ سرمایہ کاری (Capital Structure):

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 جاسکے۔ 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 تاکہ پاکستان اور متحدہ عرب امارات میں کاروباری ضروریات کو پورا کر سکیں۔

منافع جات، سود، ٹیکس کٹوتی اور کسادبازاری سے پہلے (EBITDA):

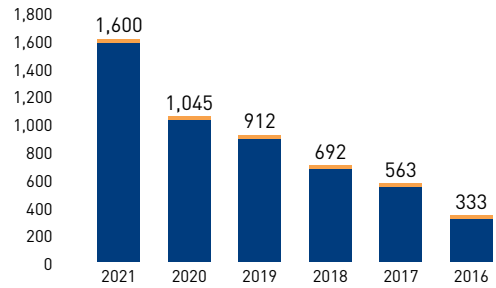
## EBITDA



منافع بعد از ٹیکس (Profit After Taxation):

خالص منافع (بعد از ٹیکس کٹوتی) میں 53% اضافہ ہوا ہے۔ اس خالص (Unrealised) منافع میں 497 ملین روپے غیر ملکی کرنسی کی شرح تبادلہ کی وجہ سے جو کہ ہماری غیر ملکی کرنسی میں (Exchange Gain) موصولیوں پر ہے۔ کمپنی انتظامیہ بہت پر امید ہے کہ مجموعی آمدنی اور خالص منافع کو مالیاتی سال 2022 اور 2023 میں بہتر مثبت رجحان کو برقرار رکھے گی اور مزید اضافہ کرے گی۔ جو کہ مستقبل کے کاروباری معاہدوں اور موجودہ سرگرمیوں جنکی مالیت 31 مارچ 2022 کو 45 ملین امریکن ڈالر سے بھی زیادہ ہے۔ انتظامیہ مالی سال 2022 کے مقررہ اہداف کو حاصل کرنے میں پر امید ہے۔

## PROFIT AFTER TAX

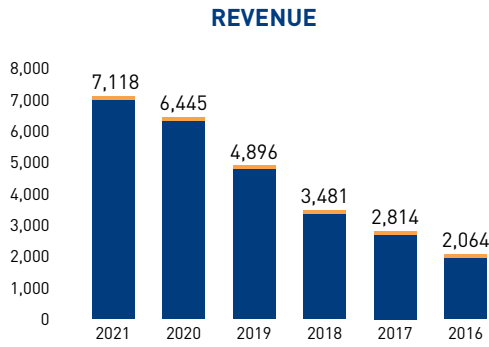


مقررہ اخراجات (Fixed Cost):

کمپنی کے مقررہ اخراجات میں 36 فیصد اضافہ ہوا ہے (2020: 3 فیصد کمی تھی) جس کی وجہ 59 ملین روپیہ ملازمین کی تنصیر کے تحت ناقابل وصول متوقع IFRS-9 آپشن سکیم اور 108 ملین روپے یا پرانی وصولیوں کی مد میں ریکارڈ (Expected Credit Loss) نقصان کیا گیا۔ مقررہ اخراجات میں بقایا نارمل اضافہ کارپوریٹ پلان میں منظور کی گیا۔

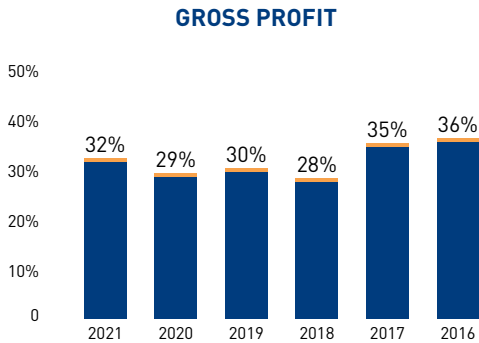
## ڈائریکٹرز رپورٹ

کی طرح اس سال بھی متوقع آمدن میں اضافے کا رجحان برقرار رہا اور کارکردگی مثبت رہی۔ جبکہ آرڈر جزیشن میں سال 2021 کی تیسری اور چوتھی سہ ماہی اور سال 2022 کی پہلی سہ ماہی میں ہم نے اپنے مقررہ اہداف کے مطابق نتائج حاصل کیے۔ اس سال 2022 کی تیسری اور چوتھی سہ ماہی میں بھی متوقع اہداف کے مطابق عمدہ کارکردگی اور آمدن میں اضافہ ہو گا۔ جیسا کہ ہم 21 اپریل 2022 کو ہونے والی تجزیہ کاروں کی میٹنگ میں واضح کر چکے ہیں۔ مالی سال 2021 کی سہ ماہیوں میں ہم مثبت رجحان دیکھ چکے ہیں (ما سوائے پہلی اور چوتھی سہ ماہی میں کچھ تاخیری آمدن کے جو کہ عالمی سپلائی چین کے مسائل کی وجہ سے ہوئی) اس سال بھی کمپنی کی انتظامیہ آمدن کے اس اضافے کے رجحان کو برقرار رکھے گی۔ جیسا کہ 2018، 2019 اور 2020 میں مثبت رجحان برقرار رکھا۔



مجموعی منافع (Gross Profit)۔

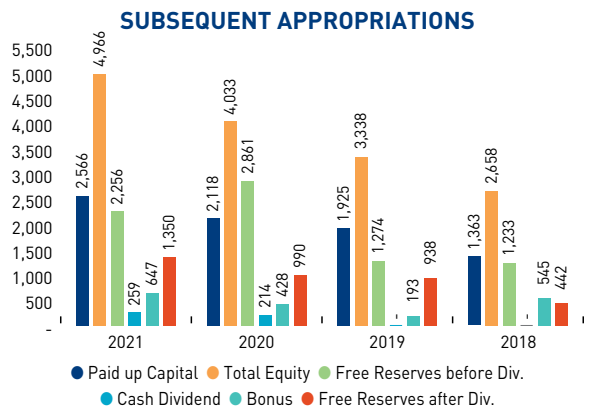
ہم نے پچھلے سال کے مقابلے میں مجموعی آمدنی میں 3% اضافہ دیکھا۔ کمپنی کی انتظامیہ پر امید ہے کہ انتہائی کامیابی کے ساتھ رواں مالی سال 2022 میں مجموعی آمدنی کو 30% پر برقرار رکھے گی جیسا کہ پچھلے سالوں میں رجحان دیکھا جا سکتا ہے۔



بعد از نتائج منافع کی تقسیم (Subsequent Appropriation)۔

ڈائریکٹرز نے کیش ڈیویڈنڈ 10 فیصد (2020:10) اور بونس شیئرز 25 فیصد (2020:20) تجویز کیا ہے۔

2020 روپے ہزاروں میں	2021 روپے ہزاروں میں	منافع کی تقسیم کاری کے موجودہ ذخائر
1,631,483	1,987,163	تقسیم کاری
(211,790)	(258,796)	تجویز کردہ کیش ڈیویڈنڈ 10 فیصد (2020:10)
(423,580)	(646,990)	تجویز کردہ بونس شیئرز 25 فیصد (2020:20)
996,113	1,081,377	منافع کی تقسیم کاری کے ذخائر (اگلے سال میں منتقلی)



فی حصص آمدنی (Earning Per Share)۔

آخری پانچ سال سے کمپنی کی فی حصص آمدنی کا رجحان اوپر کی طرف رہا سوائے سال 2018 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 کارکردگی دکھائی اور کمپنی کے حصہ داران کی توقعات پر پورا اتری۔

فی حصص آمدنی (Consolidated EPS)۔

بنیادی کمائی فی کس شیئر بعد از ٹیکس کنوتی مبلغ 7.38 روپے (2020: 4.93 روپے) ہے۔

فی حصص آمدنی (Standalone EPS)۔

بنیادی کمائی فی کس شیئر بعد از ٹیکس کنوتی مبلغ 3.98 روپے (2020: 3.18 روپے) ہے۔

مالیاتی کارکردگی (Consolidate)

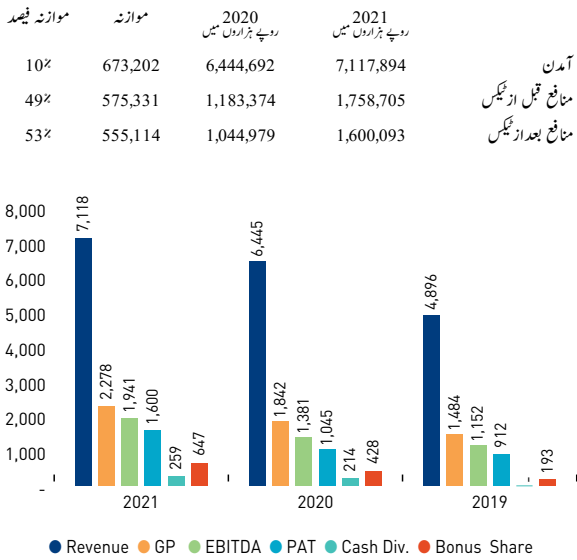
آمدنی (Revenue)۔

کمپنی کی آمدنی 10 فیصد اضافے کیساتھ (7.118 بلین روپے ہے) جو کہ گزشتہ سال کے مقابلے بہتر رہی۔ مالی سال 2019، 2018 اور 2020

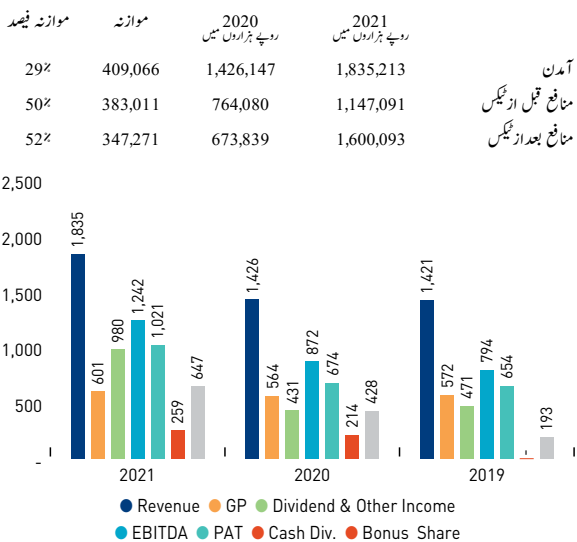
## ڈائریکٹرز رپورٹ

اخراجات پر مشتمل مناسب بینکنگ سہولیات اور تمام قرضوں اور واجبات کی بروقت ادائیگی جو کہ کمپنی کی بہت بڑی کامیابی ہے۔ کمپنی کے تمام ڈیپازٹمنٹس نے بہت اچھا کردار ادا کیا اسکے ساتھ کمپنی نے آرڈر جزیشن کا اب تک کا سب سے بڑا ہدف عبور کیا۔ آمدن اور خالص منافع میں اضافہ کے اہداف مکمل کرنے میں کامیاب رہے۔ جیسا کہ ہم نے پچھلے سال تخمینہ لگایا تھا اور تجزیہ نگاروں کی گذشتہ میٹنگز کے دوران واضح کیا تھا کہ ہماری آمدنی اور خالص منافع میں اضافہ ہوگا جو کہ ہم نے کر دکھایا۔ موجود Backlog مالی سال 2021 کے اختتام پر 45 ملین ڈالر کا ایک بڑا ہیجس کی وجہ سے رواں مالی سال میں مثبت رجحان دیکھنے کو ملا۔

### کاروباری نتائج گروپ (Operation Result Consolidated) :-



### کاروباری نتائج (Operation Result Unconsolidated) :-



کمپنی کے ڈائریکٹرز انتہائی پر مسرت طریقے سے کمپنی کے (Standalone) اور (Consolidated) آڈٹ کیے گئے اکاؤنٹس (آڈیٹر کی رپورٹ کے ساتھ) جو کہ مالی سال 31 دسمبر 2021 پر مشتمل ہیں پیش کرتے ہیں۔ پیش کردہ تمام مالیاتی اعداد و شمار اس سے متعلقہ گوشوارے اور تفصیلی نوٹس کمپنی کی انتظامیہ نے بین الاقوامی اصول و ضوابط کے تحت تیار کر لیے ہیں جو کہ مندرجہ ذیل ہیں:-

- 1 انہوں نے کمپنی کے روزمرہ کاروباری اور کیش کے معاملات اور بنیادی سرمائے کی تبدیلی کے تمام معاملات کو منصفانہ اور بلا جھجک بیان کیا ہے۔
- 2 اصول و ضوابط کے مطابق مکمل حساب کتاب کا ریکارڈ محفوظ رکھا جا رہا 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 و ضوابط اور دانشمندی پر مبنی ہیں۔
- 4 تمام مالیاتی گوشواروں کی تیاری میں بین الاقوامی اکاؤنٹنگ کے اصول و ضوابط (جن کا اطلاق پاکستان میں بھی ہے) اور بیان کرنے کے ضابطوں کو مد نظر رکھا گیا اور تمام اعداد و شمار کو احسن طریقے سے مکمل کرتے ہوئے بلا جھجک بیان کیا گیا ہے۔
- 5 کمپنی میں اندرونی معاملات کو چلانے اور اس کی جانچ پڑتال کا اصولی، جامع اور مضبوط نظام موجود ہے جسے نہایت عمدہ اور موثر انداز میں لاگو کیا اور چلایا جا رہا ہے۔
- 6 کمپنی کو اپنی قابلیت اسی طرح جاری رکھنے پر کوئی شک و شبہ نہیں ہے۔
- 7 کارپوریٹ گورننس کے بہترین اصولوں کے مطابق جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ کے اصول و ضوابط میں دی گئی ہیں ان سے انحراف نہیں کیا گیا ہے۔
- 8 تمام سرکاری واجبات ڈیوٹیز، ٹیکسز اور ان 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 انیسویں سالانہ اجلاس عام پر ممبران کو بھجوائی جائے گی جو کہ بروز جمعہ 29 مئی 2022 کو سہ پہر 03:30 بجے آن لائن پلیٹ فارم (زوم ویڈیو لنک) کے ذریعہ کمپنی کے ریجنل آپریشن سنٹر 19 کلو میٹر ملتان روڈ لاہور پنجاب، پاکستان میں منعقد ہوگی۔

رپورٹ:-

کمپنی کی کارکردگی انتہائی اطمینان بخش اور رجحان ترقی کی طرف رہا ہے آرڈر جزیشن، آمدن، منافع بعد از ٹیکس، منافع مع ٹیکس، دیگر آمدن، مقررہ اخراجات پر کنٹرول، بہترین انتظامی امور، رقم کی ترسیل کا بہتر انتظام، کم

## نولس ہجرت سالانہ انیسواں اجلاس عام

ایم ٹیکس آرڈیننس 2001ء کے سیکشن 150 کی تعمیل میں دیے گئے پہلے شیڈول کے حصہ 3 کے ڈویژن 1 کے ساتھ پڑھے گئے ڈیویڈنڈ ایم پی او ہولڈنگ ٹیکس بل ترتیب 15% فائزر اور 30% فائزر کے حساب سے حصص یافتگان کے لئے کاٹا جائے گا۔ فائزر ایسا ٹیکس دہندہ ہوتا ہے جس کا ایم ایف بی آر کے ذریعہ وقتاً فوقتاً جاری کردہ اکیٹیو ٹیکس دہندگان کی فہرست (ATL) میں ظاہر ہوتا ہے اور ایم فائزر، فائزر کے علاوہ کوئی دوسرا فرد ہے۔ کمپنی کو فائزر کے لئے 15% ٹیکس روکنے کے قابل بنانے کے لئے، تمام حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ ایم ایف بی آر کی ویب سائٹ پر تازہ ترین دستیاب (ATL) میں اپنے نام ظاہر کروائیں، بصورت دیگر ان کے کیش ڈیویڈنڈ پر ٹیکس ایم فائزر کے لئے 30% کاٹ لیا جائے گا۔ ڈیویڈنڈ ایم پی او ہولڈنگ ٹیکس میں چھوٹ صرف اس صورت میں ہوگی جب شیئرز رجسٹر کے بند ہونے کے ایک دن پہلے کمپنی کے شیئرز رجسٹر کو درست ٹیکس اسٹیٹس سرٹیفکیٹ کی ایک کاپی دستیاب کر دی جائے۔

ایف بی آر نے واضح کیا ہے کہ مشترکہ اکاؤنٹ کی صورت میں، ہر ہولڈر کو الگ الگ طور پر ہوتا دیا جائے گا، کیونکہ فائزر ایم فائزر ہر مشترکہ ہولڈر کی شیئرز ہولڈنگ کی بنیاد پر وصول کیا جائے گا، جو کہ حصص یافتگان نے کمپنی کے شیئرز رجسٹر کو مندرجہ ذیل تحریری طور پر مطلع کیا ہو۔ بصورت دیگر یہ سمجھا جائے گا کہ مشترکہ حصص یافتگان کے حصص ہجرت ہیں۔

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder	Joint Shareholder (s)
			Name & CNIC No. Shareholding proportion (No. of Shares)	Name & CNIC No. Shareholding proportion (No. of Shares)

احسن خلیل (کمپنی سیکریٹری)

### حصص یافتگان کے اجلاس میں شرکت کیلئے۔

- ۱۔ انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سکیورٹی گروپ اکاؤنٹ میں جمع ہے اگلی رجسٹریشن کی تفصیل قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا شناختی کارڈ یا پاسپورٹ سے کروائیں۔
- ۲۔ حصص یافتگان 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، مہیا کریں۔
- ۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹران اپنے ڈائریکٹر کی قرارداد / مختار نامہ بمعہ نامزد کیے گئے شخص کے دستخط نمونہ پیش کریں۔

### پاکسی کی تقرری کیلئے:-

- ۱۔ انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ افراد جسکی سکیورٹی گروپ اکاؤنٹ میں ہوں اور اگلی رجسٹریشن کی تفصیلات قوانین کے مطابق جمع کروائی گئی ہوں، پاکسی فارم مکمل اور صحیح طور پر تصدیق شدہ ہوجمع کروانا ہونگے۔
- ۲۔ پاکسی فارم پر دو اشخاص گواہ ہونے چاہئیں جنکے نام، پتہ جات، شناختی کارڈ نمبر پاکسی فارم پر لکھے ہوں۔
- ۳۔ حصص یافتگان اور پاکسی کے درست شناختی کارڈ یا فائدہ مند مالکان کے پاسپورٹ کی تصدیق شدہ کاپیاں پاکسی فارم کے ساتھ مہیا کریں۔
- ۴۔ پاکسی اپنا شناختی کارڈ یا پاسپورٹ اجلاس کے وقت یا آن لائن رجسٹریشن کے وقت پیش کرے۔
- ۵۔ کارپوریٹ شناخت کی صورت میں مختار عام بورڈ آف ڈائریکٹران کارپوزیشن نامزد کیے گئے شخص کے دستخط نمونہ جات کے ساتھ اجلاس کے وقت یا آن لائن رجسٹریشن کے وقت پیش کرے۔

### قومی ٹیکس نمبر / کمپیوٹرائزڈ قومی شناختی کارڈ نمبر کی کاپی جمع کروانا۔ الیکٹرونک ڈیٹا کے لیے:-

- ۱۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی ہدایت کے مطابق، حصص یافتگان جنکے کمپیوٹرائزڈ قومی شناختی کارڈ کمپنی کو موصول نہیں ہوئے ہیں، ان کی موصولی بینک ڈیویڈنڈ الیکٹرونک اعتبار سے جمع نہیں ہوں گے۔
- ۲۔ اسی مناسبت سے، وہ حصص یافتگان جنہوں نے ابھی تک اپنے درست کمپیوٹرائزڈ قومی شناختی کارڈ یا قومی ٹیکس نمبر سرٹیفکیٹ کی کاپی جمع نہیں کی ہے، ایک بار پھر درخواست کی جاتی ہے کہ وہ اسے فوری طور پر کمپنی کے سی ڈی سی شیئر رجسٹرار کے دفتر فیمکو ایسوسی ایٹس پرائیویٹ لمیٹڈ، 8-ایف، نزد ہوٹل فاران سری بلاک نمبر 6، PECHS، شاہراہ فیصل، کراچی، کو فراہم کریں۔ کارپوریٹ اداروں سے گزارش ہے کہ وہ اپنے مجاز نمائندے کی قومی ٹیکس نمبر اور فوئیو نمبر کی کاپی فراہم کریں۔

### الیکٹرونک طریقے کے ذریعے سے ڈیویڈنڈ کی ادائیگی:-

- ۱۔ کمپنیز ایکٹ 2017ء کی دفعہ 242 کے تحت ایک لسنڈ کمپنی کو حصص یافتگان کے مستحق بینک اکاؤنٹ میں صرف الیکٹرونک طریقے کے ذریعے سے ڈیویڈنڈ ادا کرنا ہوگا۔ حصص یافتگان کی سہولت کے لیے کمپنی کا ای ڈیویڈنڈ لازمی فارم کمپنی کی ویب سائٹ یعنی [www.avanceon.ae](http://www.avanceon.ae) پر دستیاب ہے۔ سی ڈی سی اکاؤنٹ ہولڈرز کو اپنی معلومات براہ راست اپنے بروکر (شریک) / سنٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ کو ارسال کر دیں۔
- ۲۔ براہ کرم نوٹ کریں کہ کمپنیز ایکٹ کی دفعہ (3) 243 کے تحت، اگر کمپنی حصص یافتگان کے ذریعے مطلوبہ معلومات فراہم نہیں کرتے تو کمپنی ڈیویڈنڈ کی ادائیگی روکنے کا حق رکھتی ہے۔

## نوٹس برائے سالانہ انیسواں اجلاس عام

ب۔ کوئی بھی اضافی امور جو کہ چیئرمین کی اجازت سے ہونگے۔

لاہور مورخہ 08 اپریل 2022ء

احسن خلیل (کمپنی سیکریٹری)

بحکم بورڈ:-

### ویب لنک برائے آن لائن میٹنگ بذریعہ "ZOOM"

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے سرکلر نمبر 4 بتاریخ 15 فروری 2021ء کے تحت سالانہ اجلاس کی کارروائی صرف بذریعہ "ZOOM" آن لائن ہوگی۔

میٹنگ کی براہ راست کارروائی میں شرکت کیلئے حصص یافتگان سے گزارش ہے کہ وہ نیچے دیئے گئے لنک کو کھلیں:

[https://us02web.zoom.us/webinar/register/WN\\_g2CB03p4TFu3immb\\_1kl8Q](https://us02web.zoom.us/webinar/register/WN_g2CB03p4TFu3immb_1kl8Q)

میٹنگ میں شرکت کیلئے درج ذیل لنک سے مکمل راہنمائی حاصل کر سکتے ہیں <https://www.avanceon.ae/investor-relations/>

"ZOOM" کے ذریعے میٹنگ میں شرکت کرنے والے حصص یافتگان کو یہ سہولت دی جاتی ہے کہ وہ درج ذیل لنک، ای میل یا پوسٹل ایڈریس پر اپنے متعلقہ سوالات | تبصرے | تجاویز اپنے نام اور فون نمبر کیساتھ بھیجیں۔

ایڈریس: کارپوریٹ آفیسر ایونسیون لمیٹڈ، ریجنل آپریشنز سیکٹر، 19۔ کلونیٹر، مین ملتان روڈ، لاہور Email: [investors@avanceon.ae](mailto:investors@avanceon.ae)

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے نوٹیفکیشن 787(1)/2014 بتاریخ 08 ستمبر 2014ء کے تحت، آڈٹ شدہ مالیاتی گوشوارے اور سالانہ جنرل میٹنگ کے نوٹس کو ای میل کے ذریعے بھیجنے کی اجازت دی گئی ہے کمپنی کی سالانہ رپورٹ ان حصص یافتگان کو ای میل کے ذریعے بھیجی جائے گی جن کے ای میل CDC اور شیئر رجسٹر کے ریڈرڈ ایڈریس میں موجود ہیں۔ حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ اپنے ای میل کو مذکورہ بالا لنک، ای میل یا پوسٹل ایڈریس پر بھیجیں۔ سالانہ رپورٹ کمپنی کی ویب سائٹ [www.avanceon.ae](http://www.avanceon.ae) پر بھی لوڈ کی گئی ہے اور حصص یافتگان تیل آسانی سے قابل رسائی ہے۔

### حاشیات:-

۱۔ کمپنی کے حصص کی منتقلی کی کتب مورخہ 22 اپریل 2022ء سے 29 اپریل 2022ء (بشمول دونوں دن) بند رہیں گی جس دوران تین کیلئے کسی بھی حصص کی منتقلی کی وہ درخواستیں جو درست حالت میں کمپنی کے شیئر رجسٹر کے دفتر فیکو ایسوسی ایٹس پرائیویٹ لمیٹڈ، 8-ایف، نزد ہٹل فاران سری بلاک نمبر 6، PECHS، شاہراہ فیصل، کراچی، مورخہ 21 اپریل 2022ء کو دفتری اوقات ختم ہونے سے قبل موصول ہوگی۔ ان کو ڈیویڈنڈ اور بونس حصص کے استحقاق، سالانہ اجلاس عام میں شرکت اور حق رائے دہی استعمال کرنے کے استحقاق کے تعین کیلئے وقت شمار کیا جائے گا۔

۲۔ سالانہ اجلاس عام میں شمولیت، بولنے اور حق رائے دہی استعمال کرنے کے مستحق ہر حصص یافتگان کو یہ حق حاصل ہے کہ وہ شرکت بولنے اور حق رائے دہی استعمال کرنے کیلئے اپنی جگہ کسی پر کسی (ناماندہ) کو مقرر کرے اور ایسے پر کسی کو اجلاس میں شرکت، بولنے اور حق رائے دہی استعمال کرنے کی نسبت سے وہی اختیارات حاصل ہونگے جو کہ ذات خود کمپنی کے حصص یافتگان کو حاصل ہوتے ہیں۔ پر کسی کو مقرر کرنے کیلئے ہر لحاظ سے درست اور قاعدہ مہر شدہ اور دستخط شدہ پر کسی فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں موصول ہونا ضروری ہے۔ پر کسی کا بذات خود کمپنی کے حصص یافتگان میں سے ہونا ضروری نہیں۔

۳۔ حصص یافتگان کیلئے ضروری ہے کہ وہ وقت اپنے پتہ میں تبدیل فیکو ایسوسی ایٹس پرائیویٹ لمیٹڈ، 8-ایف، نزد ہٹل فاران سری بلاک نمبر 6، PECHS، شاہراہ فیصل، کراچی، کمپنی کے شیئر رجسٹر کو مطلع کر دیں۔



## نوٹس برائے سالانہ انیسواں اجلاس عام

اطلاع دی جاتی ہے کہ ایونسیون لمیٹڈ "کمپنی" کا سالانہ انیسواں اجلاس عام مورخہ 29 اپریل 2022ء بروز جمعہ سپر 3:30 بجے ریلوے یونٹ یونٹ ایونسیون لمیٹڈ کے ریجنل آپریشنز سینٹر، 19-کلوہیٹ، مین ملتان روڈ، لاہور سے مندرجہ ذیل کاروباری امور کو اہتمام دینے کیلئے منعقد ہوگا۔

تمام حصص یافتگان کو اطلاع دی جاتی ہے کہ COVID-19 کی وجہ سے کمپنی کے سیفٹی ڈیپارٹمنٹ کے SOPs نے تمام اندرونی اور بیرونی محفلوں اور تفریحی سرگرمیوں پر پابندی لگا رکھی ہے، اور موجودہ رمضان کے مقدس مہینے میں نماز کے اوقات کی پابندیاں ہیں، لہذا سالانہ اجلاس عام صرف ریلوے یونٹ منعقد کیا جائے گا۔

### ۱۔ عمومی کاروباری امور:-

۱۔ تفصیلات کی منظوری (Minutes of the Meeting) جو کہ غیر معمولی اجلاس عام مورخہ 05 جنوری 2022ء کو منعقد ہوا تھا۔

۲۔ 31 دسمبر 2021ء کو ختم ہونے والے کمپنی کے مالی سال کے آڈٹ شدہ مالیاتی گوشوارے، ڈائریکٹران، آڈیٹرز اور چیئرمین کا جائزہ کی رپورٹس وصول کرنا ان پر غور کرنا اور انہیں اختیار کرنا۔

۳۔ کمپنی کے آڈیٹر کو مقرر کرنا اور اس کا معاوضہ طے کرنا حصص یافتگان کو اطلاع دی جاتی ہے کہ کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹران نے ریٹائرن ہونے والے آڈیٹرز EY Ford Rhodes, Chartered Accountants جو کہ دوبارہ تقرری کے لیے اہل ہیں، کا نام آئندہ مالی سال 31 دسمبر 2022ء کیلئے کمپنی کے آڈیٹرز کی تقرری کیلئے تجویز کیا ہے۔

۴۔ مالیاتی سال 31 دسمبر 2021ء کیلئے پریوے بحساب -1/ روپے (یعنی 10%) فی حص کی ادائیگی پر غور و خوض اور منظوری جیسا کہ کمپنی کے بورڈ آف ڈائریکٹران نے کمپنی کے حصص یافتگان کیلئے سفارش کی ہے۔

۵۔ بونس حصص بحساب %25 پر غور و خوض اور منظوری جیسا کہ کمپنی کے بورڈ آف ڈائریکٹران نے کمپنی کے حصص یافتگان کیلئے سفارش کی ہے اور مندرجہ ذیل قرارداد منظور کرنا:-

قرارداد یہ ہے کہ عام حصص جنگی بنیادی قیمت -10/ روپے فی حص کے حساب سے ہے بطور بونس حصص اور مذکورہ حصص مکمل ادا شدہ عام حصص کے مطابق کمپنی کے حصص یافتگان کو جاری کیے جائیں گے، جن کا نام کمپنی کے شیئر رجسٹر میں مورخہ 21 اپریل 2022ء بروز جمعرات کو ظاہر ہوگا۔ ان بونس حصص کا تناسب ہر 100 حصص پر 25 حصص کے حساب سے ہوگا یعنی %25۔ ایسے بونس حصص ڈیویڈنڈ کی تسلیل اور تمام امور میں عام حصص کے قانونی مساوی ہونگے۔

مزید قرارداد یہ ہے کہ حصص یافتگان کے کسری استحقاق کو مکمل حصص میں اکٹھا کر کے اسٹاک مارکیٹ میں فروخت کیا جائے گا اور اس سے حاصل شدہ رقم کسی فلاح ادارے کو عطیہ کی جائے گی۔



### DIVIDEND MANDATE FORM

To:

The Registrar  
FAMCO Associates (Pvt) Ltd.  
8-F, Next to Hotel Faran, Nursery  
Block-6, P.E.C.H.S, Shahra-e-Faisal  
Karachi

Broker's Name  
OR  
Central Depository Company  
(where shares are held in the  
Investor Account Services)

1. I hereby authorize Avanceon Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

<i>i)</i> Shareholder's Detail	
Name of the shareholder	
Folio No. /CDC Participants ID A/c. No.	
CNIC No.*	
Passport No, (in case of foreign shareholder)**	
Land Line Phone Number	
Cell Number	

<i>(ii)</i> Shareholder's Bank Detail	
Title of the Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

2. It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the above addresses as soon as these occur.

\_\_\_\_\_  
Signature of the Shareholder

**Note: The shareholder who hold shares in physical form are requested to submit the above-mentioned Dividend Mandate Form after duly filled in to Share Registrar concerned. The Shareholders who hold shares in Central Depository Company are requested to submit the above mentioned Dividend Mandate Form after duly filled in to their Participants/Investor Account Services of the Central Depository Company Limited.**

\*Please attach attested photocopy of CNIC

\*\*Please attach attested photocopy of the Passport