

ANNUAL REPORT 2016

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

SEAMLESS  
ENGINEERING





# Letter from the Founder

In welcoming you into our 2016 Annual Report, I would like to first of all extend our heartfelt gratitude for the trust and support of our shareholders throughout 2016.

In our previous report we informed shareholders about the challenges in the Middle East due to the fall in oil prices but also explained why our model of International Execution (IX) is the best insulation against such market conditions. IX is our winning strategy that helps us sustain our margins in a competitive environment. Avanceon's 2016 financials are a massive testament to the success of this model. Our revenue, margins and bottom line all showed healthy growth. A US\$ 20m backlog of orders is an all-time high and with our team super motivated to deliver the business, we are very well positioned to expect solid growth in the coming months and years ahead.

Continuous improvement is Avanceon's DNA which is now defined as a process through an Operational Excellence initiative. Our spirited team has come up with some very creative ideas to improve our processes and optimize cost which is already having a tremendous impact, dropping right down the bottom line. Our stakeholders can rest assured that for us, excellence is an ongoing process and our team will never cease to challenge themselves.

Avanceon has always considered its human capital as its biggest asset and continues to invest in human development. Every day, I am eyewitness to the dedication of each Avanceoner as they have succeeded in communicating and fostering customer confidence by co-building value in an ever-delightful way. This virtuous circle radiates outside the company, to new and existing customers and promotes long and healthy working relationships built on integrity and trust. With regard to our approach to business, it remains almost unchanged; we simply continue to provide flawless customer-centric services and solutions.

The success of 2016 is entirely borne from the desire of our outstanding and selfless professionals, the very same individuals who continue to offer their sweat and intellect towards the ongoing pursuit of excellence.

I am incredibly excited for the next chapter and believe there is every reason for you to share in our collective optimism as we enter 2017 at a gallop.

Yours truly,

**BAKHTIAR H. WAIN**

Founder and CEO, Avanceon



## Seamless Engineering

Over the past twenty-five years, Avanceon has continually provided cutting-edge automation solutions to all of its customers. As a 360 degree solution provider, the Company has paved the way towards seamless engineering and flawless execution. Moving ahead, Avanceon aims to remain steadfast in its quest for excellence, delivering enhanced value to its customers and stakeholders alike.

To view our founder and CEO, Bakhtiar H. Wain's message on our Annual Report 2016, please visit [www.avanceon.ae/investors](http://www.avanceon.ae/investors)



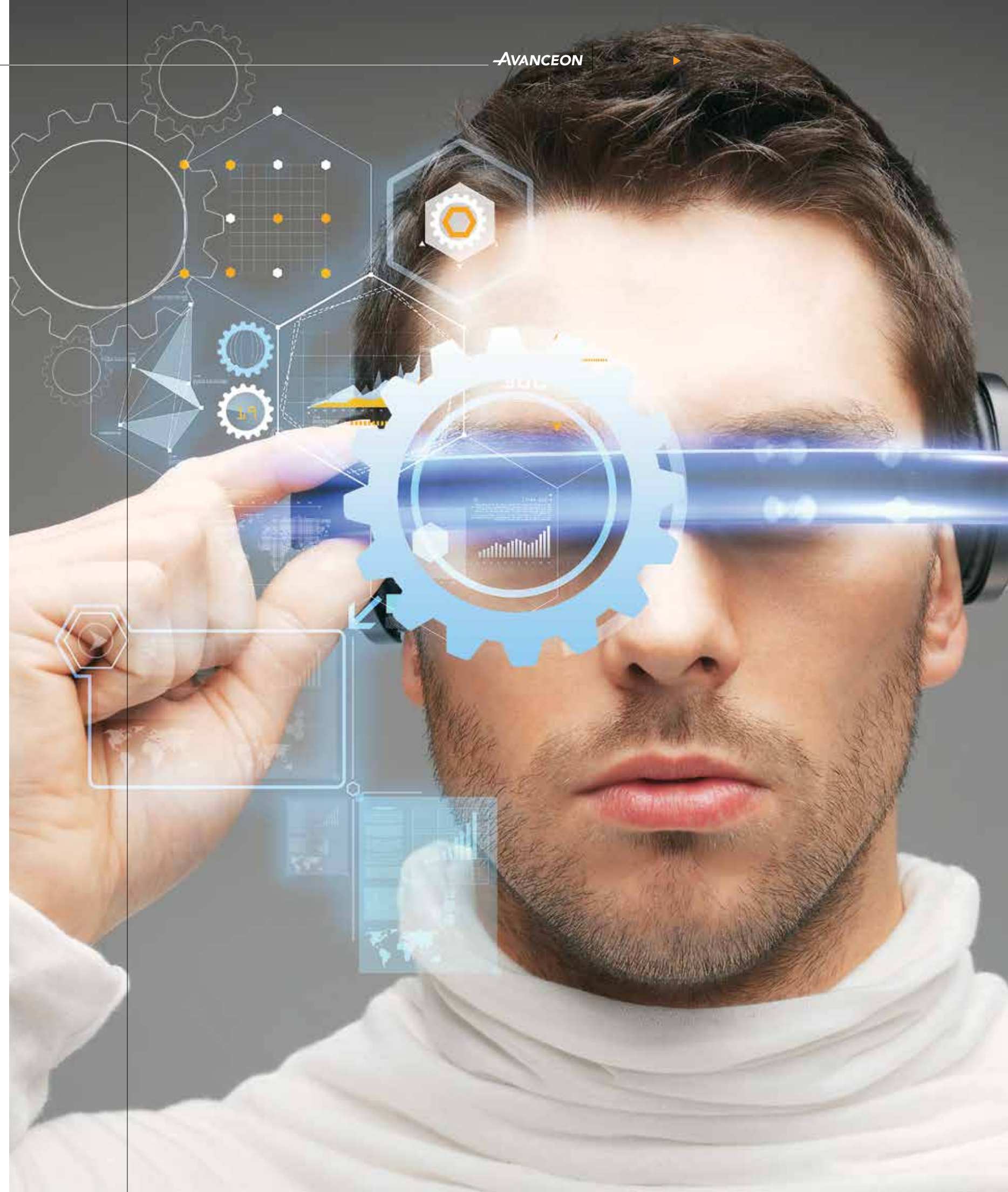


# Tomorrow's Empowerment Today

2016 began with a truly humbling award, Avanceon receiving CSR-related accolades from the Forum for Education & Health in South Asia honouring our commitment towards education.

In 2015, inspired by our founder and CEO's philanthropic vision of empowering individuals through education, Avanceon launched a learning initiative, offering to fully fund and support the children of our less fortunate employees throughout their educational journey. Covering all outgoings, from uniforms to stationery, transport to books, perhaps the most important part of our initiative was the generosity of Avanceoners to give their time to mentor the children through their education.

Avanceon provides hope and opportunity for these bright children to arrive at quality institutions after completing their higher education, something we firmly believe in. From an initial 38 children enrolled in schools, the scheme has proudly expanded to nearly 50 this year, across 12 schools in total. By pledging our full support to the ongoing wellbeing of these children, we are investing in their future and the future of their children.





# Company Information

## DIRECTORS

Mr. Khalid Hameed Wain	Director / Chairman
Mr. Bakhtiar Hameed Wain	Director / Chief Executive Officer
Mr. Tanveer Karamat	Director/Chief Operating Officer
Mr. Amir Waheed Wain	Director
Mr. Naveed Ali Baig	Director
Mr. Tajammal Hussain	Director
Mr. Umar Ahsan Khan	Director

Mr. Saeed Ullah Khan Niazi	Chief Financial Officer
Mr. Ahsan Khalil	Company Secretary

## AUDIT COMMITTEE

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

## HUMAN RESOURCE & RENUMERATION COMMITTEE

Mr. Umar Ahsan Khan	Chairman
Mr. Bakhtiar Hameed Wain	Member
Mr. Naveed Ali Baig	Member

## AUDITORS

Ernst & Young 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)

## BANKERS

Faysal Bank Limited, Pakistan  
Habib Bank Limited, Pakistan & United Arab Emirates  
National Bank of Fujairah, United Arab Emirates  
Habib Bank AGA, Zurich, United Arab Emirates  
National Penn Bank, United States of America  
ABN AMRO, United Arab Emirates  
MCB Bank Limited, Pakistan  
United Bank Limited, Pakistan & United Arab Emirates  
National Bank of Pakistan Limited, Pakistan  
Standard Chartered Bank Limited, Pakistan  
Deutsche Bank Limited, Pakistan  
JS Bank Limited, Pakistan  
KASB Bank Limited, Pakistan  
NIB Bank Limited, Pakistan

## SHARE REGISTRAR

M/s THK Associated (Pvt.) Limited  
1st Floor, 40-C, Block-6,  
P.E.C.H.S, Karachi-75400,  
Sindh, Pakistan.  
Phone: +92 (21) 111 000 322  
Fax : +92 (21) 356 555 95  
Email : secretariat@thk.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) 35456957  
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.meal@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.meal@avanceon.ae

### Doha, Qatar

In Partnership with Irinatech  
Office No-3, 15th Floor  
Burj Al-Qassar, West Bay,  
P.O. Box 5285  
Doha, Qatar.  
Phone: +974 4408 5213  
Email: support.meal@avanceon.ae

### 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.meal@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.meal@avanceon.ae

## GLOBAL HEADQUARTERS

**AVANCEON GP – EXTON, PA, USA**  
**180 Sheree Boulevard**  
Suite 1400  
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.seal@avanceon.ae

### Karachi, Sindh, Pakistan

D-16/1, Block-3, Lane-5 Clifton  
P.O. Box: 718  
Karachi, Sindh, Pakistan  
Phone: +92 (21) 111 940 940  
Email: support.seal@avanceon.ae

### Islamabad, Pakistan

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

## TRADE MARK

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



# Board of Directors



**KHALID H. WAIN**

Chairman of the Board (Non-Executive)

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



**BAKHTIAR H. WAIN**

Director and Chief Executive Officer

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



**TANVEER KARAMAT**

Director and Chief Operating Officer

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



**AMIR W. WAIN**

Director (Non-Executive)

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



**UMAR AHSAN KHAN**

Director (Non-Executive/Independent)

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



**TAJAMMAL HUSSAIN**

Director (Non-Executive/Independent)

Tajammal brings over 27 years of international accounting and financial acumen to the Avanceon BOD. Chartered Accountant at Fakharuddin Yousafali & Co since 1989. He advises the Avanceon BODs on risk management and financial strategy.



**NAVEED ALI BAIG**

Director (Non-Executive)

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

# Board of Directors' Profiles

## BOARD OF DIRECTORS STRUCTURE & CORPORATE GOVERNANCE

### Composition of board and directors' independence

In line with good governance practice, 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 under the Chairman performs

### CHAIRMAN OF THE BOARD

**Khalid H. Wain, Chairman** – Khalid brings over 40 years of international expertise in electrical engineering, cost engineering, project management and business strategy to the Avanceon board of directors. Khalid 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. Khalid 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 Canada. Khalid Wain was selected as Chairman of the board for his international business knowledge and extensive experience of companies in the technological sphere.

### DIRECTORS' PROFILE

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

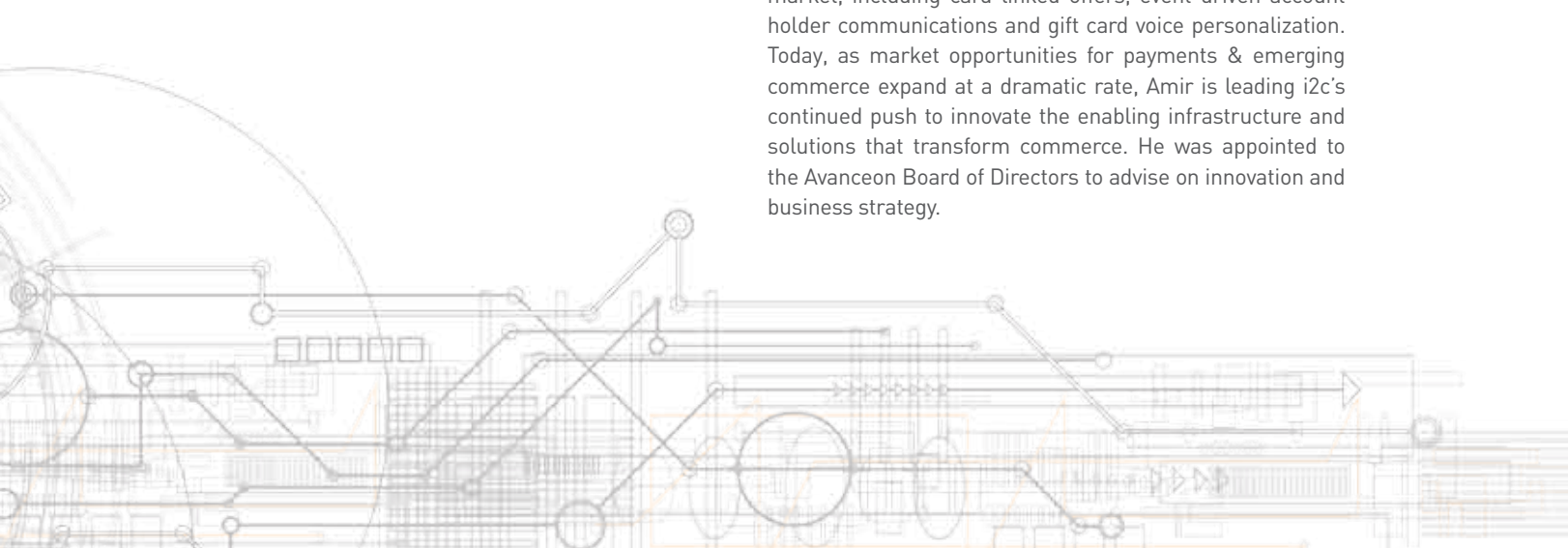
**Tanveer Karamat, Chief Operating Officer** – brings a wealth of international business experience to Avanceon, with 20 out of 30 professional years spent selling automation solutions to the oil and gas sector. After receiving a Bachelor's degree in Chemical Engineering from the University of Pakistan he embarked on his career as an Application Engineer at Zelin PVT Ltd in 1986. Developing his sales, management and business skills at key industry companies such as Wartsila NSD as well as Honeywell where he held the position of Country Head, Tanveer joined Avanceon in 2003 as Regional Manager. He transformed the South Region revenues in less than three years with wise strategic counsel, capitalizing on a dormant customer base and an internal reshuffle. He was promoted to GM Operations in 2006 before becoming COO in 2011. Over the past decade, Tanveer's leadership has been a major contribution towards building company value. He was included as member of the Board of Directors to help the board 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 brought a number of industry firsts to market, including card-linked offers, event-driven account holder communications and gift card voice personalization. Today, as market opportunities for payments & emerging commerce expand at a dramatic rate, Amir is leading i2c's continued push to innovate the enabling infrastructure and solutions that transform commerce. He was appointed to the Avanceon Board of Directors to advise on innovation and business strategy.

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

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

**Umar Ahsan Khan, Director** – brings over 27 years of strategic accounting, finance and business management experience to the Avanceon Board of Directors. He currently holds the position of Chief Financial Officer of the Dawlance Group, which is the leading home appliances company in Pakistan. Umar oversees and supports all aspects of the group, which has a direct impact on its financial performance. Umar has been the key catalyst as advisor for business process re-engineering and group restructuring over the past 4 years. Prior to joining Dawlance, he has worked his way up from trainee to corporate finance manager at ICI Pakistan Limited, which was then a part of the Fortune 500 Company, Akzo Nobel. He holds a BSc and an MSc in Accounting and Finance from the London School of Economics & Political Science. Umar was appointed as a director because of his strategic and hands- approach to business and financial management, which are amongst the core strengths he brings to the Avanceon Board.





# Notice of 14<sup>th</sup> Annual General Meeting

**NOTICE IS HEREBY GIVEN that the 14<sup>th</sup> Annual General Meeting of Avanceon Limited (“AVN”) will be held on Tuesday, April 25, 2017 on 3pm at Fairways Hall, Country Golf Club, Sector-C, Bahria Town, Lahore, Punjab, Pakistan to transact the following business:**

**A. ORDINARY BUSINESS**

- 1. To confirm the minutes of the 13th Annual General Meeting held on 21 April, 2016.
- 2. To receive and consider the Audited Accounts for the year ended 31 December, 2016 and the Directors’ and Auditors’ Reports thereon.
- 3. To elect Seven (07) Directors of AVN for a period of three years commencing from 25 April, 2017 in accordance with the provisions of the Companies Ordinance, 1984 and Memorandum and Articles of Association. The names of retiring Directors are as under:

- |                             |                         |
|-----------------------------|-------------------------|
| 1. Mr. Bakhtiar Hameed Wain | 5. Mr. Umar Ahsan Khan  |
| 2. Mr. Khalid Hameed Wain   | 6. Mr. Tajammal Hussain |
| 3. Mr. Amir Waheed Wain     | 7. Mr. Tanveer Karamat  |
| 4. Mr. Naveed Ali Baig      |                         |

The Board of Directors has fixed the number of Directors to be elected at this meeting to be Seven (07) at the Board meeting held on 21 March, 2017. The retiring Directors shall be eligible to offer themselves for re-election in accordance with applicable Regulations.

- 4. To appoint Auditors and fix their remuneration. The present auditors Ernst & Young Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for re-appointment.
- 5. To declare a final dividend at the rate of Rs 1/- per share i.e. 10% for the year ended 31 December, 2016.
- 6. Any other business with the permission of the Chair.

**B. SPECIAL BUSINESS**

- 7. To authorize the issuance of Bonus Shares in proportion of 25 shares for every 100 shares held, i.e. at the rate of 25% and if thought fit pass the following Special Resolution;

“RESOLVED that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Company whose names appear on the Register of Members as at the close of the business on 17 April 2017 the company in the proportion of 25 Bonus Share for every 100 Shares held, i.e. at the rate of 25%, and that such Bonus Shares shall rank pari pasuu as regards dividend and in all other respects with the existing Ordinary Shares of the Company.

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

- 8. In compliance of the direction issued by Securities and Exchange Commission of Pakistan under S.R.O.470 (II)/2016 dated May 31, 2016 it is proposed that the following resolution be passed as and by way of a Special Resolution:

“RESOLVED that pursuant to compliance of S.R.O.470 (II)/2016 dated May 31, 2016 and subject to the consent and approval of the shareholders, the Board of Directors of the Company be and is hereby authorized to circulate the Annual Audited Accounts of the company to its members through CD/DVD/USB; that the Board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution”.

- 9. “RESOLVED that revisions in issue of ESOS-I options granted as mentioned in below table, for COO of the company are hereby approved:

Year	Revised Offer Price	Initial Offer Price	Initial Exercise Period	Revised Exercise period
2014	Rs. 1/-	Rs.1.20/-	2019	2018
2015	Rs. 1/-	Rs.1.44/-	2020	2018
2016	Rs. 1/-	Rs.1.73/-	2021	2018

By Order of the Board

Ahsan Khalil  
Company Secretary

Lahore,  
Dated: 2 April, 2017

**N.B**

- (1) The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Tuesday 18 April 2017 to Tuesday 25 April 2017 (both days inclusive). Transfer received in order at the office of our Registrar, M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400 by the close of business (5.00 p.m.) on Monday 17 April 2017 will be treated to have been in time for the purposes of payment of final dividend, entitlement of bonus shares to the transferees and to attend & vote at the meeting.
- (2) Any member who seeks to contest an election to the office of Director shall file with the Company a notice of his/her intention to offer him/her-self for election of directors as Registered Office, Avanceon Limited, 19 KM Main Multan Road, Lahore not later than 14 days before the date of Annual General Meeting in terms of section 178(4) of the Companies Ordinance, 1984 with the following:
  - a) Consent to Act as Director and form 28 duly completed as required under Section 184 of the Companies Ordinance, 1984.
  - b) Declaration in respect of being compliant with the requirement of the Code of Corporate Governance 2012 and the eligibility criteria as set out in the Companies Ordinance, 1984 to act as Director of listed Company.
  - c) Detailed profile along with office address for placement into Company’s Website within seven (07) days prior to the election in terms of SRO 25 (1)/2012 dated 16 January 2012 and SRO 634 (1)/2015 dated 10 July 2014.
- (3) 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.
- (4) Members are required to timely notify any change in their address to Company’s Shares Registrar, M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400

**ADDITIONAL NOTES:**

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

**FOR ATTENDING THE SHAREHOLDERS’ MEETING**

- I. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- II. The shareholders registered on CDC are also requested to bring their particular ID numbers and account numbers in CDS.

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

**FOR APPOINTING PROXIES:**

- I. In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the duly completed and stamped proxy form accordingly.
- II. The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- III. Attested copies of valid NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- IV. The proxy shall produce his/ her original NIC or original passport at the time of the meeting.
- V. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

**CNIC ON DIVIDEND WARRANTS:**

As per the SECP SRO 831 (2)/2012 dated 05 Jul 2012 read with SRO 19 (1)/2014 Dated 10 Jan 2014, for compulsory requirement and printing of CNIC on the dividend warrants, without which no dividend warrant shall be issued, the individual members who have not yet submitted photocopy of their valid CNIC are once again reminded to send the same at the earliest directly to company’s share registrar at the above address. The corporate entities are requested to provide their NTN. Please give folio number with the copy of CNIC / NTN details.

**DIVIDEND MANDATE:**

In compliance with the SECP circular No 18 of 2012 dated 05 June 2012 and SECP Letter No. 8(4) SM/CDC Dated 05 April 2013, the company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application on a standard request form which is available on company’s website- www.avanceon.ae. To the company’s share registrar. CDC account holders should submit their request directly to their broker (participant)/CDC with a copy of the dividend mandate form to the registrar of the company.

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

Pursuant to SRO 787 (1)/2014 Dated 08 Sep 2014 the SECP has directed to facilitate the members of the company receiving annual financial statements and notices through email. We are pleased to offer this facility to our members who desire to receive annual financial statements and notices through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available on company’s website www.avanceon.ae Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 2 MB file in size. Further it is the responsibility of the member to timely update the share registrar of any change in the registered email address.



# Shareholder Information

Annual audited financial statement of the company for the year ended 31 Dec 2016 have been made available on the company's website [www.avanceon.ae](http://www.avanceon.ae)

**FILER AND NON-FILER STATUS:**

The Government of Pakistan through Finance Act 2014 has made certain amendments in Sec 150 of the Income Tax Ordinance 2001, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies.

To enable the company to make tax deduction on the amount of cash dividend, all the members whose name are not entered in ATL, even though they are filers are advised to make sure that their names are entered in ATL, available at e portal of FBR, before the date of commencement of book closure for cash dividend. The company as per the law shall apply 17.5% rate of withholding tax if the member's name with relevant details does not appear on the ATL before the mentioned date and deposit the same in Government treasury within the prescribed time.

All members who hold shares jointly are requested to provide the shareholding as per following:

Folio / CDS	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC	Shareholding proportion (No of shares)	Name and CNIC	Shareholding proportion (No of shares)

The required information must reach our Share Registrar by the close of business on 17 April 2017, otherwise it will be assumed that shares are equally held.

The Corporate Shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or its share registrars. The shareholders while sending NTN or NTN certificates, as the case may be must quote company name and their respective folio numbers.

**CONSENT FOR VIDEO CONFERENCE FACILITY**

Members can also avail video conference facility in Karachi, if the company receives consent at least 10 days prior to the date of the meeting from members holding in aggregate 10% or more shareholding and residing in Karachi to participate in the meeting through video conference.

Please fill the following form and submit to the registered office of the company 10 days before the holding of the annual general meeting:

I/We \_\_\_\_\_ of \_\_\_\_\_, being members of Avanceon Limited and holder of \_\_\_\_\_ordinary shares as per registered folio no/CDC A/c No \_\_\_\_\_ hereby opt for video conference facility at Karachi.

For any query/information, members may contact our Share Registrar M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400.

## STATEMENT (S) UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

The statements set out material facts concerning "Special Businesses" to be transacted at the Annual General Meeting of the Company to be held on October 31, 2016. The approval of the Members of the Company will be sought for:

**ITEM 7 OF AGENDA**

The Directors of the Company are of the view that the Company's profitability, financial position and its reserves justify the issuance of Bonus Shares in the proportion of 25 share for every 100 shares held, that is at the rate of 25%, to those Shareholders whose names appear in the Register of Members at the close of Business on Monday 17 April 2017.

Pursuant to rule 8 (iii) of the Companies (Issue of Capital) Rules 1996, a Certificate of free reserves has been issued by the Auditors.

**ITEM 8 OF AGENDA**

Information for circulation of annual audited accounts to the shareholders through CD/DVD/USB. The Securities and Exchange Commission of Pakistan (SECP) has allowed the companies to circulate the annual balance sheet, profit and loss accounts, auditor's report and directors report etc., (Annual Audited Accounts) to its members through CD/DVD/USB at their registered address.

**ITEM 9 OF AGENDA**

The Chief Operating Officer of the company is working since 2003, who have contributed the company for his critical, challenging and important role in the Management. The Company intends to change the exercise price and exercise period of those options that had been offered to him in FY 2014, FY 2015 and FY 2016 with exercise prices and period mentioned in agenda item 9 table and as per Clause 6.1 (ii), 6.1 (iii) and 6.1 (iv) in rules of the Avanceon Employees Share Option Scheme (ESOS) of the Company, as a consideration in good faith for the services rendered.

The directors of the company have no personal interest in this exception in the Scheme but executive Directors can be granted options under this scheme.

**The 14th Annual General Meeting of Avanceon Limited will be held on 25th of April on 3pm at Fairways Hall, Country Golf Club, Sector-C, Bahria Town, Lahore, Punjab, Pakistan, the shareholders are encouraged to participate and vote, any shareholder may appoint a proxy to vote on his or her behalf. The Proxies should be filed with the company at least 48 hours before the meeting time. Shareholders or their Proxies are requested to bring with them copies of their valid Computerized National Identity Card or Passport along-with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2016, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised: for filers of Income Tax return 12.5% and Non-filer of Income Tax return 17.5% or at any prevailing tax rate at the time of making dividend warrants.

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time. Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided.

In case of non-receipt of the copy of a valid CNIC or NTN, the Company would be unable to comply with SRO 831(1)/2012 dated July 05 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold the dispatch of dividend warrants of such shareholders. Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL to avoid extra deduction of tax. The Company as per the new Law, shall apply 17.5% rate of withholding tax or any applicable at the time of payment of dividend if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

**OWNERSHIP**

As on December 31, 2016 there were 2,946 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 2017 are:

1st quarter: April 27  
Half yearly: August 22  
3rd quarter: October 26

All our quarterly reports are regularly posted to Pakistan Stock Exchange (formerly: Karachi and Lahore Stock Exchanges) and all shareholders at their provided address, Now onward, all annual/quarterly reports also to be 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, additionally, the pursuant to compliance of S.R.O.470 (I)/2016 dated May 31, 2016 issued by the SECP and subject to the consent and approval of the shareholders, the Board of Directors of the Company be and is hereby authorized to circulate the Annual Audited Accounts of the company to its members through CD/DVD/USB; that the Board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution.

**CHANGE OF ADDRESS**

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

**M/s THK Associated (Pvt.) Limited**  
1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400,  
Sindh, Pakistan. Fax : +92 (21) 356 555 95





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# KEY HIGHLIGHTS





# 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 : 2008  
ISO 14001 : 2004  
BS OHSAS 18001 : 2007



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



**+25** years  
of commitment



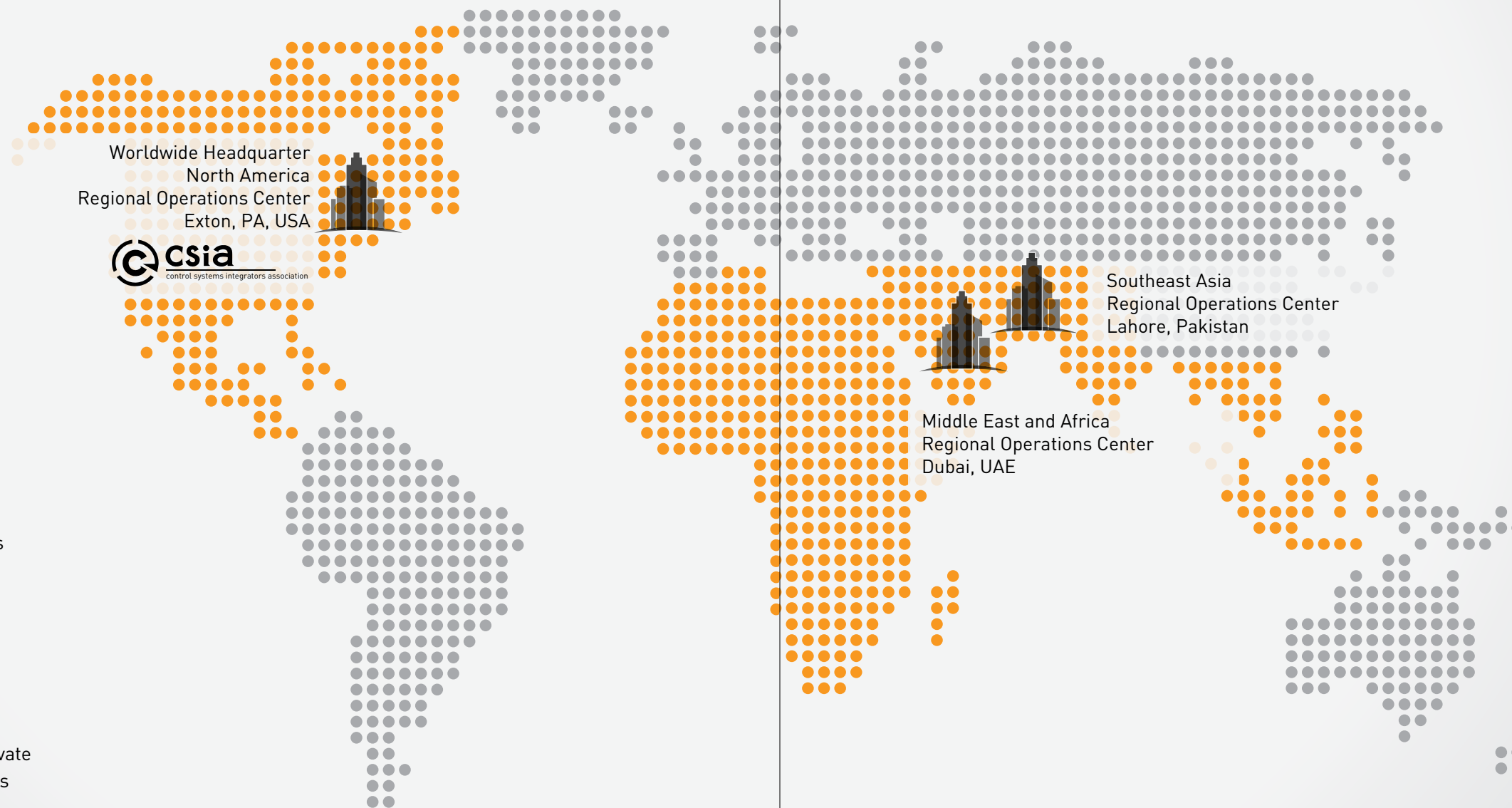
**+10** key partners  
worldwide



**+1,000** medium &  
large scale projects



**+150** Public & Private  
blue chip customers



**+200**  
employees



**+10** offices,  
3 operating centers



**+10** industrial  
segments served

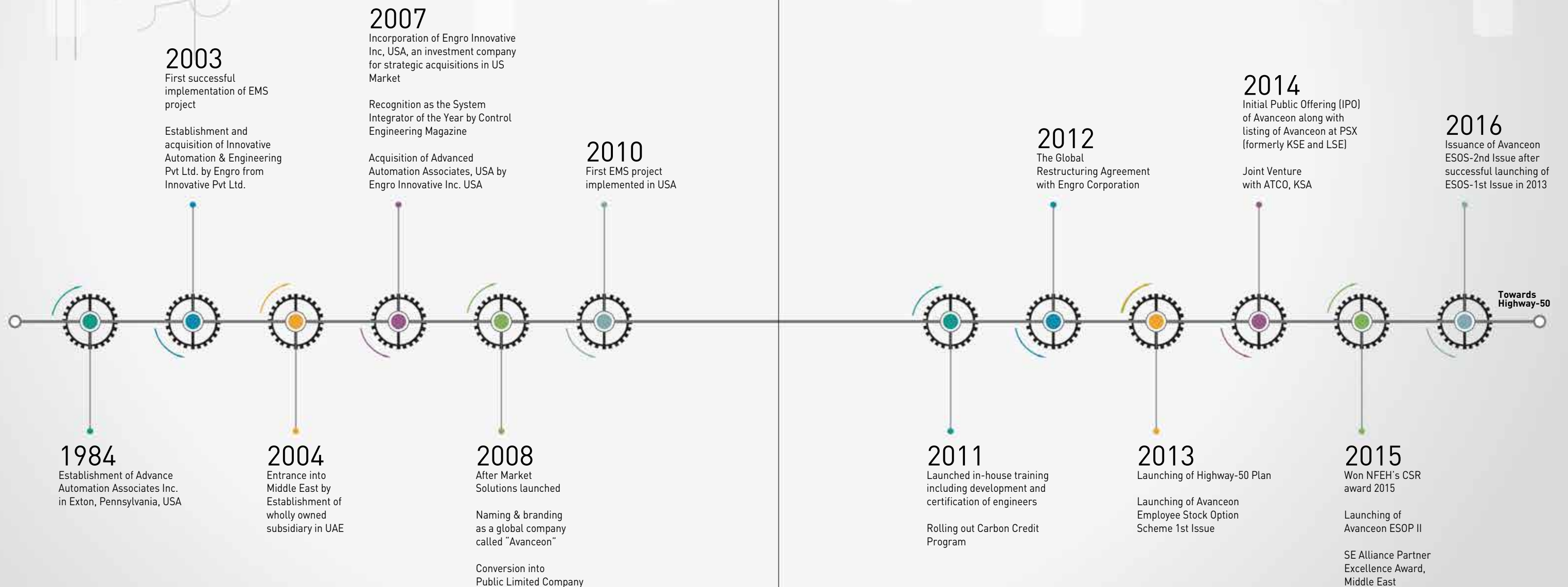


**+70%** Control  
System Engineers





# Our History







# Overall Strategic Objectives: Highway 50

Highway 50 is Avanceon's core commitment made to shareholders in 2013. It maps out several strategic objectives, or goals, which build towards a successful realization of Critical Goals. This involves increasing revenues to USD50 million by 2018 and implementing critical goals. These include the creation of cross-functional marketing and business development departments in Pakistan as well as a focus on expanding business in the Middle East region – also adding an office each in Qatar and the Kingdom of Saudi Arabia. The five key points of Highway 50 are as follows:

- Live The Brand
- Increase/ Retain highly trained Human Capital
- Reduce Variability In The Execution of Processes
- Relationship and responsiveness for client success
- Drive after project sales & services

Achieving and sustaining USD 50 million of revenue will allow Avanceon a better position to gain more leverage and bargaining power when winning bids with multi-national clients. This will provide for a more sustainable business. According to the ARC Advisory Group, USD50 million companies have more potential in participating in larger projects such as Public Private Partnerships. Highway 50 also focuses on both an organic and planned geographical growth, allowing Avanceon's Specialized Services team to offer proprietary products beyond Southern Asia, where they have already had many successes. Highway 50's commitment is also about focusing on driving the organization towards market-based management, also defined as service-centric marketing, to ensure customer satisfaction.

## GOAL 1 – LIVE OUR BRAND

Staying true to these across the Company's value chain provides the basis of Avanceon's brand equity: value engineering with creativity and innovation, project management with teamwork and integrity, innovative application of technology and standards, agile use of resources with optimum capacity as well as quality and sustainable systems. The Avanceon brand value statement differentiates itself through total customer satisfaction.

## GOAL 2 – INCREASE AND RETAIN HUMAN CAPITAL

The second critical goal is based on Avanceon's everlasting commitment to value its people. This translates as continuous investment in enhancing and expanding their skills and expertise as well as training in technology. Avanceon believes that human capital knowledge is the basis of co-creating value. Key words towards retention have always been: opportunity, security, ever improving work environment and since 2014 the enhanced financial benefit of a world-class Employee Stock Option Plan.

## GOAL 3 – REDUCE VARIABILITY IN PROCESS EXECUTION

The third critical goal stems from the variability in execution. This goal is to implement proper KPIs to continuously eliminate process deviation. These measurements can then serve as the basis for continuous process improvement, which is a key goal in delighting customers with agility and efficiency.

- Focusing on the business value of improving quality as well as productivity
- Understanding that how to achieve our project is as important as the actual achievement of the project
- Offering customers a complete system of life cycle support, training, valued engineering, thereby investing in the value of partnership

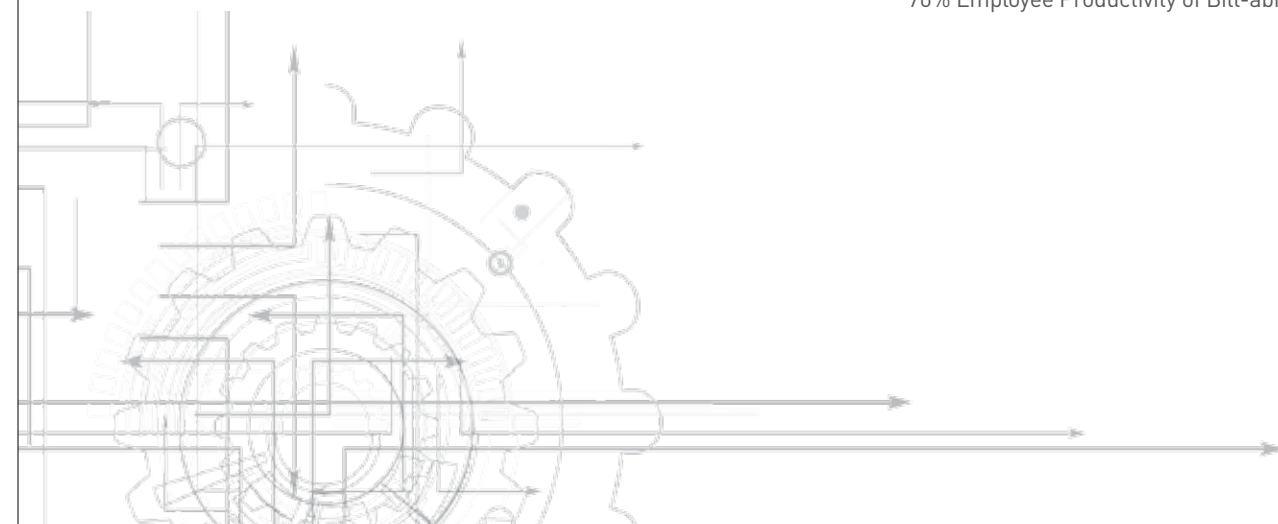
## GOAL 4 – RELATIONSHIPS & RESPONSIVENESS FOR CLIENT SUCCESS

Client delight is at the core of Highway 50. Contributing to Client success is key to Avanceon's own success. Drivers have been summarized as follows:

- Having proactive and frank conversations
- Responding to clients' needs
- Getting involved early in the process
- Addressing surprises
- Realizing opportunities
- Managing expectations
- Managing misperceptions

## GOAL 5 – DRIVING AFTER PROJECT SALES & SERVICES

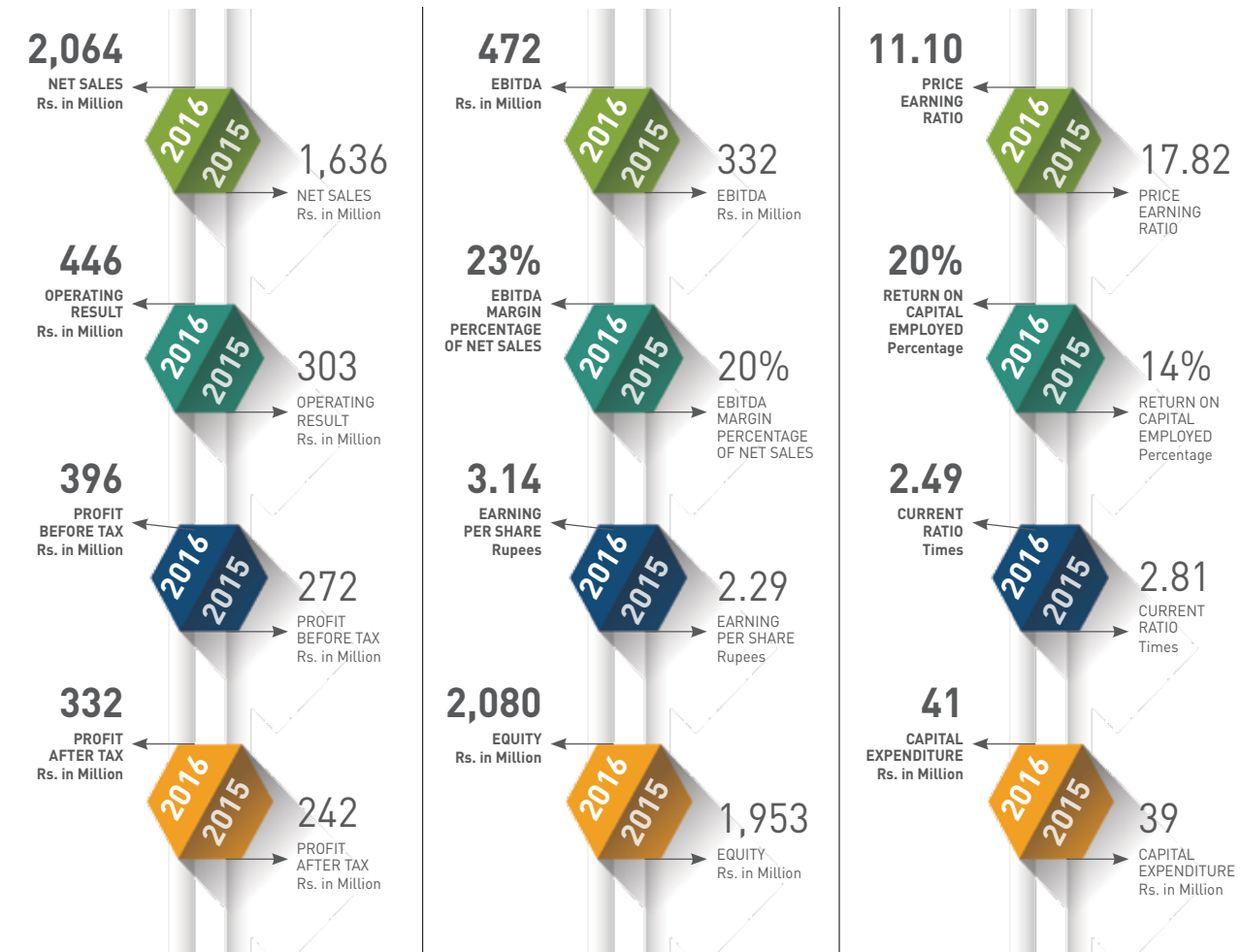
After-Project Sales and Services is one of the critical goals, which will ensure that Avanceon reaches Highway 50 by 2018. Ultimately all the other goals build towards the accomplishment of this particular one. For Avanceon, the end of the project is the start of a long-term relationship because the best opportunities are with existing customers. This in turn allows for continuous value-creation upon completion of a project. To secure this, recurring business has to consistently cover Avanceon's fixed costs. 'Recurring business' refers to repeated new business and maintenance contracts for the same client from the After Marketing Sales department. Most critical to the initiative is maintaining over 70% Employee Productivity of Bill-ability.



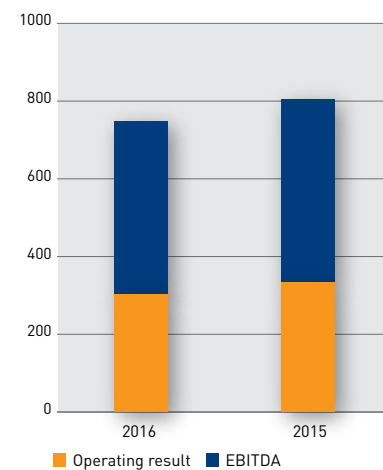


# Financial Highlights

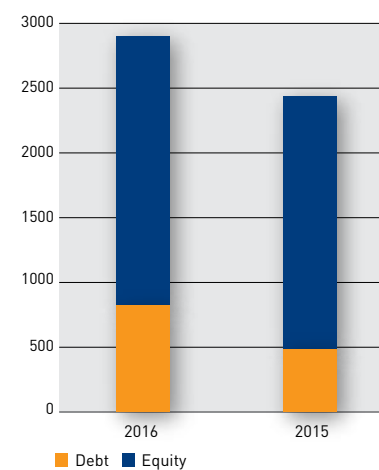
(As at December 31, 2016) Consolidated



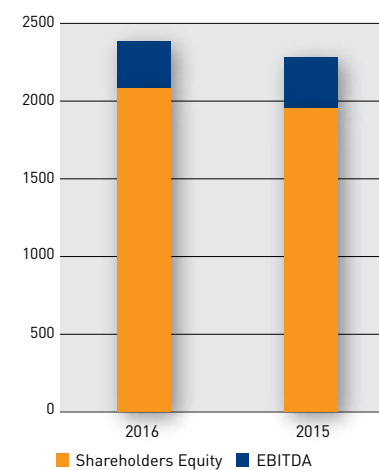
Operating Result and EBITDA  
Rs. in million



Net Debt and Equity  
Rs. in million



Shareholders Equity and EBITDA  
Rs. in million



## INTRODUCTORY





# Vision & Mission Statement

Avanceon Limited [PSX: AVN] has been in the automation business since 1984 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, the company is also listed on the Control Engineering Magazine's System Integrator Hall of Fame.

Avanceon's values are deeply rooted within the company and act as 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, covering the Middle East, Lahore, Pakistan, covering South East Asia, and Exton, Pennsylvania, covering North America.

Avanceon has been in the automation business for the last 26 years and has transformed into a 360 degree solution provider for automation, energy management, engineering services and maintenance for major blue chip companies. A certified member of the select group of Control System Integrators Association, Avanceon is also listed on the Control Engineering Magazine's System Integrator Hall of Fame. Avanceon recently expanded its footprint in the Middle East by setting up offices in Qatar and Kingdom of Saudi Arabia.

## ORGANISATIONAL STRUCTURE

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





# Letter from the Chief Operating Officer

## PAKISTAN HIGHLIGHTS

With the ever increasing demand of oil and its distribution across the country, fueled by CPEC investment, there is a growing trend toward new construction of Tank Farm facilities. Avanceon has Compiling such an end to end solution and then being able to deliver and execute it puts us in a unique position; no other automation company is currently capable to do this and EPC companies are not competitive to handle this type of work. Our first ever E&I EPC project in 2016 is about to finish in a month's time. Within tank farm "Terminal Automation or TLAS " is now an established SOP. We have developed TLAS applications using Rockwell's platform. This puts us on the path of independence to develop our indigenous solution, again a unique position in the market and a competitive edge over other companies. We can see reasonable growth in this sector of the economy in coming years and our unique positioning will give us mileage to serve as a key growth driver.

Our ability to keep evolving and reinventing our portfolio of solutions and services has become part of our DNA. We launched a few initiatives in 2016 like: Original Equipment Efficiency (OEE), Harmonic Filter Solution, Energy Dashboard, Machine Safety etc. These are just a few differentiators that help us stand out as a company.

To further fuel growth we identified Business Development as a separate function, given the kind of projects in the government sector due to CPEC and their corollary investment in the private sector. It has not only freed up substantial time for our sales team, but has opened up new vistas of opportunity that we had not considered in the past. A complete paradigm shift of how to define the served market.

## IN THE MIDDLE EAST

Here has seen some mixed trends in 2016, although there has been a consistent buzz around the 2022 Qatar FIFA world cup or 2020 Dubai Expo events yet still the market trends are not keeping up with the explosive infrastructure development requirements. We have not seen a great influx of people for those projects, possibly because of the presence of regional market players locally, and also the great contractor & designer base already present to nurture it with the capacity and capability to deliver such massive projects. In Saudi Arabia the market is in the maturity and sustainability mode with major emphasis on the maintenance of existing projects and brown field jobs with typically extreme competition. Avanceon is locally present in all three countries – UAE, KSA, Qatar – with local

bases and are serving the markets and contributing to the successes of those economies.

Having said that, Avanceon has proved its grit and determination in what has been another successful year for Avanceon. We have proved our substance and our market leadership, by securing newer medium and large scale automation and control system projects across the region. Avanceon Qatar has been the superstar of the region by keeping an upward curve on our growth charts throughout the year. Avanceon has contributed in all of the major sectors of the Industry present in this GCC market, whether it be Infrastructure, Water/Waste Water or Oil & Gas – we are present and have made our presence felt.

Oil & Gas is still under pressure, yet contributes 13% towards our business, followed by 25% from Water / Waste Water and 63% from the Infrastructure & Transportation sector. Qatar has contributed 80% of the total business numbers followed by UAE and KSA. During 2017 we would be hoping for an overall increase and a more balanced contribution from our local offices.

Beyond the market-specific details, let's take a step back and see how 2016 helped to progress our corporate strategies.

## LIVED OUR BRAND

We are becoming increasingly known across the Middle East region for our Industrial Internet of Things expertise across smart city projects due to several key media interviews. In addition to this the company have picked up numerous industry awards during 2016, for excellent partner work, CSR and our financial reporting. We not only lived our brand but we made sure that our target industry segments experienced it too. One of our most successful marketing activities to date involved taking our expertise deep into the heartland of sugar production in South Asia and demonstrating in clear and realistic terms how we can optimise their business processes. Educating future customers is a key differentiator for Avanceon and also a driver of several new projects, demonstrating a clear return on investment and something the entire company across all departments can be proud of.

## INCREASED AND RETAINED HUMAN CAPITAL

Our brand values would be nothing if not embodied in our thriving and successful workforce. During 2016 we enhanced our internal communications to increase inclusivity across geographies and departments and we are seeing more appreciation for colleague work as a



result. Our internal anonymous SpeakOut initiative is still in full force, allowing staff grievances to be aired without prejudice. In addition, we have ensured essential and quality training for our staff, over 1000 hours carried out in 2016, over 84% were spent outside Pakistan, namely Singapore, North America and the United Arab Emirates. Our Management team at Avanceon averages 13 years with the company, with an average 15.9 years working within automation itself. Two thirds of our Management team joined as a junior, over one third joined as a trainee. We continue to hire the best and cherry-pick the brightest young potential to work upwards through our ranks to the top.

## REDUCED VARIABILITY IN PROCESS EXECUTION

Building on the successes of past account management process upgrades we recently launched a key performance indicator initiative in order to provide clear progress and goals internally across the company that will also facilitate easier client reporting. Initial feedback and progress is positive, but watch this space for more telling results, our ultimate goal as ever is increased customer satisfaction.

## STRENGTHENED RELATIONSHIPS AND RESPONSIVENESS FOR CLIENT SUCCESS

Last year's expansion into Saudi Arabia has achieved the desired results, by being better able to service our existing client base but also by looking at growing new or existing project scopes in one of our key Middle Eastern markets. We have had great success in growing our prequalification database in the UAE and are looking forward to more opportunities from these new partnerships.

## DROVE AFTER SALES SERVICES

After market support is the joule in Avanceon's crown. We take pride in sharing its success and popularity with our prospective clients and is a key winning factor of new contracts. It is value based, time tested and robust model unparalleled in the market for our customers. The number of SLA's (service level agreements) are ever increasing and the retention of existing is over 95% which marks its popularity and value for the users. It has become a significant and sustainable revenue earner for the company. We keep on enriching service portfolio to differentiate us from the pack. We soon be launching a unique solution: Automation as service, for the market. It will be sold under the tag name BTMI (build, train-to-manage, maintain and improve) to upgrade or improve existing automation to begin with. It addresses the very concern of the industry when it calls for upgrading the old systems

requiring huge capital investments. Spares, warranty issues, obsolescence, upkeep and skillset are all heavy on cost to maintain an automation system throughout its life cycle. BTMI is a hassle free value proposition in which the customer will get automation as service on an affordable monthly charge. How is that? I am sure this will create a lot of buzz in the market.

**Tanveer Karamat** - Chief Operating Officer





# Elevate Today, Activate Tomorrow

## AUTOMATION SYMPOSIUM

On 20th October 2015 Rockwell Automation [NYSE: ROK] and Avanceon [PSX: AVN] scored a success by launching Pakistan's first and largest industrial automation and process control event with the aim to "educate today, activate tomorrow" in Lahore. Rockwell Automation and Avanceon pulled together a series of workshops and demonstrations to exhibit virtualization in real business terms with the aim to educate and inspire existing and potential customers.

During the event vital Industry issues covered included panel discussions on "Emerging Trends in Automation" and "What can go wrong in an Automation Project". Experts shared their knowledge about "The Connected Enterprise" and "Virtualization" along with several breakout sessions and insights shared from leading industry figures. The packed schedule constructed between Rockwell Automation and Avanceon made sure that attendees left the day with invaluable and actionable insights. The rationale behind this major event, increasing technological awareness in the market, is the organisers hope that this will increase efficiency and improve the Pakistani economy.

After 3 months of preparation, 40k Twitter impressions, 450 Powerpoint slides, 150+ attendees, +70 different customers, 15 media representatives, already 6 major inserts just on the day after, including The Business Recorder, The News, The Nation, Naw-E-Waqt and a tv insert on City 42, countless sleepless hours for the stellar engineering and sales team, and one very special partnership with Rockwell Automation, we can look back

on Pakistan's first ever dedicated industrial automation symposium as a major success.

Each and every person involved, from the enthusiastic participants to the media, from the industrial experts to the Tweeters, from the presenters to the hosts, and of course to the combined team of Avanceon & Rockwell, can look back with great memories of this historic event: the first Automation Symposium.

"This showcase symposium has been something I personally have wanted to deliver to the Pakistani market for several years and I am incredibly pleased with the feedback, interest and coverage. It would not have been possible without our deepening partnership with Rockwell Automation, and the determination of both companies to bring it to life. Our thanks go out to all presenters and attendees and be sure we will be maintaining momentum across the region and enabling industry to make a difference where it matters most," added Bakhtiar H Wain, Founder and CEO, Avanceon.

## PROCESS SAFETY SEMINAR

Process Safety is imperative for business continuity for any industry involved in manufacturing or processes. Functional safety standards and their implementations are riddled with difficult to understand terminologies and definitions meaning this is a field where real expertise is required. Rockwell Automation and Avanceon partnered in June 2015 to deliver a series of compelling workshops and case studies on this potentially disastrous business consideration. Safety considerations in processes avoid system breakdowns and consequences that can be dramatic both to the environment and individuals.

Bakhtiar H Wain, founder and CEO of Avanceon, added: "I will not say it enough but preventative measures are critical for business continuity and from the first instance; otherwise you might end up either over designing your systems or missing out the key components that are necessary to make your system safe."

The seminar welcomed many respected personalities of the key industries of Pakistan including oil & gas, power and fertilizers sectors. Subject matter experts on industrial automation and processes and safety shared their knowledge, with specialist guest speakers from Rockwell Automation, Engro Elengy Terminal Limited and Fauji Fertilizers.

Mr. Syed Ammar Shah, Lead E&I, Engro Elengy Terminal Limited (EETL), highlighted the benefits of safety solution implemented by Avanceon Limited for LNG plant of the company, saying: "The Avanceon team definitely helped Engro in improving the safety of the plant."

An interesting feature of the seminar was very relevant to Pakistan's plan to expand its nuclear energy base. The engineering experts who attended the seminar particularly discussed the Fukushima Disaster (nuclear meltdown) case study and underlined the lessons learnt from this accident. Avanceon Limited & Rockwell Automation shared how process safety architecture can be built for high availability and fault tolerant and discussed merits and de-merits of each architecture for future use in such situations.







# 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 honoured 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: candour, agility, creativity, quality, teamwork, integrity and sustainability. These define both 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 expressly 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 very 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 completed through the qualitative execution of our sound solutions and strong work ethics, which are all encapsulated in our Customer Bill of Rights & our Customer Project Bill of Rights. In order to realize sustainable growth, we believe that we place sustainability at the hub of what we do by making a positive difference in the lives of the people within the society we work and the communities we operate, 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 unrelenting 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 upmost importance in every activity Avanceon performs. This commitment allows us to exceed international and national QHSE standards throughout our daily work

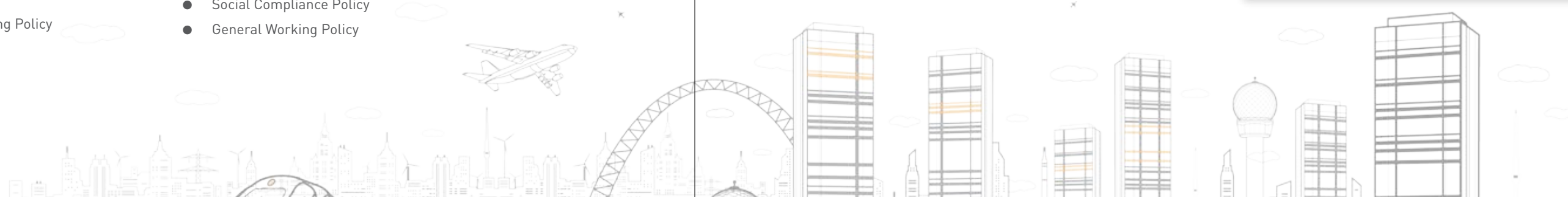
- Essential Health and Safety Environment Training Policy
- OHSAS 18001 – Health and Safety
- ISO 9001:2008 – Quality Management
- ISO 14001:2004 – Environmental Management

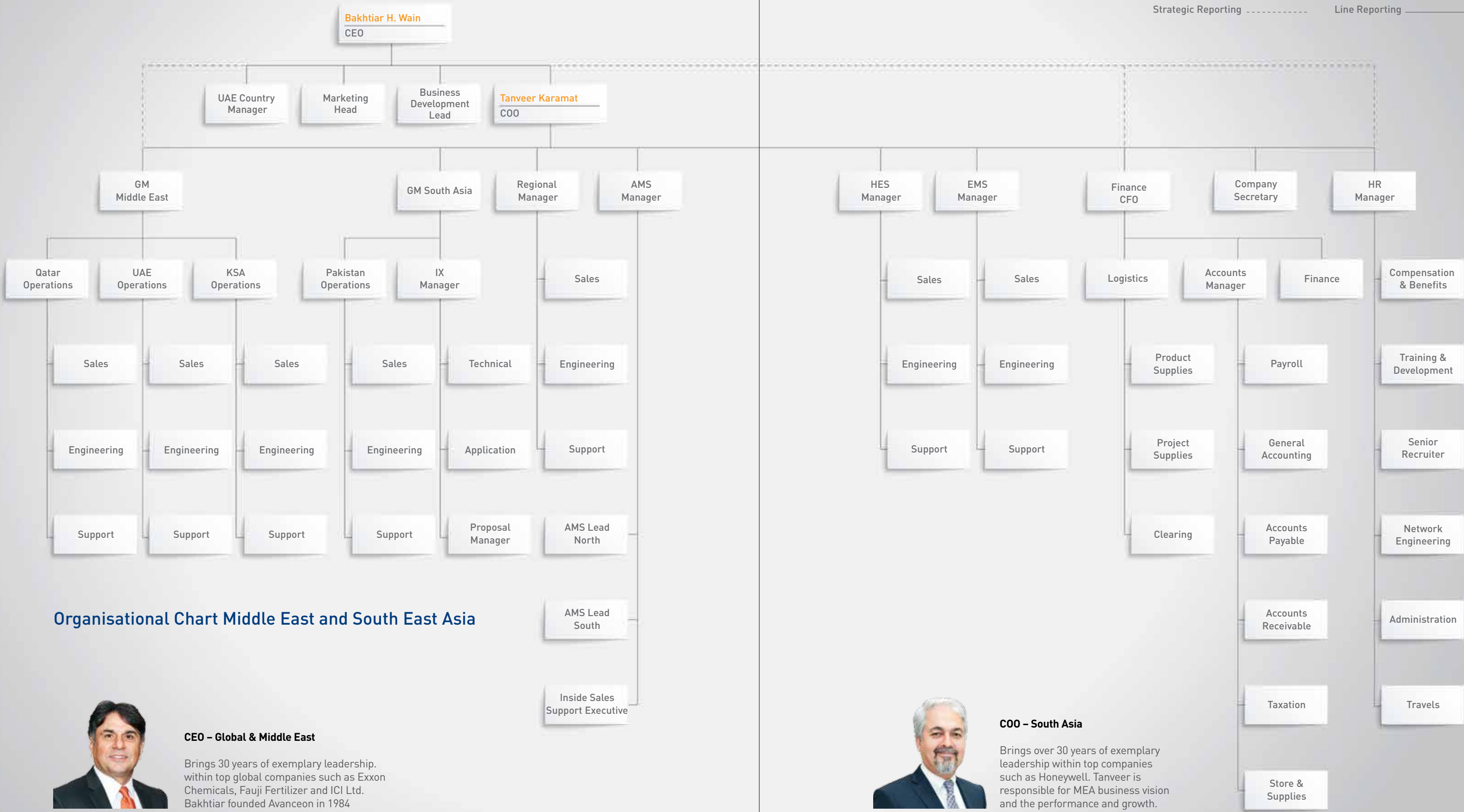
## CUSTOMER BILL OF RIGHTS

- 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

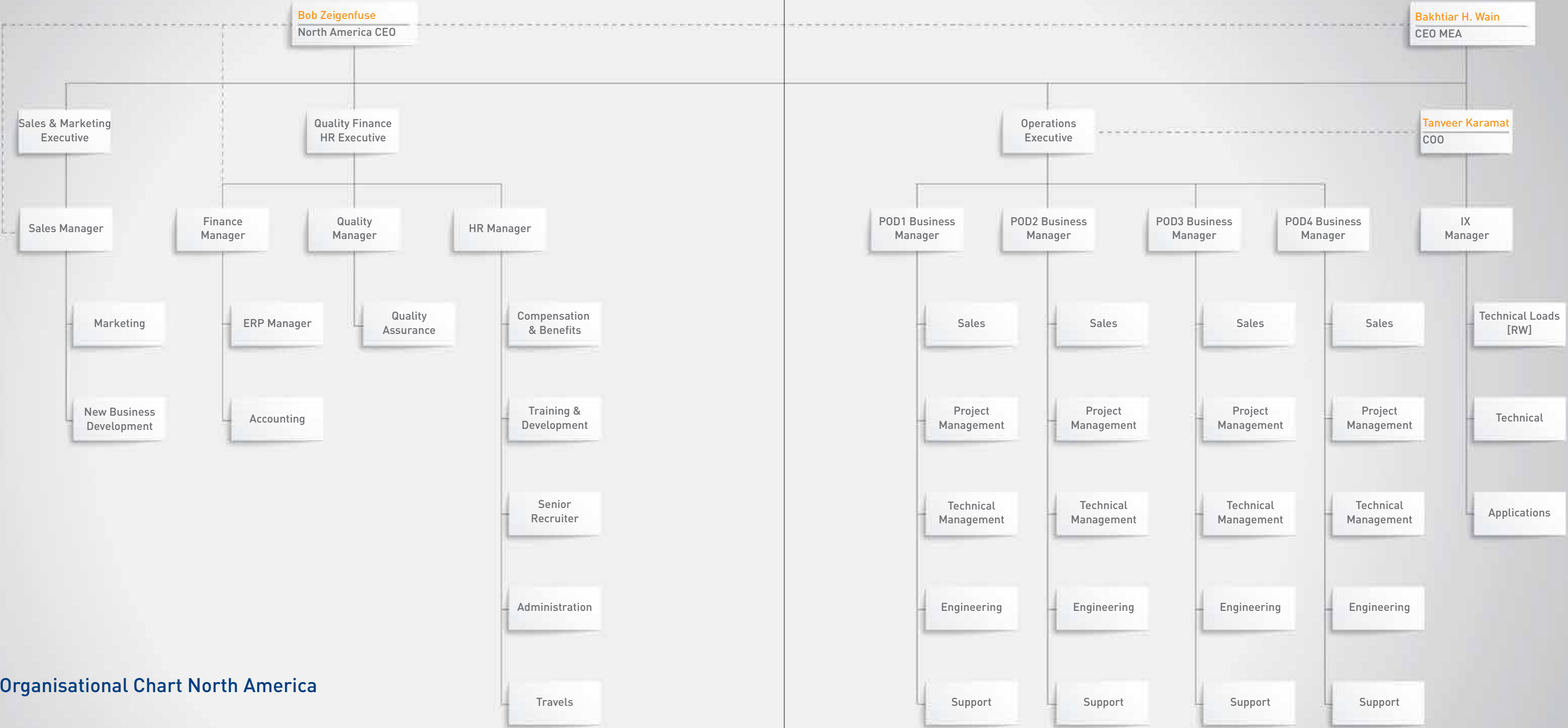
## CUSTOMER PROJECT BILL OF RIGHTS

- 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









Organisational Chart North America

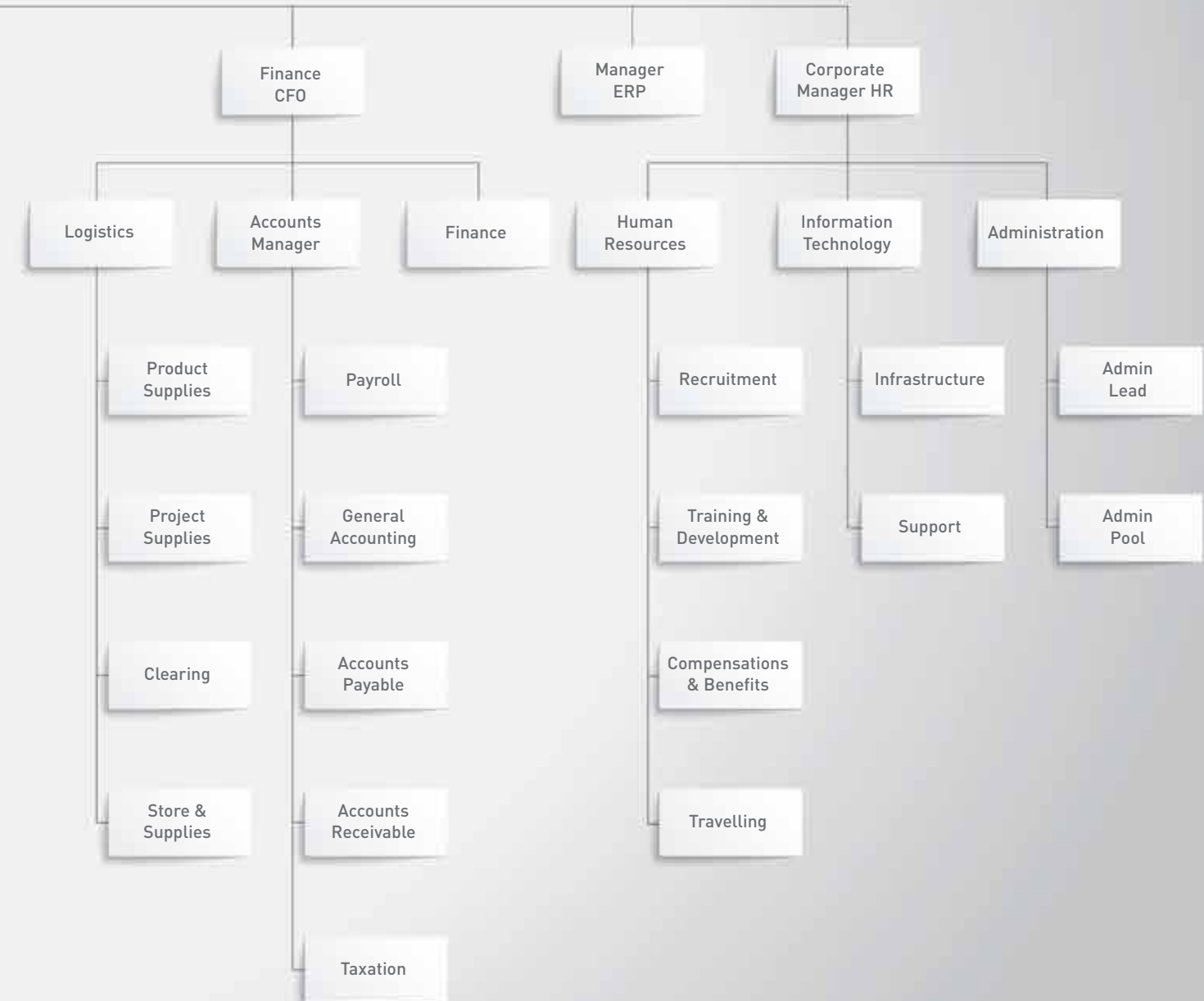
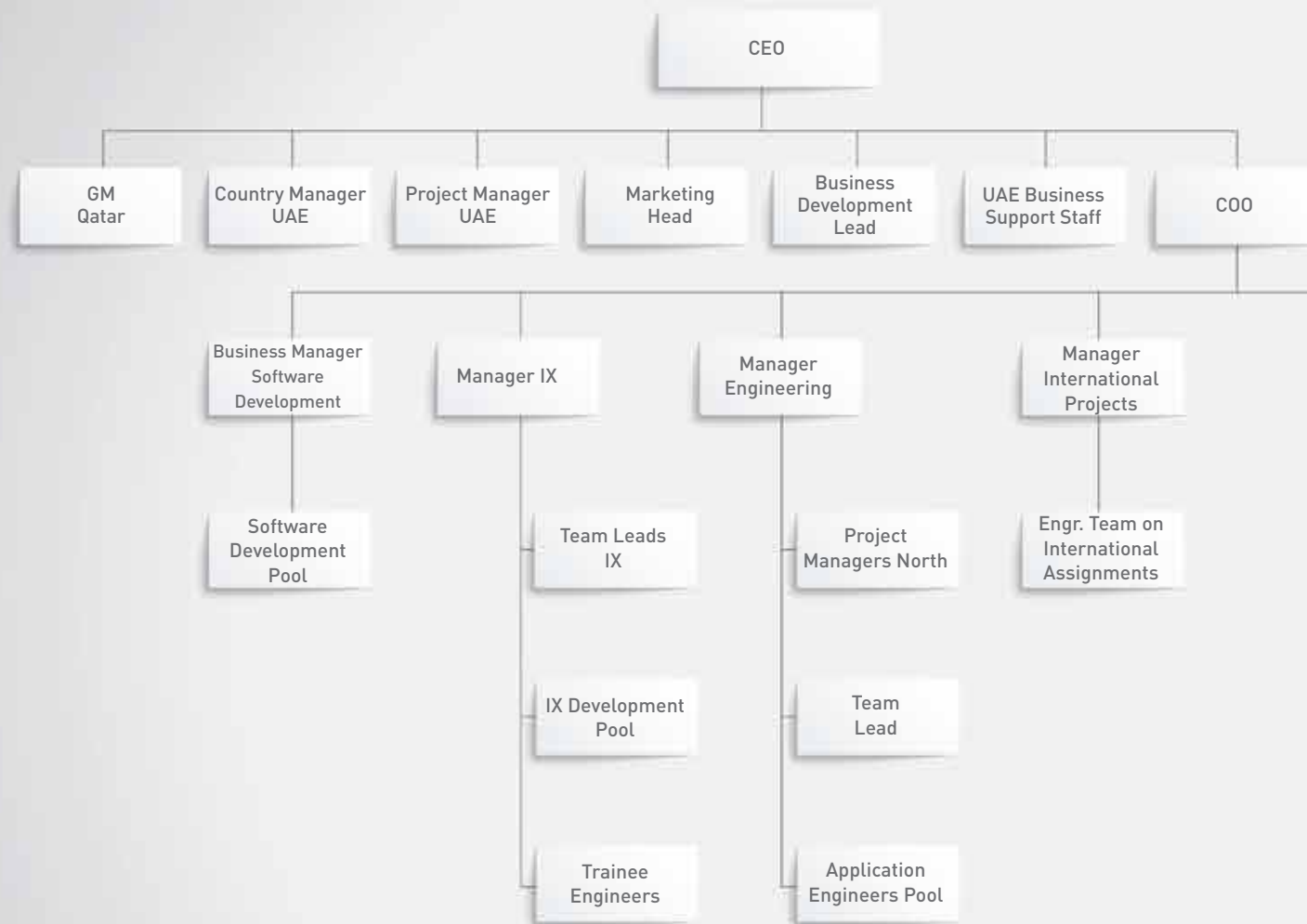


**CEO - North America**

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]

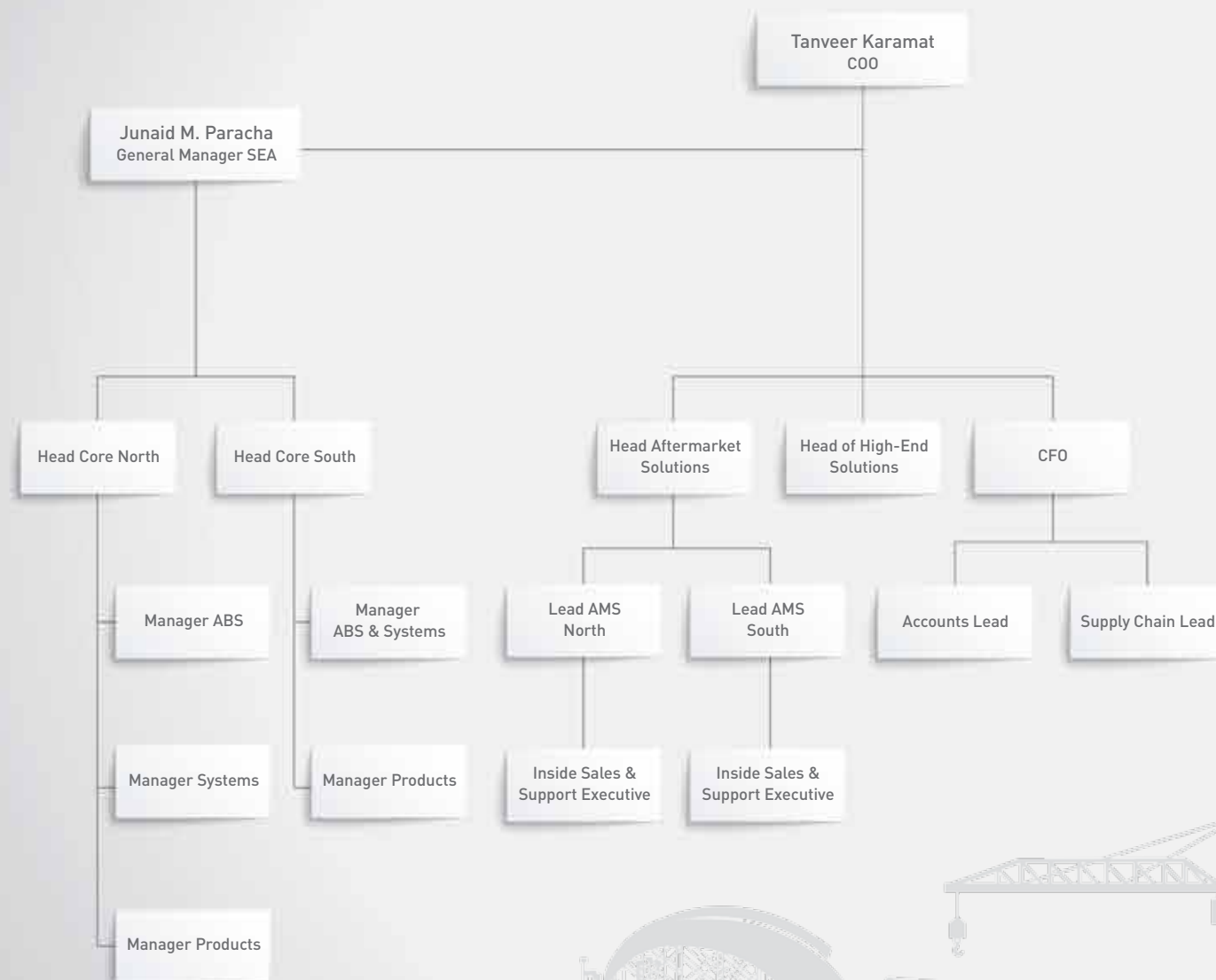


# Engineering & Support Hierarchy





# Core Services & Sales Hierarchy



# Our Managers



(NAMES IN ALPHABETICAL ORDER)

- |                  |                   |                           |
|------------------|-------------------|---------------------------|
| 01 Adeel Khalid  | 06 M. Akmal       | 11 Saeed Ullah Khan Niazi |
| 02 Ahsan Khalil  | 07 Masood Karim   | 12 Sajjad Haider          |
| 03 Asmar A. Atif | 08 Miki H. Ashton | 13 Saqib Rauf             |
| 04 Hussain Ahmad | 09 Nasir Ali      | 14 Syed Adeel Haider      |
| 05 Imran Ashraf  | 10 Omer Javed     |                           |



# A Commitment Towards Excellence

## AVANCEON'S CORPORATE EXCELLENCE AWARDS

Our history builds on the dedication of each and every Avanceoners' passion, hard work and ingenuity. This is what we call: "Living our Brand" This is what ensures that we provide the very best in everything. Every year Avanceon celebrates our outstanding peers. Each year, we honour a select few amongst us that have shone the brightest, worked the hardest, gone the extra mile for their colleagues or customers, to act as a shining example for the rest of us. These people personify the virtues of the company, introduce soul to our engineering, spark innovative solutions, enhance the daily working lives of those around them.





# 2016: A Year filled with Memorable Events



## AWARDS & CREDENTIALS

### GLOBAL SYSTEM INTEGRATOR ALLIANCE PARTNER AWARDS

For the second consecutive year, Avanceon attended Schneider Electric's Connect 2016 in our capacity as trusted strategic partners in the Middle East. But it turned out that there was more in store at the event, which was held at the Marriott in New Orleans, LA, USA than we first anticipated. The global leader in electricity distribution, automation management and energy management awarded our Middle East Hub the Global SI Alliance Partner Excellence Awards in our capacity as Middle East PlantStruxure PES Partner. Staying true to its commitment this was a delightful moment to absolutely delighted to be recognized by one of the true leaders in smart technology. 2016 was been an incredible year for our partnership in the Middle East, where Avanceon as the world's leading system integrator has been fortunate enough to bring these key projects to life in Ajman and Doha using the latest technologies. This won us to install best-in-class infrastructure, as close to future-proofing as we can get in our business, boosting sustainability and enhancing lives.



### ICAP BEST CORPORATE & SUSTAINABILITY AWARDS

Avanceon Globally Recognised with Prestigious Financial Reporting Award, the Leading system integrator awarded 2nd Best Corporate and Sustainability Report 2015. The ICAP, the Institute of Chartered Accountants Pakistan awarded the company for providing one the best quality financial and accounting information based on the maturity of their reporting. The honour confirmed that Avanceon demonstrated a leading approach to both accounting and informational design in its financial reporting. The technology leader was shortlisted for the SAFA [South Asian Federation of Accountants] Award. Launched in 2000 by a joint committee of ICAP and ICMAP in order to drive better quality and transparency by corporations throughout Pakistan, the awards have seen more and more businesses adopt international standards of financial reporting, enhancing their overall corporate governance.

### SYSTEM INTEGRATOR GIANTS 2016

Released at the end of 2016, CFE Media's annual System Integrator Giants table has one or two surprises for the global industry movers and shakers. Not only does it include companies regardless of annual income but also the teams involved in key projects go from a handful of experts right up to full deployment of thousands of system integrators and engineers. It is a league table the Avanceon team keep a close eye on as it benchmarks the company against other global corporations. Avanceon ranked at 13th globally, and although the top spot overall revenue from may be a few years away for Avanceon, With a long heritage, global footprint, there is a bright and successful future ahead. Keep your eyes on Avanceon, Control Engineering Magazine (<http://www.controleng.com>).



## EVENTS & PRESENCE

### THE DIGITAL SUGAR MILL 2016

Avanceon and Rockwell Automation Sweetened the Automation & Control Process for the Sugar & Ethanol Industry. "The Digital Sugar Mill" showcased today's clear business imperative for the industry. Both technology leader invited Pakistan's leading businesses to join the seminar on sugar and distillery automation on Wednesday, August 3rd. Held at the Desert Palm Hotel in Rahim Yar Khan, Pakistan, 'The Digital Sugar Mill' event focused on a key region in South Asia for sugar refineries and related industrial processes. A key date in the B2B calendar, attendees took away expert knowledge on how to provide continuous and precise handling to ensure constant monitoring throughout the manufacturing process, from raw material to finished products. The impressive line of Guest speakers included: Mr. Khalid Hayat Khan, COO, Faran Sugar Mills, Mr Rafiq Ahmed Mangi, Director of Operations at Habib Sugar Mills, Mr Israr Jaffrey, General Manager of Production, Habib Sugar Mills as well as Mr Zia Baloch, Head of Instrument and Control, Al Moiz Industries.

### MIDDLE EAST RAIL 2016

Next week Avanceon will be joining our long-term business partners Rockwell Automation as co-sponsors of the 10th Middle East Rail. 2016 was a critical year for the Middle East and infrastructure in particular, especially with the likes of Expo 2020 on the horizon and an ever-growing population across the region. Our joint expertise in the transport space stretches back several years with landmark projects such as Dubai Metro and Lusail City on our collective CV, both projects of great magnitude and importance for the ongoing success of the Middle East.

### POWER TO THE CLOUD 2016

Bakhtiar H. Wain, founder and CEO of Avanceon presented how smart technologies can optimize key verticals such as water/wastewater and infrastructure at one of the most innovative event of the year the 2016 edition of Power To The Cloud, which was held from 17th and 18th April at Dubai International Convention and Exhibition Centre. The event promises to bring together a collection of the most innovative technologies available and illustrate real world applications for an optimised urban infrastructure, powered by insights from industry leaders including Schneider Electric. Since launching the conference series in 2012, attendee figures have rapidly increased and 2016 should be no different with huge milestone projects across the Middle East region with Expo 2020 and the FIFA World Cup on the horizon.

### SABIC 2016

Censoring a safer petrochemical industry, along with the prestigious collection of companies working with SABIC or in the Jubail Industrial City compound in the Kingdom of Saudi Arabia, Avanceon's industrial technology experts soaked up the best practice insights and be prepared to share their own. The four-day showcase event, kicked off y and officially referred to as STC12, amassed engineers, scientists and technologists from across the industrial spectrum. The program theme for 2016 is "Asset Integrity Excellence," demonstrating a clear opportunity for companies looking to optimise existing processes to a higher level of efficiency in a challenging economic climate across the Middle East. The simplest way to achieve this is to deploy solid IIT (Industrial Internet of Things) solutions across the entire process.





# Nature of Business

MACRO-ECONOMIC ENVIRONMENT

Market Trends in Pakistan and the GCC

Automation in Pakistan is still at its early growth stage in terms of product/service lifecycle. Food & Beverages as well as the industrial and energy sectors are more mature in this sense as well as manufacturing companies. It is considered critical to have segment-focused communications to keep market advantage. Infrastructure, except for construction material, is at its introductory stage and represents less than 5% of the current existing market in the country. Representing 1/3rd of the demand for automation and process control, the food & beverage sector is still one of the major customer segments both from a manufacturing and industrial perspective.

Despite current economic uncertainty linked to low oil prices, the GCC region accounts for a significant pipeline of projects both under construction or in planning stages, most specifically in Dubai and Doha. According to MEED, the entire projects available for the GCC in 2016 nears USD 170 billion, out of which it is believe that USD 140 billion will be awarded by end-year. If many of the Oil & Gas projects have been shelved, the downturn has been somehow offset by the need for more infrastructure directly linked to the demographic growth of the region. With Expo 2020 secured & Qatar World Cup 2022 on the way, key demand drivers have switched from oil & gas to transportation and mixe use.

Automation & Process control market in the Middle East can roughly be estimated at USD 346m mostly lead by the UAE, Qatar and KSA. From 2016 to 2019, a growth in projects within the residential, healthcare, hospitality, energy management and water is expected. All segments, in which Avanceon has been a reputation for.

The other demand driver comes from Oil & Gas. Production of energy derives mainly from oil 32% and gas 48% including LNG and LPG. With an import market worth USD \$15 billion, Petroleum accounts for 50%. Production of oil is estimated at 68k barrel per day with a peak of 100k this year. Gas is expected to grow to reach 50 million TOEs by 2019 from 28 million TOEs, and with increase in production Oil & Gas company needs will grow to optimize their operations. The Information and Communication Technology [ICT] is the fastest growing industry in Pakistan with a rating of B2 from Moody's agency<sup>1</sup> . Avanceon has been at the forefront in integrating the ubiquity of the internet in its solutions.

According to Edelman's Annual Trust Barometer 2014, UAE ranks first in terms of business and government reliability<sup>2</sup> .Standard & Poor's AA rating for the UAE is relatively stable. Moody's rates the country Aa2. The World Bank's estimation for 2015 ranks the United Arab Emirates 22nd which is 3 places up on 2014's ranking, whilst doing business in United Arab Emirates<sup>3</sup>, it ranks the country first amongst the ones in the region labeled Middle East and Northern Africa. Saudi comes second. Very much like Pakistan most global agencies in communication and advertising prefer to affiliate locally rather than establishing themselves in Saudi Arabia and Qatar because of cost of settling. Most of them have an official in the UAE either in Dubai or in Abu Dhabi. Official language is Arabic but business is conducted predominantly in English.

The GCC region, most specifically UAE, Qatar and Saudi Arabia, is closely linked with the oil industry, contributing 85% of GDP of the UAE. Dubai has worked hardest at diversifying away from dependence on oil and gas but during the global economic crisis was hit hard. Construction is the second largest industry in the UAE, ahead of manufacturing and services, with approximately USD \$315 billion worth of projects underway in 2014. Regarding mobile phone usage, the UAE ICT sector is one of the most advanced in the Arab World. The UAE lead the world in terms of mobile penetration rates reaching over 200% by the end of 2009 as well as sector readiness and regulatory environment.

Industry Highlights

Automation has emerged as the backbone of industrial evolution and continues to play an increasingly important role in the global economy due to rapidly evolving computer systems which form the foundations of automation solutions. The term "Automation" refers to use of machines, control systems and information technologies to optimize efficiency in the production of goods and delivery of services. The intent behind automation is to increase productivity and quality beyond that possible with current human labor levels so as to realize economies of scale and predictable quality levels.

Automation and process control have become an integral part of modern manufacturing facilities as it enables companies to not only streamline their processes and

standardize product line but also allows it to launch more complex product range through extension of processes that were previously considered impossible.

Going forward, it is expected that demand will be primarily driven by:

**Emerging Economics** - Strongest growth is expected in emerging markets, particularly in the Middle East, Southeast Asia and Eastern Europe. However, in more developed regions like North America and Western Europe, opportunities exist in the modernization of old infrastructure. In addition, flexible manufacturing will likely aid regional customization by aligning the product portfolio to suit market demands.

**Technological Advancements** - Factories of the future will likely leverage "mega-trends" like cloud computing, cyber-security and mobile communication technologies. Driven by the need for greater productivity and efficiency, organizations are adopting these technologies to provide effective interaction between the factory floor and the enterprise across all end users, enabling end users to gain a competitive edge in the global market. Asset management and flexible manufacturing are also forecasted to drive

factory-enterprise integration and generate significant potential for automation and customized service solutions in industrial applications.

**Sustainability and Energy Efficiency** - Sustainability is expected to be a major measure of success for the global manufacturing industry and growing focus on implementing energy-efficient solutions in process and discrete industries will promote sustainable manufacturing. Energy efficiency concerns will dominate businesses in the electric motors market, while wastewater treatment and handling pumps will likely dominate traditional water pumping around the world. Ultimately, four major areas of influence will likely determine business models in future factories: integrated enterprise ecosystems, sustainability, lifecycle assessment, and eco-efficiency analysis

It is estimated that the global industrial automation market stood at USD \$86.07 billion in 2012, which is expected to expand to USD \$124.29 billion by 2018, at an estimated CAGR of 6.05%. Further, the instrumentation market, an ancillary industry, is also expected to grow from USD \$26.50 billion in 2012 to USD \$36.71 billion by 2018.

SWOT	
STRENGTHS	WEAKNESSES
<div>✓ Clear leader for automation solutions in Pakistan</div> <div>✓ Sole publicly listed company in Automation &amp; Control</div> <div>✓ 3 times revenues of closest competition</div> <div>✓ Strong portfolio of clients with 39% being international blue chip clientele, 28% stock exchange customers</div> <div>✓ Strong reputation for quality of our technology and systems amongst industry Pakistani leaders</div>	<div>✓ Actual marketing presence to be increased within the next 4 years</div> <div>✓ Key account management which is recently introduced, which has been growing at a steadfast speed</div> <div>✓ Pricing perceived as higher than other solutions in Drives, market but aligned with quality and longevity of products</div> <div>✓ Perceived as more focused on PLC than DCS in Oil &amp; Gas</div>
OPPORTUNITIES	THREATS
<div>✓ Existing plant automation systems are coming to maturity starting 2017 and need full up-gradation</div> <div>✓ Infrastructure in the ME soaring because of growing demography thereby offsetting Oil &amp; Gas downturn</div> <div>✓ SMART technos IIoT, Big Data, Energy Management Solutions and after market support becoming critical</div> <div>✓ Great potential in Oil &amp; Gas needs to be moved to AMS for upgradation &amp; maintenance</div> <div>✓ Demand for efficiency and APC and Energy management based projects</div>	<div>✓ Major OEMS and competitor in the O&amp;G market trying to make the shift to infrastructure</div> <div>✓ OEMs trying to find their way back on the automation market most specifically on the oil &amp; gas as well as the energy sector</div> <div>✓ Increase competition in O&amp;G/F&amp;B the two lucrative markets</div>

<sup>1</sup> **Moody's – Pakistan.**  
<https://www.moody's.com/page/search.aspx?cy=global&kw=pakistan&searchfrom=GS&spk=qs&tb=1>

<sup>2</sup> **Edelman. Trust Barometer 2014. Edelman: New York, NY, USA. 2014.**  
<http://www.edelman.com/insights/intellectual-property/2014-edelman-trust-barometer/trust-around-the-world/>

<sup>3</sup> **Doing Business in Pakistan – The World Bank: New York, NY, USA. 2014.**  
<http://www.doingbusiness.org/data/exploreeconomies/pakistan/>



# Business Model

## 360 DEGREE SOLUTIONS

For the last 25 years, Avanceon has transformed to become the 360 degree solution provider of automation, control system integration, proprietary energy management solutions and support services is known for handling multiple products, regulatory requirements and the need for safety, productivity and improved throughput. The company is a leading Systems Integrator for industrial automation and process control. The company is the only one certified by the Control System Integrators Association in the Middle East and South East Asia region.

## GCC PRESENCE & FLAGSHIP PROJECTS

5 locations in 3 Countries  
8 MEA Countries served including GCC, Yemen, Nigeria

+10 industrial segments served  
+100 mid to large sized projects  
+10 years presence

	Qatar Industrial Sewage Treatment Plant	Ashghal
	New Doha Port Upward Integration of the World's Largest Port	Ashghal
	Largest Control and Command Center DC Plants	Empower
	Scada Systems for Lusail Utility Tunnels + 27k I/Os	Lusail City
	Tunnel Ventilations Systems Red + Green Lines + 24k I/Os	Dubai Metro
	Relay Up gradation 350 Relay Project	Dubai Metro
	Islanding & Load-sharing Project RTR, SGP, UGP	Saudi Aramco

## PAKISTAN SNAPSHOT & FLAGSHIP PROJECTS

3 locations in 3 regions  
+3 countries served Pakistan, Malaysia, Indonesia  
+10 industrial segments served  
+600 mid to large sized projects  
+25 years presence

3 locations in 3 regions  
+3 countries served Pakistan, Malaysia, Indonesia  
+10 industrial segments served  
+600 mid to large sized projects  
+25 years presence

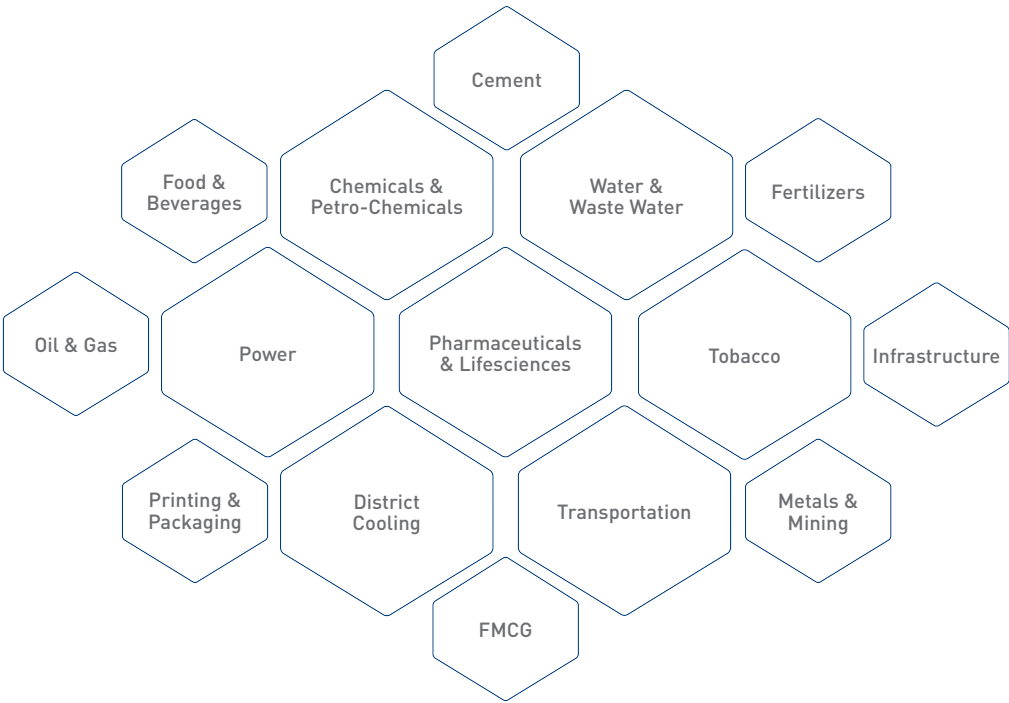
	TLAS Truck Loading Automation System for LPG and Natural Gas Condensate	OGDCL
	Mari Petroleum Company Ltd. Wellhead Panels SCADA & RPS System based Control	MPCL
	Realtime Industrial Data Management System for Energy Generation Sales	HUBCO
	Egdon 2 MES Project Nestlé Pakistan	Nestlé
	360 Degree Integrated Control System for Makori Gas (Tal Block) Processing Facility	MOL Pakistan
	Proprietary Energy Management Solutions for the Muzaffargarh Thermal Power Station	Lalpir
	Process Control DCS System Upgrade & Turbo Machinery Upgrade (ASC & TFR Control)	POL

## MARKET LEADERSHIP & CUSTOMER SEGMENTS

### Customer Segments

Avanceon provides a wide range of automation solutions with an extensive track record of execution in diverse application environments combined with an understanding of technology trends and industry standards. Over 15 customer segments

are served including: Oil and Gas, Infrastructure and Transportation, Fast Moving Goods, Power and Construction Material.



## LEVERAGING ON A UNIQUE BUSINESS MODEL & RESOURCES

### Business Model

Avanceon leverages on a unique combination of services including complete lifecycle support by leveraging its unique IX execution model whilst delivering at the highest quality levels.

**Automation & Process Control** – 3360 degree turnkey service and maintenance provider across various technologies & platforms including: Instrumentation & Control, Plant Information Management Systems, Energy Optimization Solutions.

**Systems Integration** – Full service system integration services ranging from design, development & execution including: enterprise level integration across various technology platforms & development of integrated systems.

**International Execution [IX]** – Agile engineering model combining on-site and off-site presence to execute international projects using a proprietary process and methodologies through seamless experience and effective management.

### UNIQUE RESOURCES

**Human Resources** – Avanceon is known by future engineering graduates as well as engineers to be a learning academy on its own with a variety of vast and challenging projects. Each Engineer is selected based on a mutual match in terms of ambitions and philosophy. Higher management averages 12 years at Avanceon. The company attracts future engineers from top universities across Pakistan. The company counts over 80% control engineers in Pakistan, 70% globally, mostly recruited from electrical engineering.

**Innovation Resources** – Avanceon has two main points of innovation resources including High End Solutions, which focuses on Manufacturing Execution Systems, Plant Information Management Systems, and Advanced Process Control, as well as Energy Management Solutions, which are all proprietary and begun appealing to existing customers in the energy and industry sectors.

**Reputational Resources** – Beyond customers' trust in Avanceon, the stock exchange has welcomed Avanceon as the sole automation company in Pakistan. Brand recognition is particularly strong within the customers of automation and process control solution both in the Middle East and Southern Asia. Quality of service [QoS] is a major added advantage of the company.

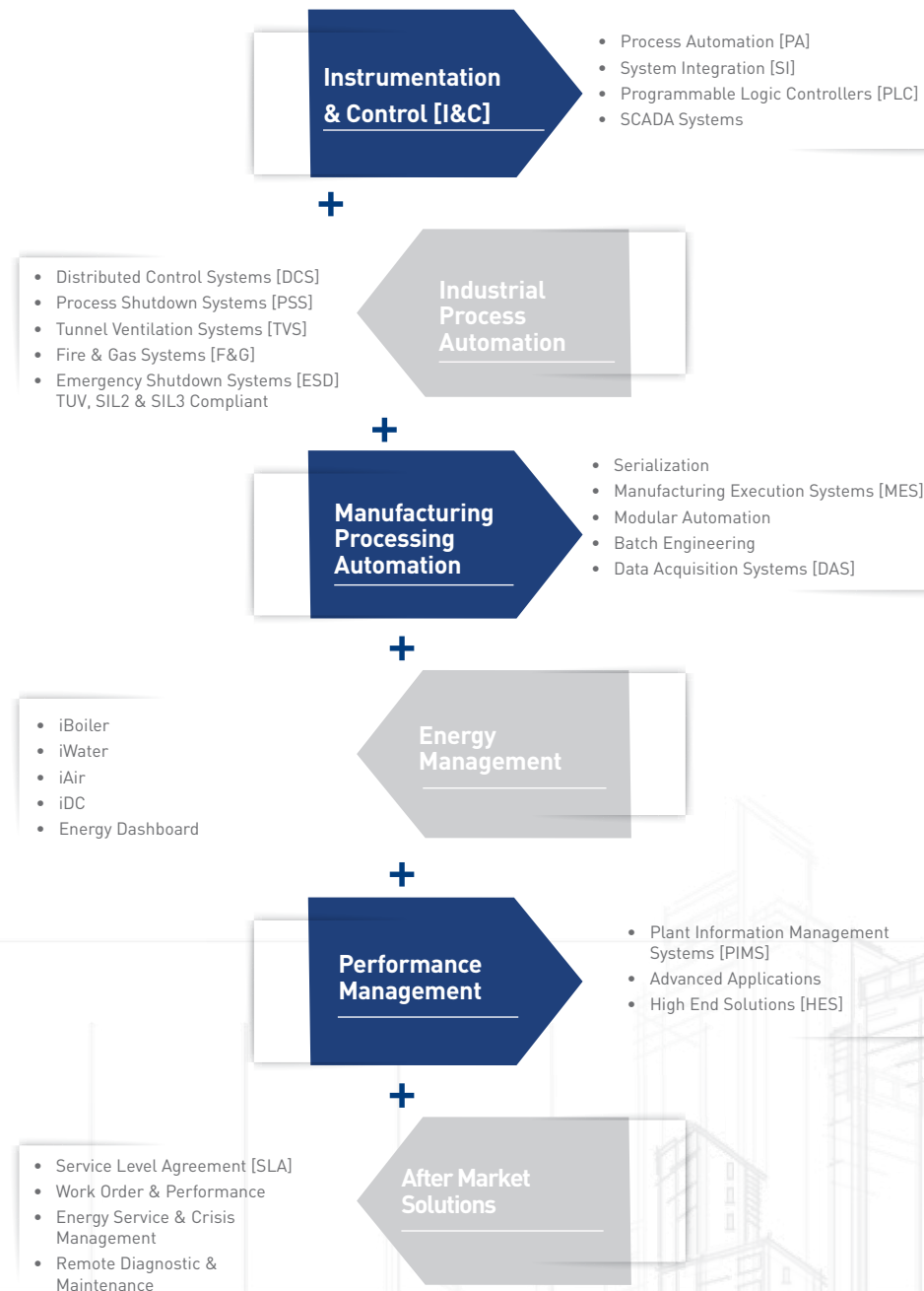
**Technological Partnerships & Know-How** – Avanceon's tangible resources come from partnering OEMs: Rockwell Automation, Schneider Electric and General Electric in the automation sphere as well as Microsoft and Prosoft. Partnerships pending for 2015 include Siemens and Emerson. Partnerships also allows Avanceon to remain technology agnostic, which for the end-user remains an important part of the company's value proposition.

**International Presence** – Avanceon has increasingly grown its regional presence and portfolio over the years. In the United States, its reputation in the manufacturing industry has been clearly made. The same applies in the Middle East. An international reputation also stems from international standards recognition for corporate and technological integrity.



# 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** – The Company 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 including:

- **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

In order 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 clients 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** – The Company 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 clients using a choice of "Best In Class" technology platforms such as Allen Bradley PLC, Honeywell DCS, Invensys Orchestra, Schneider and Microsoft technologies.

## SPECIALIZED SOLUTIONS

**Manufacturing Execution** – The Company 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 clients 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 clients in closing the technology gap that exists between an enterprise's manufacturing floor and its Information and Enterprise Resource Planning (ERP) systems. These solutions span from strategic technology planning to the establishment of internal practices & standards, to managing and executing IT projects.
- **Mobile Solutions:** Mobile computing solutions allow clients 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 widely demanded 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 in concert. 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 emission. 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



## AFTER MARKET SOLUTIONS

After Market Solutions ("AMS") provides complete lifecycle support services including manufacturing technical support, maintenance management, control system oversight and remote diagnostic services to maximize plant uptime performance, support efficiency and technology effectiveness. Avanceon delivers its AMS services through a combination of call centres which enable the problem to be identified and resolved either through on-site maintenance or remotely. These solutions are offered with 24/7 support and guaranteed response time allowing Avanceon to stay ahead of its competitors.

**Service Level Agreements [SLA]** – SLAs allow Avanceon to offer after market support solutions on a contractual basis and enables it to generate recurring revenues following completion of core services. Technical teams schedule an assessment of the facility to determine service needs, conduct an in-depth interview and then submit a service proposal. The proposal provides specific SLAs and prices that are tailored to the customer. These SLAs are offered with the option to maintain an inventory of spares i.e. Gold contracts, or as plain services i.e. Silver contracts.

**Strategic Site Improvement Programs** – AMS team prepares 'readiness for disaster recovery' by maintaining up-to-date systems documentation and control & system software archives. The team also implements 'Best Practices' by maintaining instrumentation maintenance schedules and calibration procedures.

**Training Solutions for Manufacturing** – Quality training addresses early assessment, information development, delivery and results verification. Avanceon's training is adapted to address the client's business needs, is based on the client's overall business goals and serves as an inexpensive alternative to address many quality and inefficiency issues.

**Emergency Response Support** – Designated team of expert(s) reach the site within an agreed timeframe to address an emergency. It also includes a Crises Management service which is developed for risk mitigation and disaster recovery plans for manufacturing.







# Strategic Partnerships

Avanceon partners with multiple vendors in order to provide our customers with best-in-class solutions. As such we have developed significant partnership with the top software and hardware OEMs.

## ROCKWELL AUTOMATION [NYSE: ROK]

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

In Pakistan, flagship projects for the successful partners in 2015 include: Elengy's process control and emergency shutdown [EDS] project on device level ring network towards mooring, loading and off-loading liquefied natural gas [LNG] as well as Best Cement's Process Control & optimization solutions based on Rockwell Automation's Model Predictive Control [MPC] solution. Over 20 years, the relationship gradually led them to become the favourite automation solution in all neuralgic segments: Food & Beverage, FMCG, chemicals & petrochemicals, O&G as well as Power.

In the Middle East, the partnership really started in 2007 and until 2015, the relationship led the company to provide 60% of their services based on the OEM's technology, partly because of support but also because of the nature of the market [projects available]. For instance, whereas Rockwell Automation is particularly strong in Oil & Gas related solutions, its solutions are not leading in the field of Building Management Systems and Water & Waste Water. Flagship projects in the region include: Dubai Metro's tunnel ventilation systems and emergency shutdown system as well as Empower's district cooling control and command center, the largest worldwide, which covers Dubai International Financial Center, Executive Bay, Jumeirah Beach Residences, Dubai Healthcare City as part of the Smart City Initiative of the city of Dubai.

## SCHNEIDER ELECTRIC [EPA: SU]

Schneider Electric [EPA: SU] in the Middle East has been a long unofficial partner, which they cemented back in 2014 when Avanceon became an official SI Alliance Partner. Major projects include Qatari Diar Vinci Construction's [QDVC] Lusail City tunnel ventilation [TVS] and emergency shutdown system [EDS] in Qatar or Prince Sultan Military Medical City islanding and load shedding in Saudi Arabia. Schneider Electric's full support towards system integrators, in general, is relatively recent as the OEM has a small capacity internally to provide similar services. The OEM's strength in the region is in the field of Building Management Systems [BMS], water & wastewater [WWW] as well as Smart Infrastructures. Flagship projects include: ADNOC DCP in UAE, the world largest port: Hamad Port in Qatar, and Lusail city.

## SCHNEIDER WONDERWARE [PREVIOUSLY INVENSYS]

Schneider Wonderware [previously Invensys] is a very old partner of Avanceon globally. Avanceon is Wonderware Endorsed SI as well as certified System Integrator. In the Middle East, the partner focuses mainly in industrial solutions given the nature of the market. The OEM's strength with Avanceon lies also in the upcoming manufacturing market in the Middle East. The OEM's strength in the region is mainly in Oil & Gas where they compete with Rockwell Automation for Market Leadership.

## GENERAL ELECTRIC [NYSE: GE]

General Electric [NYSE: GE] is the upcoming player in the automation and process control sphere. Their main strength is on their efficiency at penetrating markets as well as their reputation together with a strong foothold in aviation and healthcare, mostly in energy management for which they are clearly a worldwide leading solution provider since the launch of the Ecomagination Platform. Avanceon is a GE Intelligent Platform solution provider for the Middle East, which can also be extended to South Asia. The partnership kickstarted with a major project with Hyundai within the Oil & Gas sector of Pakistan.

## SIEMENS [EXTRA: SIE]

Siemens [EXTRA: SIE] and Avanceon in the Middle East decided to join forces. The OEM currently leads the Building Management Solutions market, and their main strength lies on a long foothold within the automation and process control sphere. Avanceon know-how in terms of their technology earned Siemens recognition.

## WEG

WEG and Avanceon have decided to join forces a decade back in South Asia and most specifically Pakistan. The Brazilian OEM's motors currently leads the market, most specifically within the sugar segment. Avanceon expertise combined with their technology has ensured a decade long relation of trust and mutual success.

## BELDEN

Belden invited Avanceon to be authorized distributor across Pakistan, with distribution agreements this year. The leading system integrators has been selected to act as sales agent for their cabling technology counterpart, ensuring a broader spectrum of customers have easier access to essential connectivity products necessary for Discrete Automation, Process Automation and Energy solutions. Belden Hirschmann, Lumberg Industrial, GarrettCom and Industrial Cables are some of the products included in this strategic partnership agreement.







# Customer Portfolio

Servicing clients over a span of two decades, Avanceon has completed numerous projects for major blue chip companies (names of few are given below) enabling it to earn strong credentials, move up the learning curve and develop a diverse client base. Going forward, it intends to capitalize on its core strengths by developing its footprint in the Middle East following the setting up of offices in Qatar and Kingdom of Saudi Arabia in 2015.

## SECTOR

## OVERVIEW

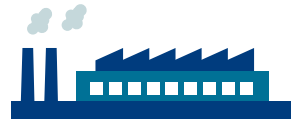
### Oil & Gas



Abu Dhabi National Oil Company, UAE  
Engro ELNGY  
Schlumberger  
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

Attock Petroleum Pakistan  
British Petroleum, UAE  
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  
MOL

### Utilities & Industries



Lalpir Power, Pakistan  
Babcock & Wilcox, USA  
EMICOOL, UAE  
EMPOWER, UAE  
Kot Addu Power Company Limited, Pakistan  
PAL Technologies, UAE  
Dubai Metro, UAE  
QDVC, Qatar

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

### FMCG



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

Coca Cola, USA & UAE  
General Mills, 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, Pakistan  
Gatron, USA  
Saudi Basic Industries Company, Kingdom of Saudi Arabia

Clorox, USA  
Engro Fertilizer Limited, 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

# CORPORATE GOVERNANCE

# Code of Corporate Governance

**Corporate governance is a system of structures and processes for the direction and control of organizations. It is a process through which balance of duties and responsibilities between shareholders, management and the board are defined, enabling an organization to maintain the right balance of power and accountability while striving to achieve its objective of enhancing shareholder value.**

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

## ROLE OF THE BOARD OF DIRECTORS

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.

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

## RESPECTIVE ROLE OF THE CHAIRMAN & THE CEO

### Role of the Chairman of the Board

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

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location of Board and Committee meetings, reviewing and signing Board meeting minutes, to ensure that regularly, upon completion of the ordinary business of a meeting of the Board, the Directors hold discussions without management present.

### Role of the CEO

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

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

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 directors tenure will complete the three year period on April 22, 2017. The Board has constituted the following committees:

1. Audit Committee
2. Human Resource and Remuneration Committee
3. Management Committee
4. Governance and Evaluation Committee

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

### CEO Performance Review by the Board

The Board of Directors evaluates the chief executive officer annually in light of corporate goals and objectives including performance of the business, accomplishment of long-term strategic objectives, development of management, etc., as established. The evaluation has been communicated to the chief executive officer and the chairman of the Board. The Board of Directors recommends Bakhtiar H. Wain as the chief executive officer's based on the performance evaluation for the fiscal year ended December 31st, 2017.



## MANAGEMENT INITIATIVES ON CORPORATE GOVERNANCE

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

## ETHICS

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

The ethics program includes:

- Code of ethics
- Training for employees
- Means of communicating
- Mechanism to report wrongdoing
- 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.

**Early warning procedure** – The Company has an elaborate whistleblowing policy, relative to financial, accounting, internal control and anti-corruption matters. Global as well as local channels are defined for employees to communicate their concerns.

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

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

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

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



#### BUSINESS GOVERNING PRINCIPLES AND VALUES

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

#### INTEGRITY

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

#### CODE OF CONDUCT

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

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

#### SUSTAINABILITY

##### Corporate Social Responsibility

Avanceon takes corporate social responsibility seriously. Through giving back to the people that work with us and the communities where we operate, we create meaningful societal values and traits.

Avanceon, as a socially responsible organization, has persistently worked towards increasing our emphasis on giving back to the community where we operate. This year the company enrolled all the children of its support staff, 38 in total, to a wholly-funded education program that covers all aspects of their educational journey including school fees, books, uniforms, home tutors and transportation. Avanceon supports the children all the way from primary school up to University level, and not only that, but also work towards finding them a suitable job. This company initiative was recognized by the National Forum for Education and Health in January 2016. The Avanceoners pledged to donate very material amount which was doubled by the same contribution amount by the company for Army relief funds for the IDP's, to make a difference and volunteering support for the under privileged individuals in effort to better their lives.

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

##### Environmental Protection

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

##### Occupational Safety and Health

The Company always puts the safety and health of its employees as a priority and has invested significantly and committed to invest further in the future. The Company offers attractive health & safety policies such as periodic awareness sessions to promote preventative measures with the intention of ensuring safety and security of the employees.

The Company has established a safety department led by an experienced member of staff, equipped with sophisticated firefighting and safety equipment, at all locations. Similarly, we have established facilities of Nestle water and dispensaries and ambulances at all locations. The Company arranges office fumigation on a regular basis in order to prevent dengue and other diseases, as well as providing a nutritional lunch to employees without hierarchical discrimination.

##### Equal Opportunity Employer

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

##### Contribution to National Exchequer

During the year under review, Company contributed Rs.104 million towards the National on account of various government levies, taxes and import duties. Payment of these taxes, 2% higher than previous year, shows the Company's positive attitude towards development of the national economy and fulfilling its responsibility as a good corporate citizen.



# Review Report to the Members

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Avanceon Limited (the Company) for the year ended 31 December 2016 to comply with the requirements of Listing Regulation 5.19 of the rule book of Pakistan Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 Director's 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 Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2016.

**Ernst & Young Ford Rhodes**  
Chartered Accountants  
Audit Engagement Partner: Farooq Hameed

21 March, 2017  
Lahore



# Statement of Compliance

## WITH THE CODE OF CORPORATE GOVERNANCE 2016

Name of Company: **Avanceon Limited**

For the year ended: **31 December, 2016**

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

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2016 the Board included the following members:

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

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Companies are registered as Taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.

5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non-executive directors, have been taken by the board/shareholders.
8. All meetings of the Board were presided over by the chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year.
10. The Board has approved appointment of the CFO, Company Secretary and Head of internal audit(Outsourced) including their remuneration and terms and conditions of employment/ appointment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises 3 members of whom 2 are Non-Executive directors and the chairman of the committee is an Independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for Compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of 3 members of whom 2 are non-executive and 1 is independent director and the chairman of the committee is an independent director.
18. The Board has outsourced the internal audit function to Grant Thornton Anjum Rehman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material /price sensitive information has been disseminated among all market participants at once through the stock exchange(s).
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list
24. We confirm that all other material principles enshrined in the CCG have been complied with.

**Mr. Bakhtiar Hameed Wain**  
Chief Executive Officer





# 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 Grantee 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 employee. Any action by an employee, which deliberately or recklessly breaches this conflict of interest policy, may result in disciplinary action which may lead to termination of employment.

## DISCLOSURE FOR IT GOVERNANCE POLICY

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

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

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

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

They can use the independent "Speak Out" hotline 0092-42-37515129 or email to [speakout@avanceon.ae](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 that are raised in good faith.



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

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

## 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, including: Vehicle Benefit, Education Allowance, Employee Professional Accreditations, Performance Bonus, Sales Incentive, Technical Services Employee Incentive, Performance bonus, Variable Pay Plan for managers and support staff, Umrah as well as Employee Stock Option Plan amongst others. Human Resources management that encompasses Salaries, Attendance, Asset Utilization, Rewards, health and other guidelines such as Mobile Usage are covered across 11 policies. Human Resource management has introduced the Pay Continuation Plan; over and above to the current benefits, grieved family will receive 50% of monthly gross salary for the period of ten years along with the continuation of medical coverage (IPD) and education assistance as per the current policy for the period of ten years

## 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 positions in executive, management, technical, and professional positions in the organization. This policy covers middle management positions and above in Avanceon Ltd. The point is to identify high-potential employees, ensure systematic and long term development and provide a continuous flow of talent. The business critical engineering skill set is being maintained through an engineering skill set matrix and managed for all engineering resources.

## SOCIAL & ENVIRONMENTAL POLICY

Social & environmental policy is covered in Avanceon's Quality, Health, Security and Environment [QHSE] policy.

Avanceon's unrelenting growth and development is reliant on the very highest standards and best practices translated across the entire business. QHSE has the utmost importance in every activity Avanceon performs. This commitment allows us to exceed international and national standards. Avanceon has a comprehensive set of procedures that ensures our solutions observe international standards.

## POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

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

## INVESTOR GRIEVANCE POLICY

Investor grievances are covered in the Securities & Exchange Commission of Pakistan rules as at May 11, 2001. These statutory rules have been published by the Government. The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements can be viewed or requested by the shareholders on <http://www.avanceon.ae>. Apart from this, the Company's website [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 is therefore considered to play an elementary 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 our customers and employees from internal or external information security threats, whether deliberate or accidental and adherence to this policy will be of assistance in safeguarding these interests.





# CORPORATE REVIEW AND REPRESENTATION



# 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, 2016, the all financial statements and notes to the accounts have been prepared by the management of the company as under:

1. They presented fairly its state of affairs, the result of its operations, cash flows and all changes in equity,
2. Proper books of account of the company have been maintained,
3. Appropriate accounting policies have been adopted and consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments,
4. All International Accounting Standards and Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored
6. 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 section 236 of the Companies Ordinance, 1984, will be put forward to the members at the 14th Annual General Meeting of the Company to be held on April 25, 2017 on 3pm at Fairways Hall, Country Golf Club, Sector-C, Bahria Town, Lahore, Punjab, Pakistan.

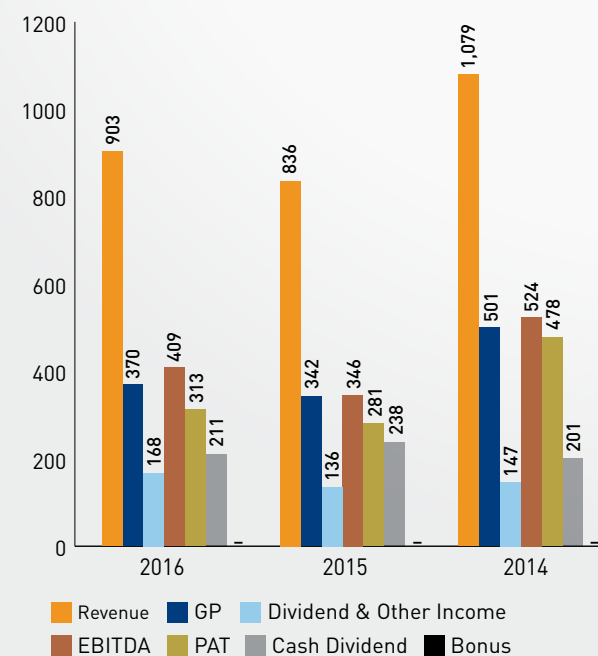
## THE REPORT

The performance of the Company remained on the upswing in terms of order generation, control over fixed costs, excellent management of liquidity, maintenance of sufficient banking facilities at very competitive costs, timely repayments of loans & commitments. All business segments performed well with order generation at an all-time high. Our joint venture with ATCO in the Kingdom of Saudi Arabia kicked off very successfully. The revenues and net profits grew and FY 2016 ended with the highest ever backlog which bodes very well for revenues and net profit of FY 2017.

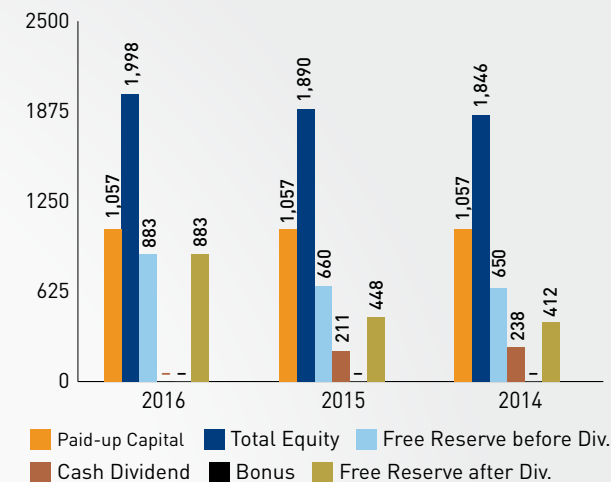
### Operating results (standalone)

(Rupees in ,000)	2016	2015
Revenue	903,014	836,456
Profit before tax	367,274	311,651
Provision for taxation	(54,236)	(30,713)
Profit after taxation	313,038	280,938

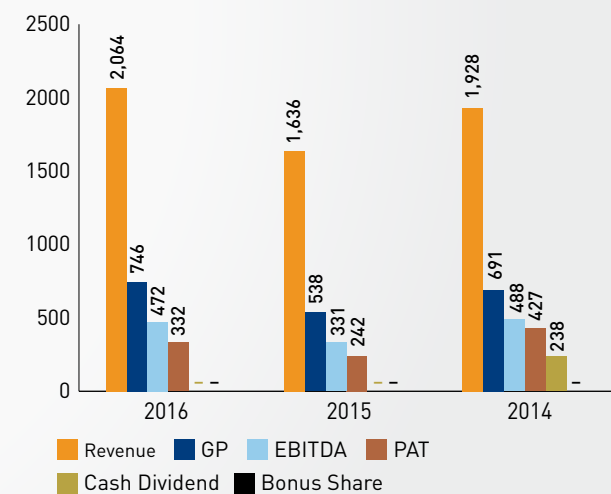
**Profit & Loss Statements (Standalone)**  
for the year ended 31 December, 2016  
Rs. in million



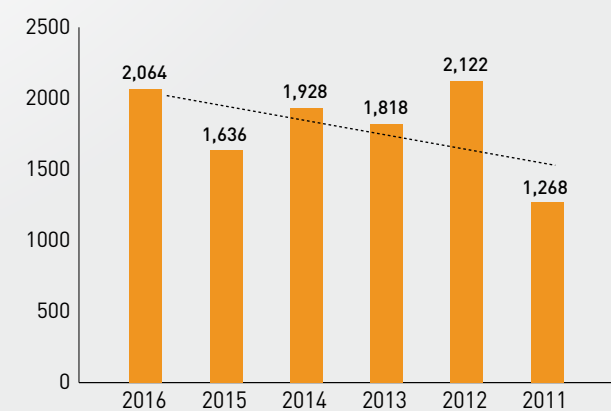
**Capital, Total Equity, Free Reserve and Dividends**  
(AVN Standalone)  
Rs. in million



**Group Profit & Loss Statements**  
for the year ended 31 December, 2016  
Rs. in million



**Revenue**  
Rs. in million



## SUBSEQUENT APPROPRIATIONS

The Directors have recommended a cash dividend of 10% (Rs. 106million) 2015: 20% (2015: Rs. 211million) per share along with 25% bonus share (2015: Nil)

The following appropriations have been made:

(Rupees in ,000)	2016	2015
Reserve available for appropriations (at standalone financials)	883,000	660,000
Appropriation:		
Proposed Dividend @ 10% (2015:20%)	(105,697)	(211,394)
Unappropriated reserve carried forward	777,303	448,606

## Operating results (consolidated)

(Rupees in ,000)	2016	2015
Revenue	2,063,627	1,635,641
Profit before tax	395,783	272,626
Provision for taxation	(63,716)	(30,713)
Profit after taxation	332,067	241,913

## EARNINGS PER SHARE (EPS)

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

### Standalone

The basic earnings per share after tax is Rs. 2.96 (2015: Rs.2.66).

### Consolidated

The basic earnings per share after tax is Rs. 3.14 (2015: Rs.2.29).

## FINANCIAL PERFORMANCE (CONSOLIDATED)

### Revenue

The Company revenue of Rs. 2.064 billion (had 26% increase as compared to last year. The number could have been much higher if some projects in the Kingdom of Saudi Arabia (KSA) were not delayed in 1st & 2nd Quarter 2015. However, the order generation in 4th Quarter of FY 2016 and in current Quarter of FY 2017 is way above plan and we can forecast solid growth in the 2nd and 3rd Quarters of FY 2017. The Company's revenues maintained a positive trajectory throughout the financial year, only affected slightly by delays in order generation in early quarters of FY 2016 which has been more than compensated for in the current quarter of FY 2017.

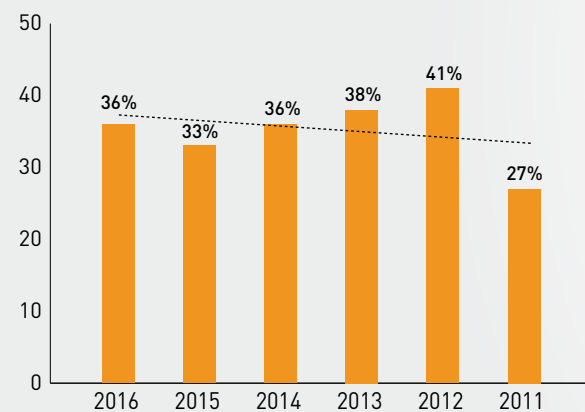
## Directors' Report



### Gross Profits

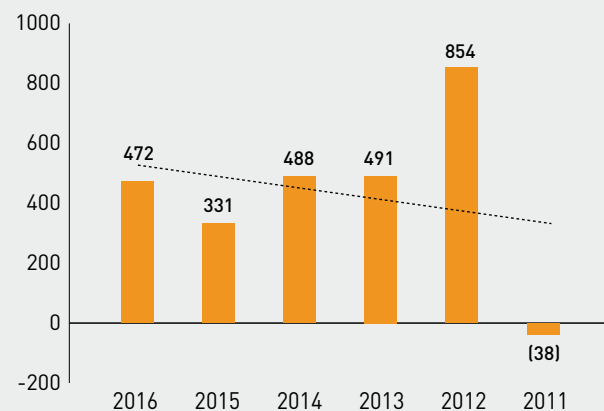
We observed a 8% increase in gross margins as compared to the last financial year, now current GP is back at FY 2014 levels. The management is very confident to restore margins at FY 2013 levels in upcoming financial years.

### Gross Profit %age of Revenue



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

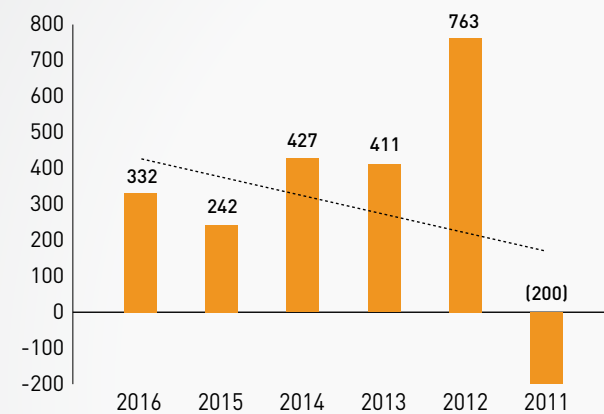
### EBITDA Rs. in million



### Profit after taxation

A 37% increase in net profit after taxation is very encouraging. The management is very confident to further improve gross & net profit margin in upcoming FY 2017 due to a very strong pipeline of unrecognized business of over USD 25m (calculated) as of February 28, 2017. The management is also very much confident to achieve the targeted revenues of RS. 3billion in FY 2017.

### Profit after Tax Rs. in million



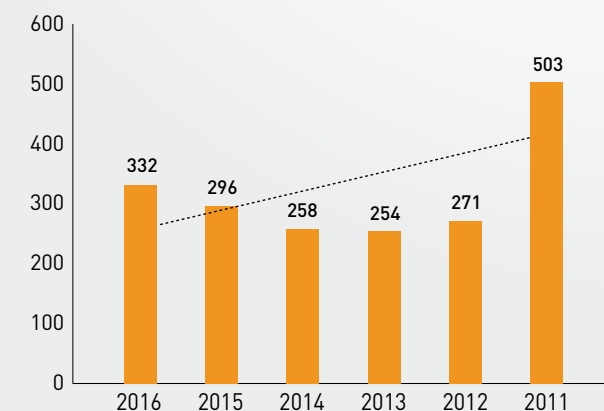
### Taxation

We observed 107% increase in taxation as compared to last year due to an increase in current and deferred expenses and change in dividend tax on dividend income to 12.5%, up from 10% last year. Additionally in FY 2016 we accounted for USD 90,863 as dividend tax on dividend income of USD 275,343 as declared by our associated company Avanceon LP, USA.

### Fixed Cost

We observed 12% (2015 14%) net increase in fixed cost, due to around 8% net increase in salaries and other administrative expenses due to inflation. The management is trying to keep the incremental impact under 10%.

### Fixed Cost Rs. in million

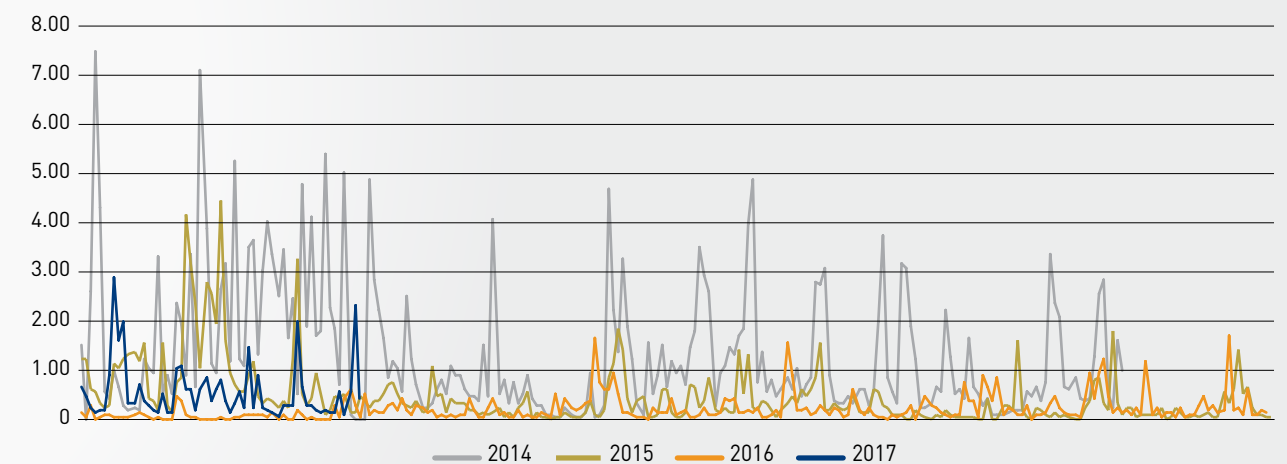


### STOCK LIQUIDITY

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



### Average Volume Traded Per Day (in millions) Volume



### EMPLOYEES' SHARE OPTION SCHEMES (ESOS)

The Company successfully offered 5 million share options to key management personnel and highly technological trained engineers in FY 2013, FY 2014, FY 2015 & FY 2016 under the Avanceon Employee Share Options Scheme Issue-1 of the Company at minimum of Rs. 1, Rs. 1.20, Rs. 1.44 and Rs. 1.73 per option respectively at maximum of 90% discount to the face value, to make employees direct stakeholders in the Company for retention, motivation and to share the company wealth. We are successfully achieving the objectives of the scheme in the shape of retention of key management and trained engineering staff. This scheme has diluting effect of 4.72% of net earnings of the company from FY 2018.

After successful offering and achieving the target as mentioned in First ESOS, the Board of Directors approved the 2nd Issue of an additional 5 million options under "Avanceon

Employee Share Option Scheme 2nd Issuance" which will be offered at the exercise price of Rs. 16.80 to Rs. 34.84 from FY 2016 to FY 2020 with minimum of five-year exercise period from the year of offer. In this year, Company offered 1.951 million options at Rs. 16.80 per option. The company is confident to achieve the objectives of 2nd Issue, including retention of key management and highly trained engineering staff following the success of the initial phase. Sharing the success and wealth as direct stakeholders along with ordinary shareholders, both schemes will play an important role in maximizing overall shareholder wealth.

### CAPITAL STRUCTURE

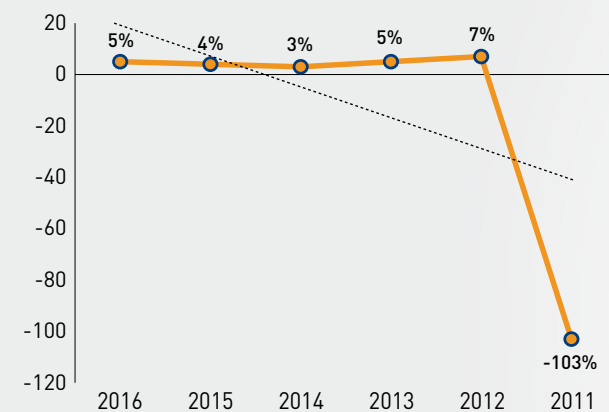
The Company is a very low geared business entity and maintains a balance capital structure which is evidence of its financial strength and excellent liquidity management.



## Directors' Report

Currently, the Company capital structure consists of 100% shareholder equity. The company only utilized working capital lines to bridge the short-term cash needs. The Company successfully paying without any delay all of its short term loan liabilities including finance and operating leases, the gearing ratio has improved materially over the previous two financial years. The Company has maintained enough banking facilities including short term, long term and project financing in Pakistan and the United Arab Emirates to meet any long-term loan needs.

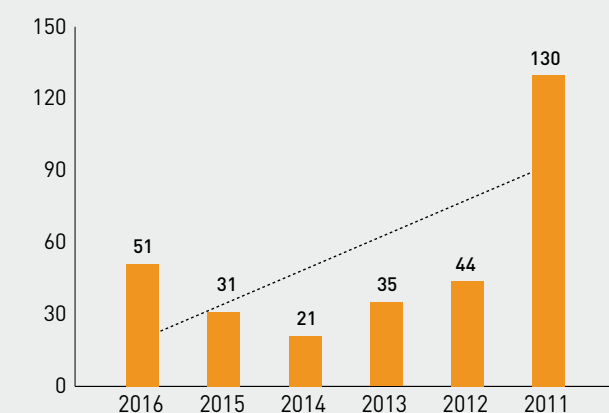
**Gearing Ratio**  
In percentage



### 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

**Financial Expense**  
Rs. in million



vigorous & strict financial discipline by maintaining all short-term loans at reasonable levels to avoid financial cost by generating positive cash inflow. In FY 2016, the company took out short term loans to finance two big value orders in Pakistan and UAE respectively; in FY 2017, the management has plans to keep short loans balances at FY 2015 levels.

### STRATEGY TO OVERCOME LIQUIDITY ISSUES

The low stream of revenue in FY 2015 disturbed the positive increasing trend in liquidity that remained at a lower level to produce enough cash and strengthened the liquidity of the Company to finance its working capital requirements. This helped in curtailing financial implications at the previous year's levels (from 2011 to 2015) and the management has made a plan In FY 2016 to handle and restore the liquidity trend at FY 2014 levels; the management is very confident to achieve it In FY 2017 till June 30, 2017.



### FUTURE PROSPECTS

A vision of the future is an important ingredient in the formation of our board and management strategy and plans. Avanceon FZE, a wholly owned subsidiary of Avanceon Limited, is entering into a Joint Venture Agreement with Arkan Integrated Development LLC, a limited liability company incorporated in the country of Qatar. The resulting subsidiary company is called Avanceon LLC, Qatar, and is subject to approval of the Ministry of Economy and Commerce in Qatar as per the corporate rules and regulations of the Gulf State.

Creating a permanent operational presence in Qatar has increasingly become a business requirement in the fossil fuel-rich country, in order to continue to maintain a high level of service on existing projects but also because large tenders up for bid tend to mandate this requirement. This latest joint



venture increases Avanceon's Middle East presence to four permanent offices alongside Dubai, Dammam and Jeddah, with key partnership agreements in place in Abu Dhabi with Ali & Sons and ATCO.

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

### SERVICE TO SOCIETY

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

### HEALTH, SAFETY AND ENVIRONMENT

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

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

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

### CORPORATE STRATEGY

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

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

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

At the core of strategy review and development process is alignment with our mission, vision and values. The process of translating the vision helps the leadership team build a



consensus around the organization's vision and strategy that guides action at the local and unit levels.

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

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

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

### ROLE OF SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report, interim quarterly reports and through the information portals of Pakistan Stock Exchange (formerly

Directors’ Report

Karachi Stock Exchange and Lahore Stock Exchange) as and when required. The Board encourages the shareholders’ participation at the Annual General Meetings to ensure a high level of accountability and participation, that is why we are arranging our AGM’s in Lahore instead of Karachi related to FY 2016. The Company’s financial statements are available on the Company’s website. We have an officer designated to answer all shareholder inquiries.

Annual Evaluation of the Board’s Performance

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

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

ROLE OF THE BOARD COMMITTEES

Responsibility to Stakeholders

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

- Our Shareholders: To protect shareholders’ investments and provide an acceptable return to them.
- Our Customers: To win and maintain customers by developing and providing products and services, which offer value in terms of price, quality, safety and environmental impact supported by requisite technological expertise.
- Our People: To respect the human and legal rights of its employees with good and safe conditions of work and competitive terms of service.
- Our Business Partners: To seek mutually beneficial relationships with contractors and suppliers of goods and services to the Company.

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

COMPOSITION OF THE AUDIT COMMITTEE

The composition of the Committee is as follows:

1. **Mr. Tajammal Hussain,**  
FCA, Chairman , Independent Director
2. **Mr. Amir Waheed Wain,**  
Member, Non-executive Director
3. **Mr. Naveed Ali Baig,**  
Member, Independent Director

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

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

Mr. Saeed Ullah Khan Niazi, Chief Financial Officer, Mr. Farooq Hameed, Partner Ernst & Young Ford Rhodes (External Auditors), and Ahmed Saleem, Director Zulficar and Co. (Internal Auditor) also attend four, one-on-one meetings respectively on request of audit Committee as per requirement of Code of Corporate Governance.

Role of the Audit Committee

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

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



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

The Audit Committee has reviewed the quarterly, half yearly and annual financial statements along with notes to the financial statements standalone and consolidated, besides the internal audit plan, material audit findings and recommendations to the internal auditor. The Audit Committee is performing its duties in line with its terms of reference as defined and determined by the Board of Directors. The Committee also ensures that the Company has an effective internal control framework. These controls include safe-guarding of assets, maintaining of proper accounting records complying with legislation and ensuring the reliability of financial information.

THE HUMAN RESOURCE & REMUNERATION COMMITTEE

The composition of the Committee is as follows:

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

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

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

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

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

ISSUES RAISED IN THE LAST AGM

During the Annual General Meeting 2015 No Major issues were raised.

**Agenda #1:** Consider the Audited Accounts for the year ended 31 December 2015 and the Directors’ and Auditors’ Reports thereon.

While the accounts were approved and adopted, a Question & Answer session was conducted, where a few members inquired as to the business nature of the company, outlook for the coming year, and business prospects.

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

MANAGEMENT COMMITTEE

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



Directors’ Report

GOVERNANCE AND EVALUATION COMMITTEE

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

BOARD OF DIRECTORS’ REMUNERATION

All directors of the Company are Non-Executive except for the Chief Executive Officer (CEO) and Chief Operating officer (COO). The CEO and COO are paid fixed salary and benefits as per Company’s HR policies and salary levels. Performance of CEO & COO is evaluated against approved criteria by

the Human Resource and Remuneration Committee and recommended to the Board for approval. No other directors are being paid for attending board meetings.

TRANSACTIONS WITH RELATED PARTIES

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

BOARD OF DIRECTOR’S TRAINING

During the year, Mr. Tajammal Hussain has completed Code of Corporate Governance training from the Institute of Corporate Governance as required under the Code of Corporate Governance guidelines.

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	Masood Kareem	Engineering Operations Manager	Purchase	1,000	34.50	CDC	13/04/2016	13/04/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	1,500	32.20	CDC	27/05/2016	31/05/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	500	32.29	CDC	27/05/2016	31/05/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	1,000	32.30	CDC	27/05/2016	31/05/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	500	32.47	CDC	27/05/2016	31/05/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	500	32.49	CDC	27/05/2016	31/05/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	3,000	32.50	CDC	27/05/2016	31/05/2016
Avanceon Ltd	Arif Shuja	Business Manager HES	Purchase	4,000	31.30	CDC	01/09/2016	05/09/2016
Avanceon Ltd	Ahsan Khalil	Company Secretary	Sale	22,000	37.73	CDC	11/11/2016	14/11/2016

BOARD OF DIRECTOR’S MEETINGS

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

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



CRITICAL PERFORMANCE INDICATORS

Objectives	CPIs	Analysis for the current year	Relevance for the future
Increase in revenue of the Company	25% net increase in revenue of the company with minimum of 25% gross margins on each order	26% net consolidated increased in revenues of the Company which are satisfactory with respect to this CPI but below the targeted revenue of Rs. 2.3 billion due to under performance of our HES business segment in Pakistan and under performance of KSA-West Business Segment in KSA due to political unrest, with rest of business segments performing very well and more and less achieving their targets.	This Critical Performance Indicator (CPI) shall remain relevant in the future
Perseverance of net profit margins and increase in profitability of the Company	Perseverance of 20% net profit margins and minimum of 10% net growth in net profit and return on capital employed	The Company persevered the net profit margins and observed 37% growth in net profit margins on group level.	This CPI shall remain relevant in the future
Control over fixed cost the company	Maximum of 10% increase on every financial year	We observed 11% net increase in fixed cost mainly, which is 1% above the target due to inflation.	This CPI shall remain relevant in the future
Leading the market by outshining the competitors and introducing new improved quality of services by highly trained Engineers	Providing and delivering products & engineering services to customers which believe in no compromise on high quality	Due to retention and maintained a pool of highly trained engineers of different automation technologies have enabled us to increase the sales in the current year by delivering high end quality services to the customers as per their requirements which also helped us in retaining major customers in competitive environment.	This CPI shall remain relevant in the future
Broaden the customer portfolio	Increase in sales	Despite of financial depression in UAE and KSA markets, our revenues remained positive as compared to last year, but except for these two the rest of the business segments performed very well.	This CPI shall remain relevant in the future
Development and promotion of the Company image & presence in Middle East, Pakistan and rest of the world	Interaction and Relationship with the all stakeholders	Retention of the highly trained competitive employees, good reputation of the Company among its customers and suppliers, fulfilling all its obligations towards Government and regulators projects a good image of the Company.	This CPI shall remain relevant in the future
Promotion of environmental and corporate social responsibility	Awareness and continuous improvement in the approach of all level of management and employees	Throughout the year, we have not taken any activity or part of any activity which is against the protection of the environment and we have developed extra ways to save energy. As a social responsibility, we have opted to provide a clean environment to our society by disposing of old generators which were producing more smoke and have taken 100% responsibility of our low-income employees’ children education by paying all direct and indirect expenses such as admission, books, uniforms, stationery, tuition, tutor, transportation etc.	This CPI shall remain relevant in the future
Adoption of technology trends to facilitate the overall efficiency and productivity of support and engineering staff	Availability of efficient ERP tools for timely and error free reporting and effective decision making	We have fully trained and developed accounting, finance and supply chain process which helps in error-free accounting as per IAS, accurate reporting as per IFRS with timely availability of reporting and effective decision making and cost effectiveness in a larger context. Our IT department updates and follows the latest IT technology that helps in increasing our efficiency of support and engineering staff.	This CPI shall remain relevant in the future
Highly trained certified staff on Company SOPS	Certification of support and engineering staff on company SOPs of Accounting, Finance, Supply Chain and Project Management	All Supply Chain Management staff have obtained 100% certification by obtaining full marks on company SOPS test.	This CPI shall remain relevant in the future

## Directors' Report



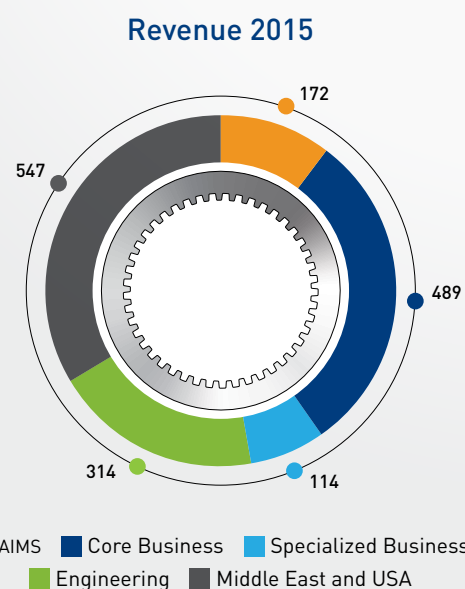
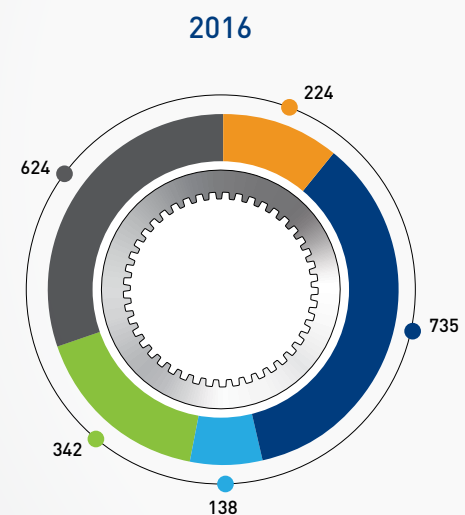
### BUSINESS CONTINUITY PLAN

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

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

### SEGMENTAL BUSINESS PERFORMANCE AND MARKET SHARE INFORMATION

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



### 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 44](#), along with the Statement of Compliance.

### MANAGEMENT'S OBJECTIVES AND STRATEGIES

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

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

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

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

### Corporate Level Strategy

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

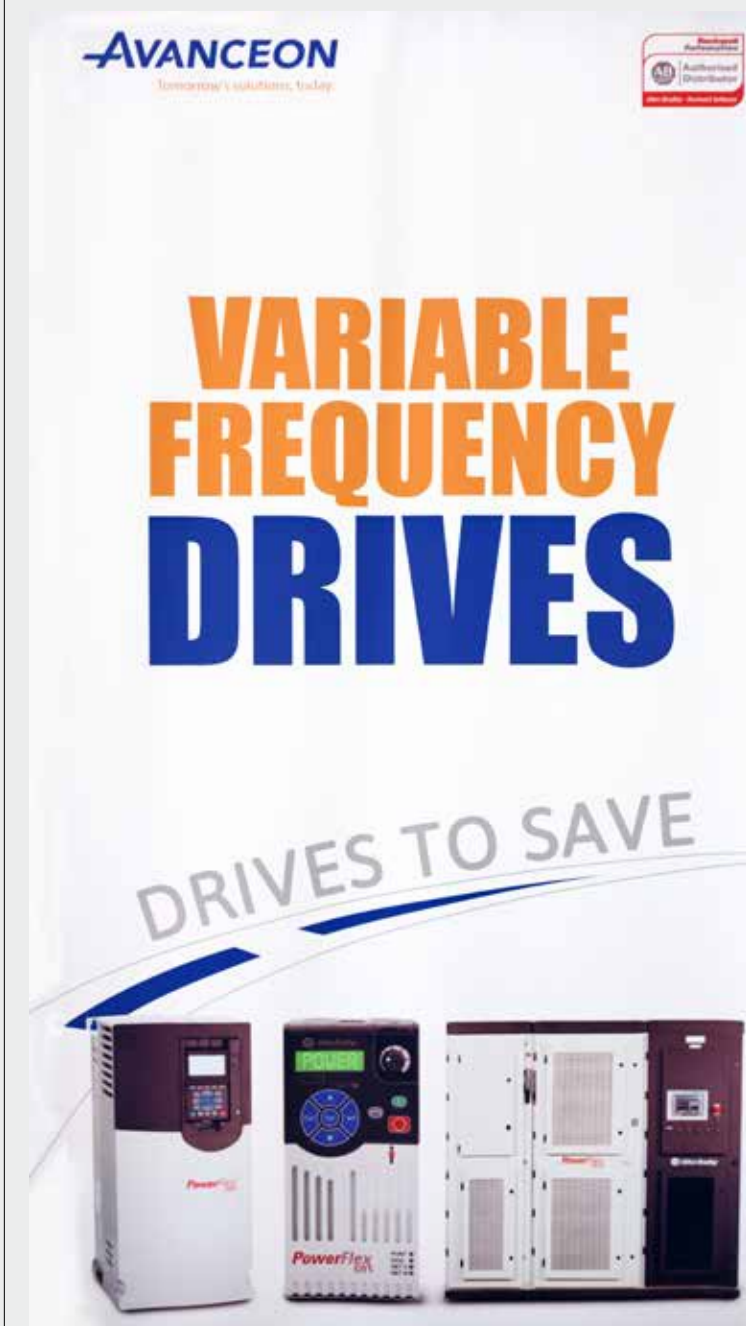
To increase shareholder value and confidence through qualitative management lies at the core of the corporate strategic goals. The Company will achieve this by upholding core values and by acting sensibly, responsibly, maintaining

cost, quality management and looking for and retaining talented highly trained human resources.

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

### Business Level Strategy

The Annual meeting enables business review, renewal and repositioning of Business level strategic objectives for the





## Directors' Report

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

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

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

### Avanceon's Market Strategy

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

### Avanceon's Information Technology Strategy

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

### Avanceon's Human Resource Strategy

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

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

### Operational Level Strategy

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

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

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

- Adherence and compliance of local laws and regulations
- True and fair presentation of financial transactions, accounting and reporting under prevailing accounting and financial reporting standards
- Enhancing shareholders' confidence and value by generating reasonable and sustainable returns
- Conservative, sound risk profile management and monitoring
- Zero tolerance ethical behaviour, preserving the compliance and spirit of Company rules and regulations

- Sustainable organic growth including geographical expansions
- Functional & Operational agility
- Meeting international standards of quality for health, safety and environment (QHSE)
- Hiring, retaining, training, developing and leveraging quality human resource capital

### Human Resources

Being the premier and pioneer automation company in Pakistan and having excellent standing in the Middle East and USA, the Company provides direct and indirect employment to talented engineers and supporting staff. As on 31 December 2016, the total number of employees directly employed by the Company were 281 and more were engaged in different activities of the Company. Being a technological services provider, the management considers its experienced, talented and highly trained technical human resource the main force behind the Company's profitability and growth.

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

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

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

### FORWARD-LOOKING STATEMENT

Depending on our current financial strength, operational ability and excellent liquidity, we have maintained a positive growth trend in revenues, gross profits, controlled over fixed



costs, decreased financial costs and increased net profits. Distribution of shareholder earnings via dividends and bonus shares as per expectation of the Company shareholders, the Company successfully maintained the leading position as best system integrator/automation company of Pakistan along with excellent standing in the Middle East and American markets. Our equity and cash reserves also provide us with great support to invest further in projects/joint ventures which will further enhance the prospects of future earnings for the Company.

### Performance in Financial Year 2016

The Company has maintained a positive growth trend in revenues, Gross profits, control over fixed cost, and reduction in financial cost, increased net profits and distributions of sustainable earnings amounts to shareholders via dividends and bonuses due to reasons as mentioned in the early part of this report but maintained the leading position as best system integrator/automation Company of Pakistan along with excellent standing in the Middle East and American markets, whilst successfully achieving the retention of trained staff.

### Forward-Looking Statement for Financial Year 2017

Avanceon is expecting to maintain its leading position as Best System Integrator and Automation Company of Pakistan with excellent standing in the Middle East and American markets. The Company can expect positive increases in revenue, gross profit and controlled fixed costs. This assessment is largely based on a strong pipeline of unrecognized orders as a backlog from the 2016 financial year, as well as continued excellent management of financial & liquidity needs and an overall increase in net profits. The distribution of sustainable earnings will remain as per history of the Company and a minimum of 80% retention of our most experienced and highly-trained staff.

Directors’ Report

RISK & OPPORTUNITY REPORT

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

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



COST AND AVAILABILITY OF OPERATIONAL AND NON-OPERATIONAL FUNDS	
Exhaustion in the steady & smooth availability of funds for operational and non-operational free funds and rise in markup rates may adversely affect liquidity and overall financial conditions & availabilities of running finance from banks.	Our company believes in running the operations with organic cash generated from business by getting advance payments from customers instead of working capital from banks, to mitigate these risks our company has been maintaining suitably sufficient banking facilities in Pakistan, KSA and UAE for project financing to meet any urgent and unexpected cash needs, the company has also been maintaining enough free cash balances to meet any cash needs.
INTERNAL CONTROLS & COMPLIANCE	
In the absence of effective internal controls and regulatory bodies, the Company may be exposed to financial irregularities as well as tarnishing a well-earned reputation in front of key stakeholders.	A very strong internal control system is in place in our company and all wholly-controlled subsidiaries that are being continuously monitored by the Company’s Internal Audit Function and through other monitoring committees in light of very strict and zero tolerance policies and procedures. The process of monitoring internal controls is an ongoing process with the objective to further strengthen the controls and bring continuous improvements in the system. The controls in place also cover areas ranging from safeguarding of all tangible and intangible assets, very strict compliance with laws, regulations with accuracy and reliability of records and financial reporting as per Internal accounting and reporting standards as applicable and adopted voluntarily.
EMPLOYEE RECRUITMENT, TECHNOLOGICAL & OTHER TRAININGS AND RETENTION	
Failure to attract and retain the right and highly experienced and technologically trained human resources may adversely affect the achievement of the Company’s growth plans and goals.	A strong emphasis is being placed on the Company’s technologically trained and experienced human resource capital. We operate the best talent management, engineering and human resource instruments to attract, retain, motivate, educate and nurture personnel via a friendly working environment and strong incentive policies, such as the attractive Employee Share Option Schemes.

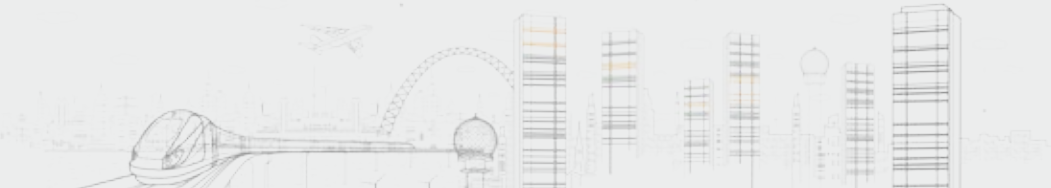
ENERGY CONSERVATION AND SAVING MEASURES TAKEN BY THE COMPANY

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

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.





## Directors' Report



### 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:

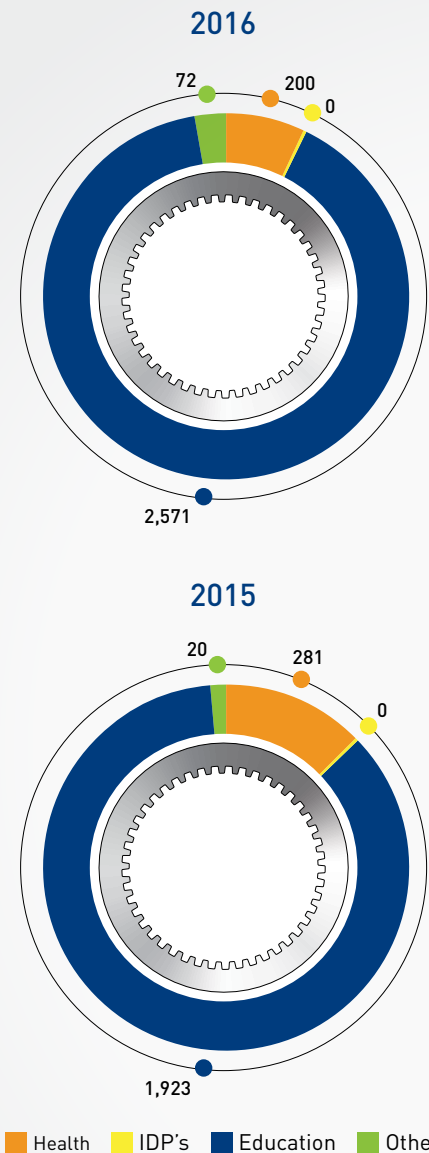
(Rupees in '000)	2016	2015
Health	200	281
IDP's	0	0
Education	2,571	1,923
Other	72	20
	<u>2,843</u>	<u>2,224</u>

### EMPLOYEES' RETIREMENT BENEFITS

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

The breakdown in terms of investment and percentage of the size of the provident fund are as follows:

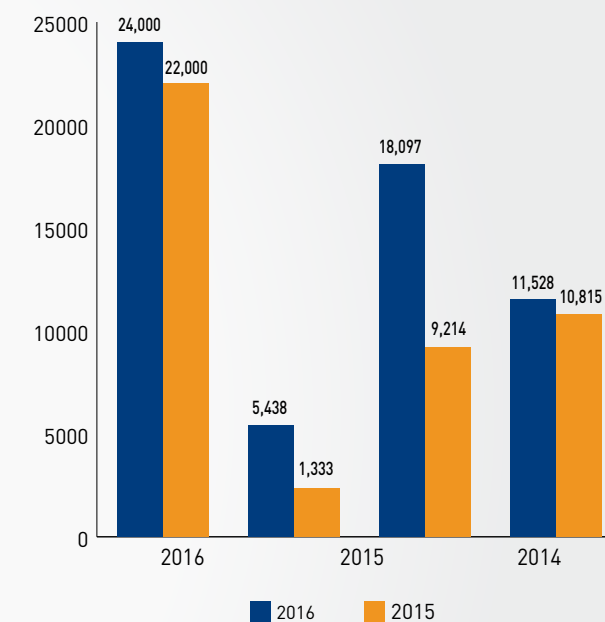
	2016		2015	
	Investments (Rupees in '000)	Investment as % of size of the fund	Investments (Rupees in '000)	Investment as % of size of the fund
Government Securities	24,000	34%	22,000	38%
Scheduled Banks	5,438	8%	1,333	3%
Mutual Funds	18,097	25%	9,214	16%
Listed Securities	11,528	16%	10,815	19%
	<u>59,063</u>		<u>43,362</u>	



Investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984, and the rules formulated for this purpose.

**Note:** The fund year end comprised as on June 30 and latest audited figure are available till June 30, 2016.

### 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, 2016 is annexed on subsequent pages 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. Ernst & Young Ford Rhodes, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Audit Committee of the Company has been recommended their re-appointment as Auditors of the Company for the year ending December 31, 2017.

### 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 Ordinance, 1984. The company communicates all material information which fall under the material information category under listing regulations to Pakistan Stock Exchange (formerly Karachi & Lahore Stock Exchanges) and SECP (if any). 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

Lahore:  
March 21, 2017

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





# STAKEHOLDER'S INFORMATION





# Performance Indicators Ratios for 6 Years

Years	2016	2015	2014	2013	2012	2011
<b>PROFITABILITY RATIOS</b>						
Gross Profit ratio	36%	33%	36%	38%	41%	27%
Operating Result Ratio	22%	19%	24%	26%	39%	-5%
Profit Before Tax	19%	17%	23%	24%	37%	-16%
Profit After Tax	16%	15%	22%	23%	36%	-16%
Return On Capital Employed	20%	14%	25%	36%	166%	-76%
Interest Coverage Ratio (Times)	8.9	9.8	22.1	13.5	18.8	-0.52
EBITDA (Rs. In million)	472	331	488	491	854	-38
EBITDA Margin	23%	20%	25%	27%	40%	-3%
<b>GROWTH RATIOS</b>						
Net Sales	26%	-15%	6%	-14%	67%	-31%
Operating Results	47%	-35%	-2%	-44%	-1328%	-5%
EBITDA	43%	-32%	-1%	-43%	-2333%	-9%
Profit After Tax	37%	-43%	4%	-46%	-482%	2%
<b>COST RATIOS</b>						
Cost of Sales (% of Sales)	64%	67%	64%	62%	59%	73%
Administrative & selling Cost (% of Sales)	16%	18%	12%	14%	13%	40%
Financial Cost (% of Sales)	2%	2%	1%	2%	2%	10%
<b>RETURN TO SHAREHOLDERS</b>						
Return on Equity-Before Tax	19%	14%	23%	31%	84%	126%
Return on Equity-After Tax	16%	12%	22%	29%	81%	127%
Earning per Share (Basic) (Rs.)	3.14	2.29	4.09	5.19	19.21	[4.23]
Earning per Share (Diluted) (Rs.)	2.95	2.19	3.90	5.19	19.21	[4.23]
Break Up value per share without surplus on revaluation (Rs.)	19.62	18.42	18.13	18.65	23.44	[4.72]
Break Up value per share with surplus on revaluation (Rs.)	20.68	19.46	18.98	37.30	25.17	[3.70]



Years	2016	2015	2014	2013	2012	2011
<b>EQUITY RATIOS</b>						
Price Earning Ratio	11.10	17.82	8.28	N/A	N/A	N/A
Dividend Per Share	20%	20%	22%	20%	N/A	N/A
Dividend Payout Ratio	64%	87%	55%	39%	N/A	N/A
Market Value at the end of The Year	34.8	40.8	33.8	N/A	N/A	N/A
Market Value at the start of the Year	40.8	33.8	14	N/A	N/A	N/A
Highest Value During Year	41.4	45.2	39.2	N/A	N/A	N/A
Lowest Value During Year	28.0	30.8	14	N/A	N/A	N/A
Dividend Yield Ratio	0.57%	0.49%	0.66%	N/A	N/A	N/A
Dividend Cover Ratio	1.57	1.14	1.02	2.04	N/A	N/A
<b>ASSET UTILIZATION</b>						
Total Asset turnover (Times)	0.63	0.57	0.75	0.75	1.01	1.35
Fixed Asset Turnover (Times)	8.86	7.08	9.31	9.30	12.58	7.34
Inventory Turnover (Times)	20.44	27.27	38.56	32.70	37.43	20.58
Trade Debts Turnover (Times)	3.18	2.18	2.54	3.29	2.67	9.35
Trade Creditors Turnover (Times)	2.96	3.16	4.39	3.89	2.34	3.20
Capital Employed Turnover (Times)	0.90	0.77	0.93	1.16	1.97	[17.39]
<b>OPERATING CYCLE</b>						
Inventory Holding Period (No. of days)	22	20	15	9	17	23
Trade Debt collection period (No. of days)	124	169	124	135	80	57
Trade Creditors payment period (No. of days)	168	159	134	223	190	163
<b>LIQUIDITY/LEVERAGE</b>						
Current ratio (Times)	2.49	2.81	3.62	1.91	1.36	0.30
Quick ratio (Times)	2.39	2.72	3.52	1.84	1.30	0.24
Cash to current liabilities (Times)	0.28	0.43	0.48	0.64	0.24	0.01
Financial leverage ratio (Times)	0.05	0.04	0.03	0.05	0.08	[0.40]
Total liabilities to equity (Times)	0.53	0.41	0.29	0.66	1.17	[5.75]

# 6 Years Summary of Financial Statements

## BALANCE SHEET

### ASSETS

(Rupees in million)

Particulars	2016	2015	2014	2013	2012	2011
<b>Non-Current Assets</b>						
Property, plant and equipment	233	231	207	195	169	159
Intangible assets	0	-	-	0	0	14
Goodwill	-	-	-	-	-	428
Long term investments	567	569	546	571	527	-
Long term deposits	31	27	23	20	17	14
Deferred taxation	-	-	-	-	-	20
<b>Total Non-Current Assets</b>	<b>831</b>	<b>827</b>	<b>776</b>	<b>787</b>	<b>713</b>	<b>636</b>
<b>Current Assets</b>						
Stock in trade	101	60	50	56	57	62
Current portion of deferred employee compensation	-	-	-	-	-	-
Trade debts-Billed	650	752	760	553	795	136
Trade debts-Earning in excess of billing	1,188	747	592	351	146	38
Short term investments	156	181	200	140	3	-
Advances, deposits, prepayments and other receivables	243	163	157	123	140	58
Cash and bank balances	116	134	40	407	245	9
Non-current assets attributable to discontinued operations	-	-	-	-	-	0
<b>Total Current Assets</b>	<b>2,454</b>	<b>2,037</b>	<b>1,799</b>	<b>1,630</b>	<b>1,386</b>	<b>302</b>
<b>Total Assets</b>	<b>3,285</b>	<b>2,864</b>	<b>2,575</b>	<b>2,417</b>	<b>2,099</b>	<b>937</b>



## BALANCE SHEET

### EQUITY AND LIABILITIES

(Rupees in million)

Particulars	2016	2015	2014	2013	2012	2011
<b>Share Capital and Reserves</b>						
Issued, subscribed and paid up capital	1,057	1,057	1,057	755	400	400
Employees' share compensation reserve	52	45	45	45	-	11
Exchange revaluation reserve	209	210	185	211	153	47
Share premium	62	62	62	-	-	-
Un-appropriated profit	700	579	574	397	385	(615)
	<b>2,080</b>	<b>1,953</b>	<b>1,922</b>	<b>1,408</b>	<b>938</b>	<b>(158)</b>
Non controlling interest	-	-	-	-	-	(31)
	<b>2,080</b>	<b>1,953</b>	<b>1,922</b>	<b>1,408</b>	<b>938</b>	<b>(189)</b>
Surplus on revaluation of property, plant and equipment	112	110	90	84	69	41
<b>Non-Current Liabilities</b>						
Long term finances	-	-	-	7	19	36
Liabilities against assets subject to finance lease	45	35	34	33	31	23
Deferred liabilities	65	40	31	31	21	16
<b>Total non-current liabilities</b>	<b>109</b>	<b>75</b>	<b>65</b>	<b>71</b>	<b>71</b>	<b>75</b>
<b>Current Liabilities</b>						
Current portion of long-term liabilities	22	18	19	18	66	348
Finances under mark up arrangements and other credit facilities - secured	266	190	39	50	1	247
Short term loan from directors - unsecured	-	-	-	55	48	19
Cash received against IPO	-	-	-	264	-	-
Creditors, accrued and other liabilities	697	518	439	467	907	397
Liabilities directly associated with assets classified as Disc. Operations	-	-	-	-	-	0
<b>Total Current Liabilities</b>	<b>984</b>	<b>726</b>	<b>497</b>	<b>854</b>	<b>1,022</b>	<b>1,010</b>
<b>Total Equity and Liabilities</b>	<b>3,285</b>	<b>2,864</b>	<b>2,574</b>	<b>2,417</b>	<b>2,099</b>	<b>937</b>





## 6 Years Summary of Financial Statements (Contd...)

### PROFIT AND LOSS STATEMENTS

(Rupees in million)						
Particulars	2016	2015	2014	2013	2012	2011
Sales	2,064	1,636	1,928	1,818	2,122	1,268
Cost of sales	(1,317)	(1,098)	(1,237)	(1,125)	(1,255)	(920)
Gross profit	747	538	691	694	867	348
Administrative and selling expenses	(322)	(291)	(233)	(254)	(271)	(503)
Other charges	(10)	(5)	(25)	(0)	(0)	(0)
Other operating income	32	61	31	32	240	87
	(300)	(235)	(227)	(222)	(31)	(416)
Profit/(loss) from operations	446	303	464	471	836	(68)
Finance cost	(50)	(31)	(21)	(35)	(44)	(130)
Profit/(loss) before tax	396	272	443	436	791	(198)
Taxation	(64)	(31)	(16)	(25)	(29)	(2)
Profit/(loss) after tax	332	242	427	411	763	(200)
Loss for the year from disc. operations	-	-	-	-	-	(0.08)
Profit/(loss) after disc. operations	332	242	427	411	763	(200)
<b>Combined earnings/(loss) per share</b>						
Basic in Rs.	3.14	2.29	4.09	5.19	19.21	(4.23)
Diluted in Rs.	2.95	2.19	3.90	5.19	19.21	(4.23)

### CASH FLOW STATEMENT

(Rupees in million)						
Particulars	2016	2015	2014	2013	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash generated from continuing operations	53	225	(41)	86	647	63
Finance costs paid	(27)	(16)	(12)	(20)	(141)	(79)
Retirement benefits paid	(0)	(2)	(7)	(3)	(6)	5
Taxes paid	(50)	(27)	(15)	(1)	0	(11)
<b>Net cash (used in) / generated from operating activities</b>	(23)	181	(75)	62	501	(23)
Purchase of property, plant and equipment and capital work in progress	(7)	(11)	(5)	(8)	(4)	(15)
Purchase of intangible asset	(0)	-	-	-	-	(12)
Proceeds from disposal of property, plant and equipment	11	11	6	7	5	1
Income on bank deposits received	13	14	16	0	0	0
Short term investment	25	19	(60)	(136)	(3)	-
Long Term investment	0	-	0	-	(123)	-
Net increase in long term deposits	(3)	(5)	(2)	(4)	(6)	(10)
<b>Net cash generated from investing activities</b>	39	27	(45)	(140)	(131)	(36)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of long term finances	-	-	(10)	(64)	68	(2)
Issue of share capital	-	0	49	264	-	-
Dividend paid	(98)	(238)	(201)	-	-	-
Finances under markup arrangements	75	151	39	-	-	-
Repayment of loan from directors		(55)	7	30	19	-
Repayment of finance lease liabilities	(11)	(26)	(19)	(16)	(8)	(11)
<b>Net cash used in financing activities</b>	(34)	(113)	(197)	191	90	6
<b>Net (decrease) / increase in cash and cash equivalents</b>	(19)	94	(317)	113	459	(54)
<b>Cash and cash equivalents at the beginning of the year</b>	134	40	358	245	(238)	(184)
<b>Effect of cash and Cash equivalents of subsidiary disposed off</b>	-	-	-	-	24	-
<b>Cash and cash equivalents at the end of the year</b>	116	134	40	358	245	(238)



# 6 Years Vertical and Horizontal Analysis

## BALANCE SHEET

ASSETS	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2016	2015	2014	2013	2012	2011	2016	2015	2014	2013	2012	2011
<b>Non-Current Assets</b>												
Property, plant and equipment	7%	8%	8%	8%	8%	17%	101%	112%	106%	116%	106%	116%
Intangible assets	0%	0%	0%	0%	0%	2%	-	-	0%	16%	1%	358%
GoodWill	0%	0%	0%	0%	0%	46%	-	-	-	-	0%	104%
Long term investments	17%	20%	21%	24%	25%	0%	100%	104%	96%	108%	-	-
Capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Long term deposits	1%	1%	1%	1%	1%	1%	115%	117%	113%	121%	122%	397%
Deferred taxation	0%	0%	0%	0%	0%	2%	-	-	-	-	0%	170%
Deferred employee compensation	0%	0%	0%	0%	0%	0%	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>25%</b>	<b>29%</b>	<b>30%</b>	<b>33%</b>	<b>34%</b>	<b>68%</b>	<b>100%</b>	<b>107%</b>	<b>99%</b>	<b>110%</b>	<b>112%</b>	<b>112%</b>
<b>Current Assets</b>												
Stock in trade	3%	2%	2%	2%	3%	7%	168%	120%	90%	98%	92%	116%
Current portion of deferred employee compensation	0%	0%	0%	0%	0%	0%	-	-	-	-	-	-
Trade debts-billed	20%	26%	30%	23%	38%	14%	86%	99%	137%	70%	586%	53%
Trade debts-Earning in excess of billing	36%	26%	23%	15%	7%	4%	159%	126%	169%	240%	385%	36%
Short term investments	5%	6%	8%	6%	0%	0%	86%	91%	143%	4653%	-	-
Advances, deposits, prepayments and other receivables	7%	6%	6%	5%	7%	6%	149%	104%	127%	88%	241%	77%
Cash and bank balances	4%	5%	2%	17%	12%	1%	87%	335%	10%	166%	2820%	8%
Non Current assets attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>75%</b>	<b>71%</b>	<b>70%</b>	<b>67%</b>	<b>66%</b>	<b>32%</b>	<b>120%</b>	<b>113%</b>	<b>110%</b>	<b>118%</b>	<b>459%</b>	<b>50%</b>
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>115%</b>	<b>111%</b>	<b>107%</b>	<b>115%</b>	<b>224%</b>	<b>80%</b>

EQUITIES AND LIABILITIES	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2016	2015	2014	2013	2012	2011	2016	2015	2014	2013	2012	2011
<b>Share Capital and reserves</b>												
Issued, subscribed and paid up capital	32%	37%	41%	31%	19%	43%	100%	100%	140%	189%	100%	100%
Employees' share compensation reserve	2%	2%	2%	2%	0%	1%	116%	100%	100%	-	0%	90%
Exchange revaluation reserve	6%	7%	7%	9%	7%	5%	100%	114%	87%	138%	326%	102%
Share Premium	2%	2%	2%	0%	0%	0%	100%	100%	-	-	-	-
Un-appropriated profit	21%	20%	22%	16%	18%	-66%	121%	101%	145%	103%	-63%	138%
	63%	68%	75%	58%	45%	-17%	107%	102%	137%	150%	-595%	-1325%
Non controlling interest	0%	0%	0%	0%	0%	-3%	-	-	-	-	0%	3100%
Surplus on revaluation of property, plant and equipment	3%	4%	3%	3%	3%	4%	102%	122%	137%	150%	-497%	-1731%
<b>Non-Current Liabilities</b>												
Long term finances	0%	0%	0%	0%	1%	4%	-	-	-	37%	53%	19%
Liabilities against assets subject to finance lease	1%	1%	1%	1%	1%	2%	127%	103%	102%	108%	134%	164%
Deferred Liabilities	2%	1%	1%	1%	1%	2%	161%	129%	100%	150%	127%	233%
<b>Total Non-Current Liabilities</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>8%</b>	<b>18%</b>	<b>115%</b>	<b>91%</b>	<b>101%</b>	<b>94%</b>	<b>36%</b>	<b>55%</b>
<b>Current Liabilities</b>												
Current portion of long-term liabilities	1%	1%	1%	1%	3%	37%	119%	95%	106%	27%	19%	181%
Finances under mark up arrangements & other credit facilities - secured	8%	7%	2%	2%	0%	26%	140%	487%	79%	8267%	0%	84%
Short term loan from directors - unsecured	0%	0%	0%	2%	2%	2%	-	-	0%	114%	260%	-
Cash received against IPO	0%	0%	0%	11%	0%	0%	-	-	-	-	-	-
Creditors, accrued and other liabilities	21%	18%	17%	19%	43%	42%	134%	118%	94%	51%	229%	93%
Liabilities directly associated with assets classified as Disc. Operations	-	-	-	-	-	0%	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>30%</b>	<b>25%</b>	<b>19%</b>	<b>35%</b>	<b>49%</b>	<b>108%</b>	<b>135%</b>	<b>146%</b>	<b>58%</b>	<b>84%</b>	<b>101%</b>	<b>110%</b>
<b>Total Equity and Liabilities</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>115%</b>	<b>111%</b>	<b>107%</b>	<b>115%</b>	<b>224%</b>	<b>80%</b>



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

PROFIT AND LOSS STATEMENTS

Particulars	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2016	2015	2014	2013	2012	2011	2016	2015	2014	2013	2012	2011
Sales	100%	100%	100%	100%	100%	100%	126%	85%	106%	86%	167%	69%
Cost of sales	-64%	-67%	-64%	-62%	-59%	-73%	120%	89%	110%	90%	136%	71%
Gross profit	36%	33%	36%	38%	41%	27%	139%	78%	100%	80%	249%	65%
Administrative and selling expenses	-16%	-18%	-12%	-14%	-13%	-40%	111%	125%	92%	94%	54%	80%
Other charges	0%	0%	-1%	0%	0%	0%	200%	20%	13855%	87%	1382%	1%
Other operating income	2%	4%	2%	2%	11%	7%	52%	197%	96%	13%	276%	322%
	-15%	-14%	-12%	-12%	-1%	-33%	128%	104%	102%	713%	7%	69%
Profit/(loss) from operations	22%	19%	24%	26%	39%	-5%	147%	65%	98%	56%	-1228%	95%
Finance cost	-2%	-2%	-1%	-2%	-2%	-10%	161%	148%	60%	79%	34%	103%
Profit/(loss) before tax	19%	17%	23%	24%	37%	-16%	146%	61%	102%	55%	-400%	100%
Taxation	-3%	-2%	-1%	-1%	-1%	0%	210%	191%	64%	87%	1692%	-57%
Profit/(loss) for the year	16%	15%	22%	23%	36%	-16%	137%	57%	104%	54%	-382%	102%
Loss for the year from disc. operations	-	-	-	-	-	0%	0%	0%	0%	0%	0%	0%
	16%	15%	22%	23%	36%	-16%	137%	57%	104%	54%	-382%	102%
Combined earnings/(loss) per share												
Basic	0.15%	0.14%	0.21%	0.29%	0.91%	-0.33%	137%	56%	79%	27%	-454%	87%
Diluted	0.14%	0.13%	0.21%	0.29%	0.91%	-0.33%	135%	56%	75%	27%	-454%	87%



CASH FLOW STATEMENT

Particulars	VERTICAL ANALYSIS						HORIZONTAL ANALYSIS					
	(in %age)						(in %age)					
	2016	2015	2014	2013	2012	2011	2016	2015	2014	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES												
Cash generated from continuing operations	-283%	239%	13%	76%	141%	-116%	24%	-555%	-47%	13%	1030%	22%
Finance costs paid	141%	-17%	4%	-18%	-31%	147%	169%	128%	61%	14%	177%	80%
Retirement benefits paid	2%	-2%	2%	-3%	-1%	-9%	24%	22%	255%	48%	-130%	-94%
Taxes paid	264%	-29%	5%	-1%	0%	21%	185%	176%	1520%	-260%	-3%	75%
Net cash (used in) / generated from operating activities	124%	192%	24%	55%	109%	43%	-13%	-240%	-122%	12%	-2148%	-14%
CASH FLOWS FROM INVESTING ACTIVITIES												
Purchase of property, plant and equipment and capital work in progress	35%	-12%	1%	-7%	-1%	28%	58%	248%	61%	195%	25%	222%
Purchase of intangible asset	1%	0%	0%	0%	0%	22%	N/A	N/A	N/A	N/A	0%	450%
Proceeds from disposal of property, plant and equipment	-58%	12%	-2%	6%	1%	-2%	99%	196%	77%	149%	490%	30%
Income on bank deposits received	-67%	14%	-5%	0%	0%	0%	94%	85%	12344%	73%	207%	42929%
Short term investment	-135%	20%	19%	-121%	-1%	0%	137%	-31%	44%	4006%	N/A	N/A
Long Term investment	0%	0%	0%	0%	-27%	0%	N/A	N/A	N/A	0%	N/A	N/A
Net increase in long term deposits	18%	-5%	1%	-3%	-1%	19%	67%	223%	63%	58%	58%	1455%
Net cash generated from investing activities	-207%	28%	14%	-124%	-29%	67%	145%	-59%	32%	107%	362%	525%
CASH FLOWS FROM FINANCING ACTIVITIES												
Repayment of long term finances	0%	0%	3%	-57%	15%	3%	0%	0%	16%	-95%	-4422%	3%
Issue of share capital	0%	0%	-16%	235%	0%	0%	0%	0%	19%	N/A	N/A	N/A
Dividend paid	524%	-253%	63%	0%	0%	0%	41%	118%	N/A	N/A	N/A	N/A
Finances under markup arrangements	-400%	161%	-12%	0%	0%	0%	50%	387%	N/A	N/A	N/A	N/A
Repayment of loan from directors	0%	0%	17%	6%	6%	-34%	0%	0%	-818%	23%	161%	N/A
Repayment of finance lease liabilities	59%	-28%	6%	-14%	-2%	21%	42%	140%	120%	203%	69%	78%
Net cash used in financing activities	183%	-121%	62%	169%	20%	-10%	30%	58%	-103%	212%	1606%	-9%
Net (decrease) / increase in cash and cash equivalents	100%	100%	100%	100%	100%	100%	-20%	-30%	-282%	25%	-850%	-52%



# DuPont Analysis

## CASH FLOW STATEMENT BY DIRECT METHOD

(Rupees in million)						
Particulars	2016	2015	2014	2013	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash flows from Customers	(342)	(168)	(449)	37	(815)	191
Cash flows from Creditors	65	76	(25)	(437)	916	(96)
Cash flows from Stocks	(42)	(9)	5	1	5	(9)
Other cash flows from operations	372	326	429	485	541	(23)
<b>Cash generated from continuing operations</b>	<b>53</b>	<b>225</b>	<b>(41)</b>	<b>86</b>	<b>647</b>	<b>63</b>
Finance costs paid	(27)	(16)	(12)	(20)	(141)	(79)
Retirement benefits paid	(0)	(2)	(7)	(3)	(6)	5
Taxes paid	(50)	(27)	(15)	(1)	0	(11)
<b>Net cash (used in) / generated from operating activities</b>	<b>(23)</b>	<b>181</b>	<b>(75)</b>	<b>62</b>	<b>501</b>	<b>(23)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment and capital work in progress	(7)	(11)	(5)	(8)	(4)	(15)
Purchase of intangible asset	(0)	-	-	-	-	(12)
Proceeds from disposal of property, plant and equipment	11	11	6	7	5	1
Income on bank deposits received	13	14	16	0	0	0
Short term investment	25	19	(60)	(136)	(3)	-
Long Term investment	0	-	0	-	(123)	-
Net increase in long term deposits	(3)	(5)	(2)	(4)	(6)	(10)
<b>Net cash generated from investing activities</b>	<b>39</b>	<b>27</b>	<b>(45)</b>	<b>(140)</b>	<b>(131)</b>	<b>(36)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of long term finances	-	-	(10)	(64)	68	(2)
Issue of share capital	-	0	49	264	-	-
Dividend paid	(98)	(238)	(201)	-	-	-
Finances under markup arrangements	75	151	39	-	-	-
Repayment of loan from directors	-	-	(55)	7	30	19
Repayment of finance lease liabilities	(11)	(26)	(19)	(16)	(8)	(11)
<b>Net cash used in financing activities</b>	<b>(34)</b>	<b>(113)</b>	<b>(197)</b>	<b>191</b>	<b>90</b>	<b>6</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(19)</b>	<b>94</b>	<b>(317)</b>	<b>113</b>	<b>459</b>	<b>(54)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>134</b>	<b>40</b>	<b>358</b>	<b>245</b>	<b>(238)</b>	<b>(184)</b>
<b>Effect of cash and cash equivalents of subsidiary disposed off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>116</b>	<b>134</b>	<b>40</b>	<b>358</b>	<b>245</b>	<b>(238)</b>



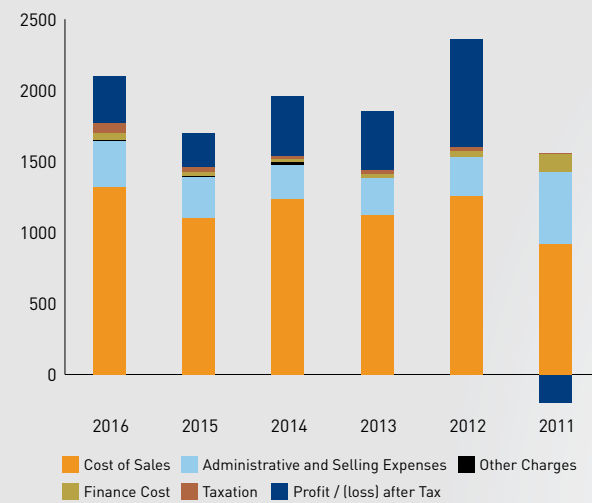




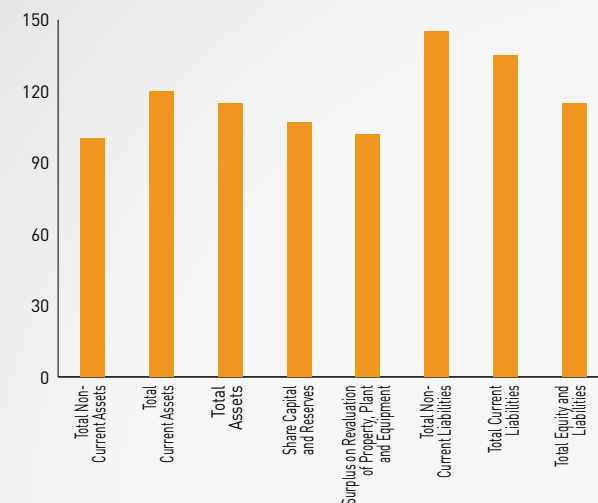
# Graphic Representation 2011-2016

## PROFIT AND LOSS

Profit and Loss Analysis  
(In Percentage)

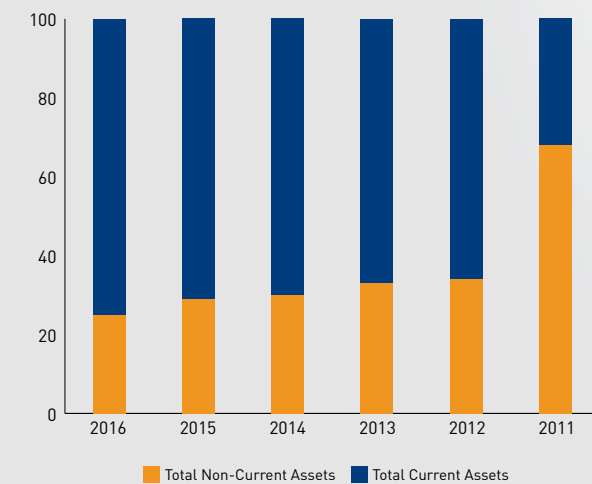


Balance Sheet Horizontal Analysis  
(In Percentage)

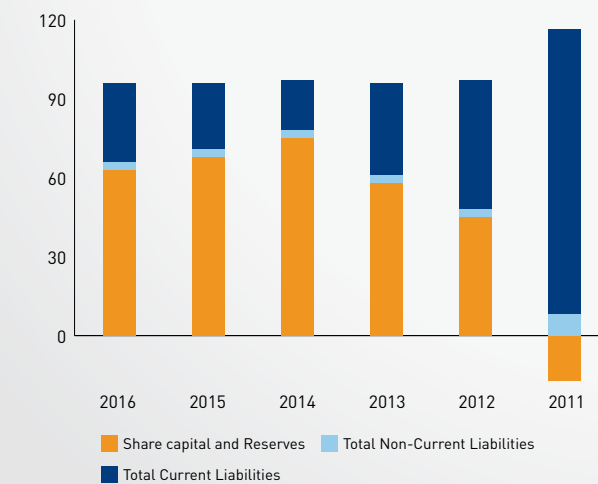


## BALANCE SHEET

Total Assets - Vertical Analysis  
(In Percentage)

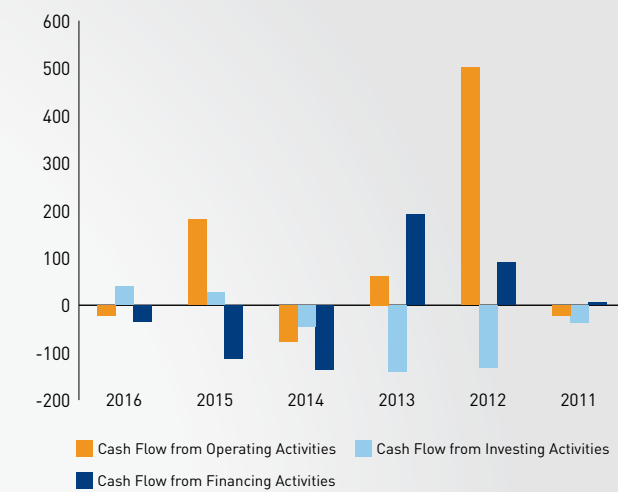


Total Liabilities - Vertical Analysis  
(In Percentage)

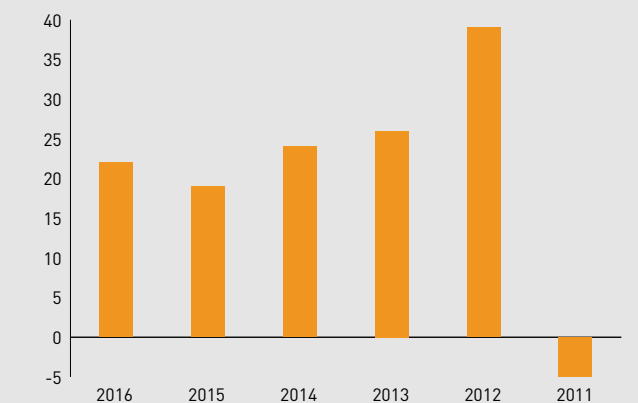


## CASH FLOW STATEMENT

Cash Flow Analysis

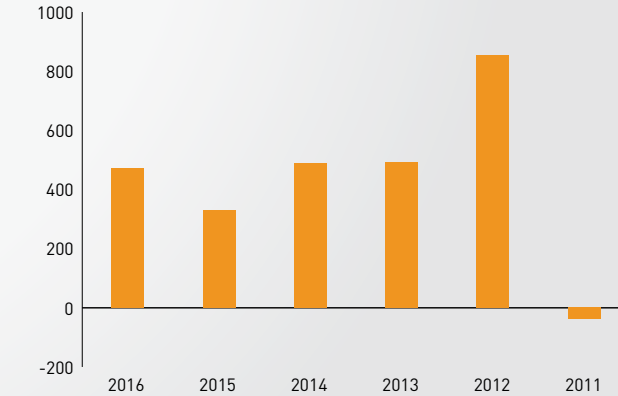


Operating Result Ratio  
(In percentage)

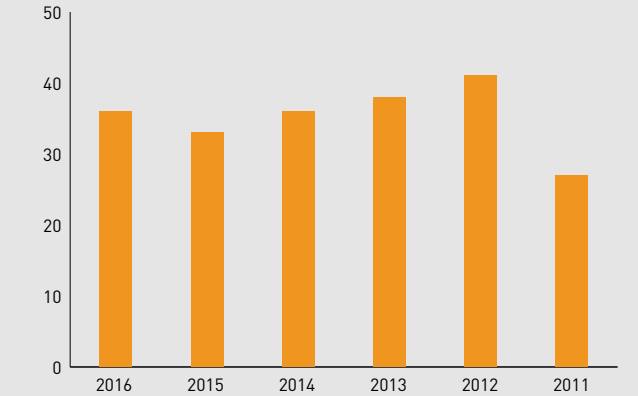


## RATIOS

EBITDA  
(Rs. in million)

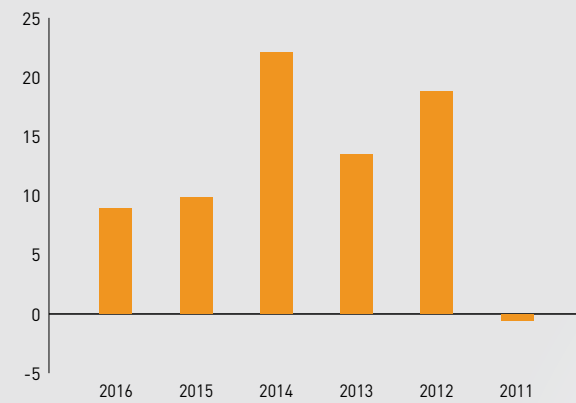
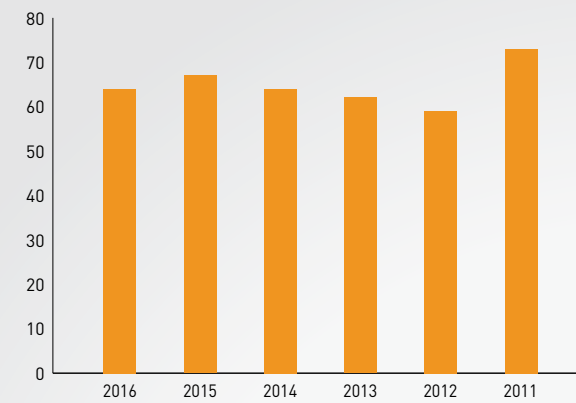
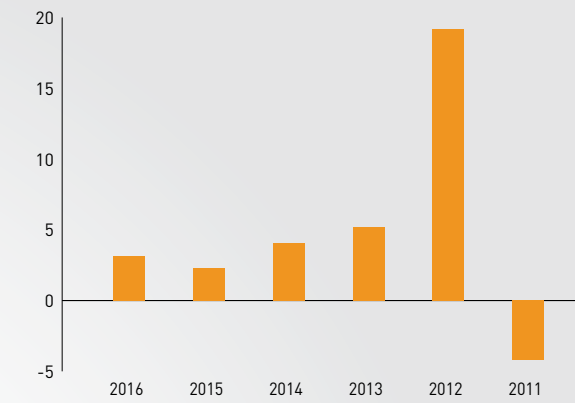
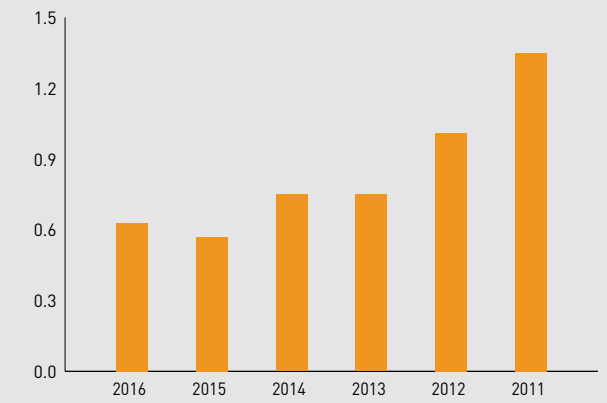
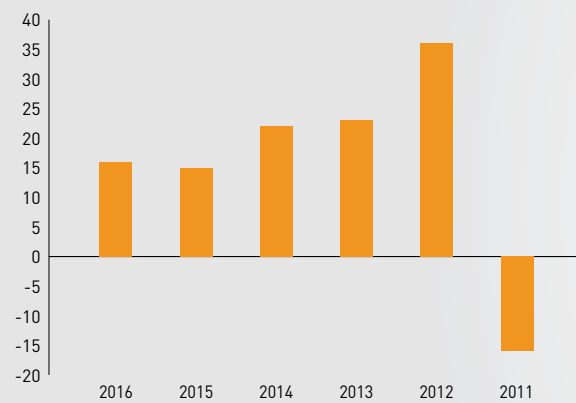
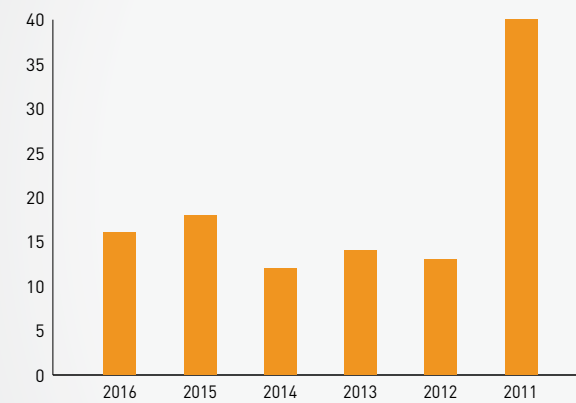
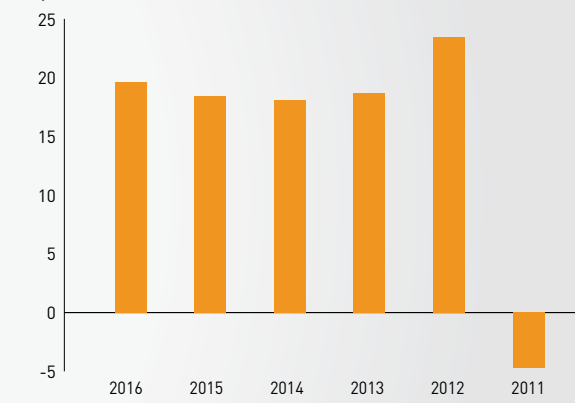
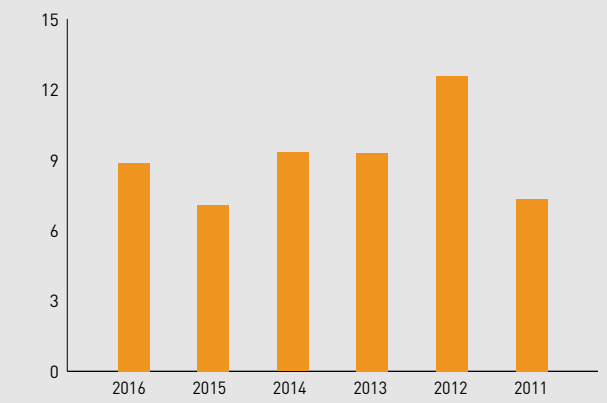
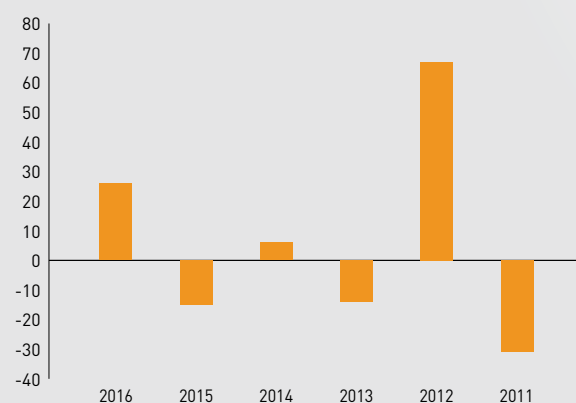
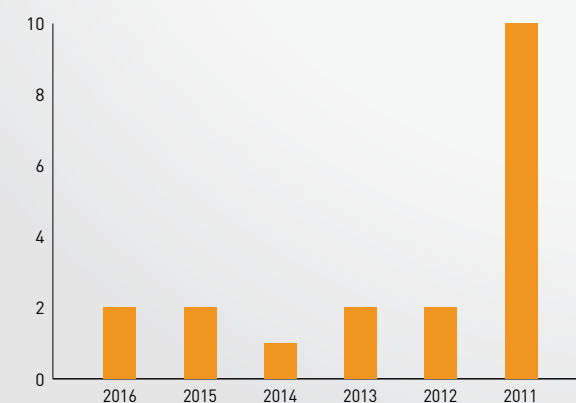
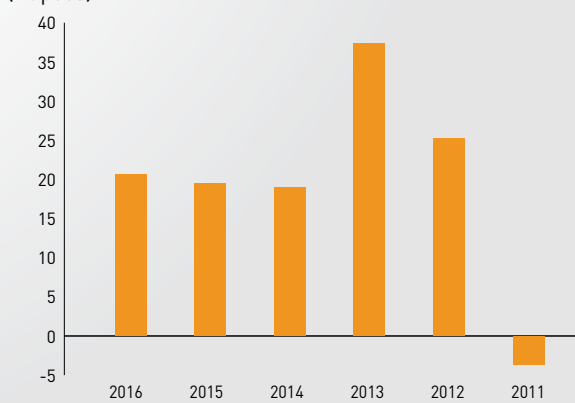
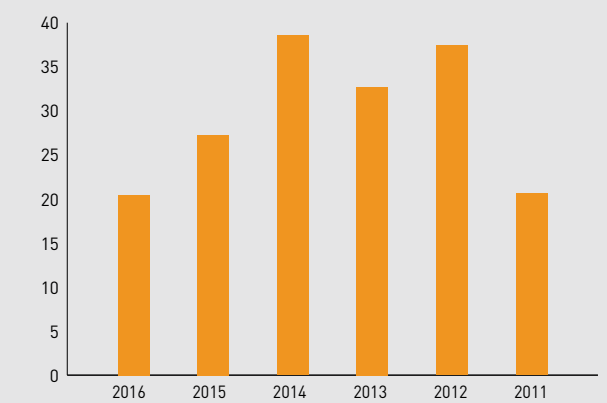


Gross Profit Ratio  
(Rs. in million)





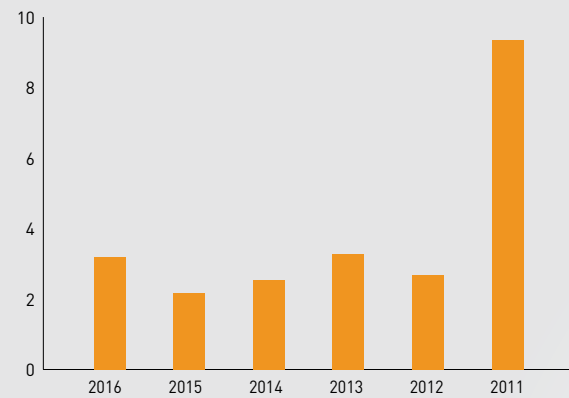
## Graphic Representation 2011-2016 (Contd...)

**Interest Coverage Ratio**  
(In Times)

**Cost of Sales**  
(%age of Sales)

**Earnings Per Share (Basic)**  
(Rupees)

**Total Assets Turnover**  
(In Times)

**Profit after Tax**  
(In Percentage)

**Administrative & Selling Cost**  
(%age of Sales)

**Breakup Value Per Share without Surplus on Revaluation**  
(Rupees)

**Fixed Asset Turnover**  
(In Times)

**Net Sales**  
(In Percentage)

**Financial Cost**  
(In Percentage)

**Breakup Value Per Share with Surplus on Revaluation**  
(Rupees)

**Inventory Turnover**  
(In Times)


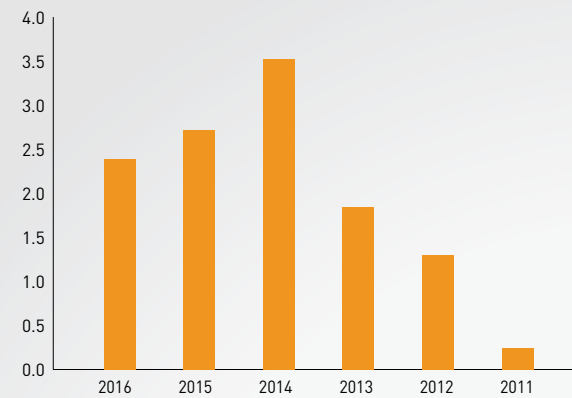


## Graphic Representation 2011-2016 (Contd...)

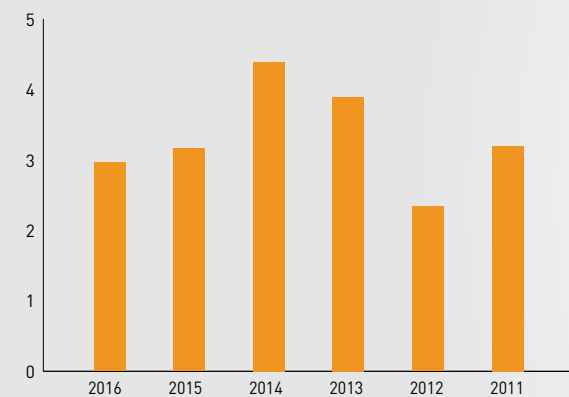
**Trade Debts Turnover**  
(In Times)



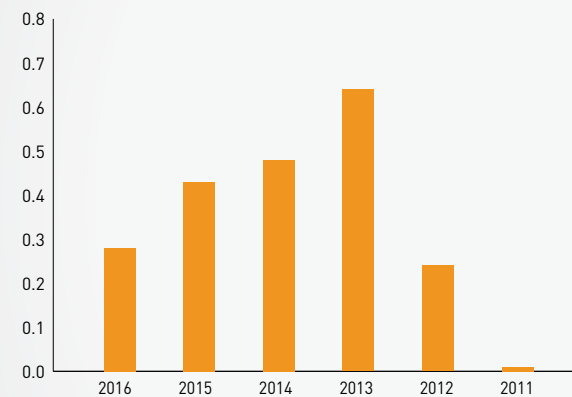
**Quick Ratio**  
(In Times)



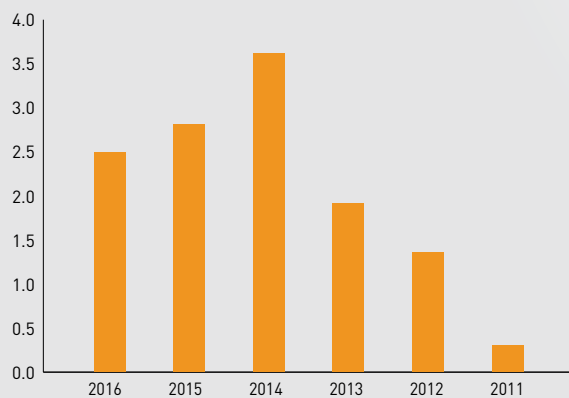
**Trade Creditors Turnover**  
(In Times)



**Cash to Current Liabilities**  
(In Times)



**Current Ratio**  
(In Times)



# Comments on Results for the Past 6 Years



## HORIZONTAL ANALYSIS (CONSOLIDATED)

### Balance Sheet

We observed 15% (Rs. 421m) increase in the balance sheet footing as compared to last year from amounting Rs. 2.864 Billion to Rs. 3.285 billion in positive trend due to accumulated increasing assets of the company, we observed 7% (Rs. 163m) increased in net asset of the company which shows excellent growth in retained earnings and profitability as compared to, we can see a positive trend from last six years, the company observed 20% (Rs. 417million) increased in current assets also depict increasing trends which is an evidence of effective use of the Company's earnings in further investment on human resource trainings, retention and growth of the company as compare to previous year and we observed 35%% increase in current Liabilities of company as compared to FY 2011 to avail cheaper way of financing by excellent renegotiations of credit terms with creditors and banks. The Company maintaining year on year positive growth in current and non-current assets of the company as compared to less/even negative trend in current and non-current liabilities from FY 2011 to FY 2016, which is also a valid evidence of use of company resources.

### Profit and Loss

We observed 26% (Rs. 428m) increased in revenues as compared to 2015 due to excellent performance of Core segments in Pakistan and Qatar, we observed 11% increase in fixed cost as compared to last year of the company, the company remained successful to control the increasing trend in fixed cost to fixed cost and last year due to one-time provisioning of big value US-Aid related projects receivables, this controls shows company maintained its fixed cost below 15% increase which depicts the effective control of management over fixed cost. The company observed 61% increased in finance cost as compared to FY 2015 but 61% (Rs. 80m) decreased as compare to FY 2011 and consistent decreased in financial cost except 2015 and FY 2016 which depict the better position of company liquidity and repayment of long term & short term loans before maturity and effective use of company assets. Currently Company withdrawn short terms loans to finance to big values orders in Pakistan and UAE to meet urgent deliveries but payment after installation and approval of equipment's and services, the company also shows 48% decreased due to less translation gain on



Comments on Results for the Past 6 Years (Contd...)

foreign receivables as compared to FY 2015, in this year the other income include dividend income of USD 275,343 from our associate Avanceon LP, USA, this year we seen 110% increased in tax expenses due to increase in tax rate from 10% to 12.5% on dividends that impacted deferred taxation expenses on dividend received during the year and receivables balances as at December 31, 2016.

Cash Flows

- Operating Activities:**  
We observed a negative cash flow of 172million which is 76% decrease from last year and 3% decrease (Rs. 10million) from FY 2011 due to business cycle, we normally do billing in last quarter of each financial year and collect cash in early quarters on upcoming financial years, we can have positive trend in cash flows of Q1 and Q2 of FY 2017. we observed Year on Year change in cash flow from net operating activities like -13%, -240%, -122%, 12%, -2148% and -14% for 2016, 2015, 2014, 2013, 2012 and 2011 respectively. We also observed Year on Year growth in Cash and bank balances (Closing Balance) as compared to 2010 for 2015 except FY 2015 and FY 2016 due to use of bank balances in operations and paying out cash dividends.
- Investing Activities**  
A glance of cash flows from investing activities reveals that the Company is always engaged in making investment in fixed capital expenditure, short term and long term investment in subsidiaries and associated company in order to ensure future cash flows.
- Financing Activities**  
One of the certain cash outflow from the financing activities is the payment of dividend and repayments of all long and short term loans to avoid financial cost.

VERTICAL ANALYSIS (CONSOLIDATED)

Balance Sheet

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

Profit and Loss

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

Cash Flows

- Operating Activities:**  
We observed a negative cash flow from operating activities in FY 2016 and FY 2014 because of net increase in receivable (considered good) due to billing and Earning is excess of billing recognition in last quarter, subsequently we generated a positive inflow in net cash from operating activities in Q1 and Q2 of each FYs, we generated positive cash flow from 2011 to 2016 except 2011, 201 and 2016 an which generated enough cash for investing and financing activities.
- Investing Activities**  
A glance of cash flows from investing activities reveals that the Company is always engaged in making investment in fixed capital expenditure, short term and long term investment in subsidiaries and associated company in order to ensure future cash flows.
- Financing Activities**  
One of the certain cash outflow from the financing activities is the payment of dividend and repayments of all long and short term loans to avoid financial cost.

Analysis of Variation

RESULTS REPORTED IN INTERIM REPORTS

Quarterly Analysis

Rs. In millions					
	Turnover	Cost of goods sold	Operating Profit	Profit after tax	Capital Expenditures
Quarter 1	412	260	91	72	2
Quarter 2	403	261	71	44	2
Quarter 3	544	330	141	126	9
Quarter 4	705	466	143	90	28
	2,064	1,317	446	332	41

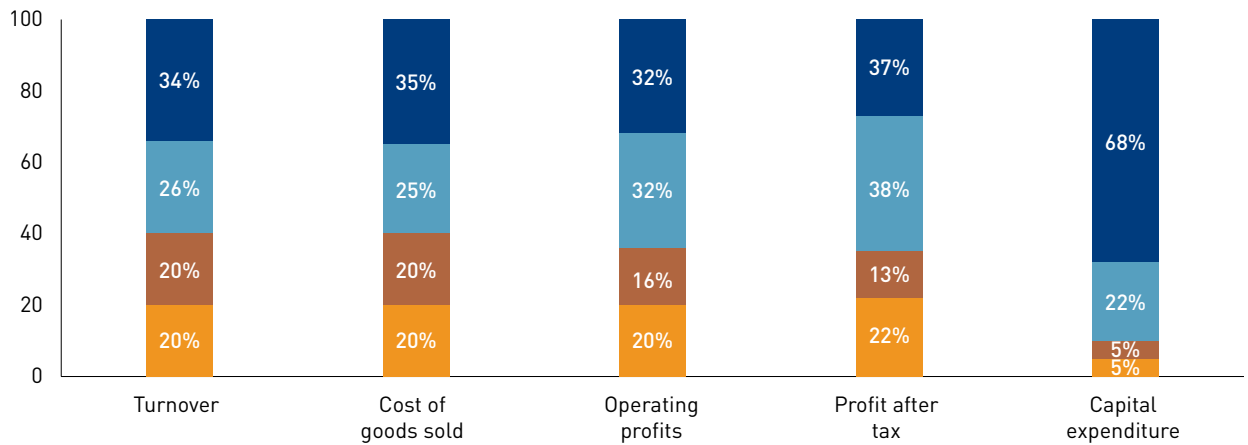
REVENUE, COST OF GOODS SOLD, GROSS PROFITS, OPERATING PROFIT AND NET PROFITS

Historically, our revenue, cost and profits remain lower in early quarters and get start momentum in 2nd quarter and major portions of revenues of orders start getting recognition in 3rd and 4th quarter due to business cycle which is being observed from last many years and current year is also repeating the history, because, most of our major customers financial year start from January which enable us to approach for orders soon after their budget approvals, our sales team react accordingly for orders in 1st and 2nd quarter and revenue recognition/order execution in last quarters of FY 2016 but materially in 4th quarter.

CAPITAL EXPENDITURES

Rs. 28 million which is 68% of total expenditure has been incurred in Last quarters mainly included Rs. 23 million for purchase of vehicles for official office use and for certain executives as per company policy

Quarterly Analysis (In Percentage)







# Share Price Sensitivity Analysis



## TRADE PRICE

	Max trade per day	Min trade per day	Total monthly	High price	Low price
Jan-16	473,500	13,500	1,984,000	40.03	35.21
Feb-16	407,500	9,500	1,667,500	39.88	31.56
Mar-16	633,500	11,500	3,333,000	36.84	31.97
Apr-16	437,500	41,000	3,793,000	37.39	33.43
May-16	521,500	34,500	3,954,500	34.47	30.84
Jun-16	1,660,500	26,000	7,718,500	32.62	28.19
Jul-16	442,500	31,000	2,974,500	32.05	28.60
Aug-16	1,567,500	36,500	6,254,500	32.72	31.02
Sep-16	765,000	18,000	3,680,500	32.52	30.77
Oct-16	922,000	23,000	5,763,500	35.09	30.03
Nov-16	1,220,500	74,000	7,746,500	37.27	31.08
Dec-16	1,714,000	59,000	5,662,500	36.04	33.85

## SENSITIVITY ANALYSIS

Avanceon holds a variety of businesses segments and operating in various regions including Pakistan, United Arab Emirate (UAE), Qatar, Kingdom of Saudi Arabia (KSA) and United State of America (USA) with a variety of external and internal factors that can affect the company's financial and non-financial performance. We observed very stable and upward performance of AVN stock which more and less as positive trend in PSX (formerly KSE) 100index, we observed decreasing trend in trading volumes which it not coincide with PSX 100index total trade volumes, but we are very much confident to restore trading volumes at financial year 2014 level, in this connection we have plan to conduct a series of investors awareness sessions along with redevelopment of investor relating function, redesign of investor webpage to provide true and accurate understanding of our nature of business and our existing and future plans of Avanceon Limited and its subsidiaries in foreign countries.

The AVN stock performed satisfactory in term of price appreciation as new entrant at PSX (formerly KSE and LSE) after listing in early month of financial year 2014 and delivered excellent results and payouts to its shareholders, we are very much confident that AVN stock will further improve its performance in financial year 2017 and try to maintain its history of excellent payouts, following are the factors that affected the share price and trading volumes:

### 1. Business Segment

All of our business segments performed excellently except KSA and High End Solutions (HES) segments in Kindem of Saudi Arabia and Pakistan, we posted lower EPS in Q1, Q2 and Q3 which affected share price and volumes due to nature of orders and business cycle but restored in Q1 if FY 2017.

### 2. Revenue Recognition

We have entered in financial year 2016 with very material value of orders as backlog for FY 2016 because we obtained major orders in 3rd and 4th quarter instead of 1st and 2nd quarter of FY 2016 that's why we could not recognized major portion of revenue in last quarter of FY 2016 but still we couldn't recognized all backlog orders due to issues at customers end that affected share price and we observed very low trading volumes as compared to early years of listing which also resulted but we observed a positive trend in share price and trading volumes from last quarters and excellent recovery and trading volumes in Q1 of FY 2017.

### 3. Complex business structure

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

### 4. First Engineering Technology Company

Avanceon was a first engineering technology company which was listed at Pakistan Stock Exchange (formerly Karachi and Lahore Stock Exchanges), we observed investor remained not fully successful to understand the company way of working and execution that also affected the investor confidence which resulted low increasing price and trading volumes trend in early quarters of FY 2016 that recovered in last quarters specially in Q-1 of FY 2017.

## Share Price Sensitivity Analysis



# Pattern of Shareholding

PATTERN

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
666	1	100	20,151	0.0191
343	101	500	144,589	0.1368
758	501	1,000	534,758	0.5059
831	1,001	5,000	1,818,775	1.7207
139	5,001	10,000	1,115,270	1.0552
49	10,001	15,000	619,366	0.5860
30	15,001	20,000	567,486	0.5369
23	20,001	25,000	549,250	0.5196
13	25,001	30,000	380,500	0.3600
9	30,001	35,000	291,100	0.2754
5	35,001	40,000	191,471	0.1812
4	40,001	45,000	170,250	0.1611
13	45,001	50,000	644,050	0.6093
2	50,001	55,000	110,000	0.1041
4	55,001	60,000	233,000	0.2204
3	60,001	65,000	188,500	0.1783
2	65,001	70,000	134,500	0.1273
3	70,001	75,000	222,600	0.2106
3	75,001	80,000	232,000	0.2195
2	80,001	85,000	160,550	0.1519
3	90,001	95,000	284,000	0.2687
8	95,001	100,000	800,000	0.7569
1	100,001	105,000	105,000	0.0993
1	105,001	110,000	106,000	0.1003
2	110,001	115,000	227,499	0.2152
1	115,001	120,000	115,250	0.1090
1	125,001	130,000	128,000	0.1211
1	130,001	135,000	131,500	0.1244
1	135,001	140,000	135,500	0.1282
1	140,001	145,000	144,000	0.1362
1	145,001	150,000	150,000	0.1419
1	160,001	165,000	165,000	0.1561
1	195,001	200,000	200,000	0.1892
1	205,001	210,000	207,500	0.1963
1	220,001	225,000	222,000	0.2100
1	240,001	245,000	243,000	0.2299
2	295,001	300,000	600,000	0.5677
1	345,001	350,000	350,000	0.3311
1	395,001	400,000	400,000	0.3784
1	465,001	470,000	470,000	0.4447
1	470,001	475,000	474,500	0.4489
1	495,001	500,000	500,000	0.4731
1	510,001	515,000	510,500	0.4830
1	545,001	550,000	550,000	0.5204
1	795,001	800,000	800,000	0.7569
1	1,025,001	1,030,000	1,029,500	0.9740
1	1,030,001	1,035,000	1,032,000	0.9764
1	1,395,001	1,400,000	1,400,000	1.3245
1	1,495,001	1,500,000	1,500,000	1.4192
1	1,545,001	1,550,000	1,549,000	1.4655
1	3,560,001	3,565,000	3,564,000	3.3719
1	11,890,001	11,895,000	11,891,345	11.2504
1	67,380,001	67,385,000	67,383,643	63.7518
2,946			105,696,903	100.00



CATEGORY WISE SHAREHOLDING

Sr. No.	Particulars	No. of Folio	No. of Shares	Percentage
01	Sponsors, Directors, CEO and Children	7	79,274,998	75.00
02	Insurance Companies	1	470,000	0.44
03	Mutual Funds	27	11,523,700	10.90
04	General Public (Local)	2,892	13,346,705	12.63
05	General Public (Foreign)	12	105,500	0.10
06	Others	3	426,000	0.40
07	Foreign Companies	4	550,000	0.52
	Total	2,946	105,696,903	100.00

PATTERN OF SHAREHOLDING

	Number of Shares
<b>1. Associated companies, Undertakings and Related parties</b>	
Trustee Avanceon Ltd. Employees Provident Fund	300,000
<b>2. Mutual Funds</b>	
Tundra Pakistan Fund	3,564,000
CDC - Trustee Nafa Stock Fund	1,549,000
Tundra Frontier Opportunities Fund	1,500,000
CDC - Trustee Nafa Islamic Stock Fund	1,032,000
CDC - Trustee Nafa Islamic Asset Allocation Fund	1,029,500
Tundra Sustainable Frontier Fund	800,000
CDC - Trustee MCB Pakistan Stock Market Fund	510,500
Sherman Securities (Private) Limited	500,000
CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	350,000
CDC - Trustee Pakistan Islamic Pension Fund - Equity Sub Fund	144,000
CDC - Trustee Nafa Islamic Active Allocation Equity Fund	135,500
Arif Habib Limited - MF	128,000
BIPL Securities Limited	105,000
Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Limited	55,000
CDC - Trustee Nafa Multi Asset Fund	31,000
DJM Securities (Pvt.) Limited	30,000
Din Capital Limited - MF	20,000
BIPL Securities Limited - MF	14,000
Prosperity Securities (SMC-Pvt.) Limited	11,000
JS Global Capital Limited - MF	5,000
Multiline Securities (Pvt.) Limited - MF	4,000
Akhai Securities (Pvt.) Limited	1,500
Aqeel Karim Dhedhi Securities (Pvt.) Limited Staff Pro. Fund	1,350
AMC Global	1,050
Time Securities (Pvt.) Limited	1,000
Intermarket Securities Limited - MF	1,000
S.Z. Securities (Pvt.) Limited	300
<b>3. Sponsors, Directors, CEO and Children</b>	
Mr. Bakhtiar Hameed Wain	67,383,643
Mr. Amir Wain	11,891,345
Mr. Khalid Wain	2
Mr. Tanveer Karamat	2
Mr. Umar Ahsan Khan	2
Mr. Naveed A. Baig	2
Mr. Tajammal Hussain	2
<b>4. Executive</b>	
Mr. Ahsan Khalil	33,125
Mr. Armaghan Yusuf	3,000
Mr. Mir Usman Amjad	2,625
Mr. Masood Kareem	1,000
Mr. Muhammad Younas	50
<b>5. Public Sector Companies and Corporations</b>	NIL
<b>6. Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	1,146,000
<b>7. Shareholders holding five percent or more voting rights in the listed company</b>	NIL

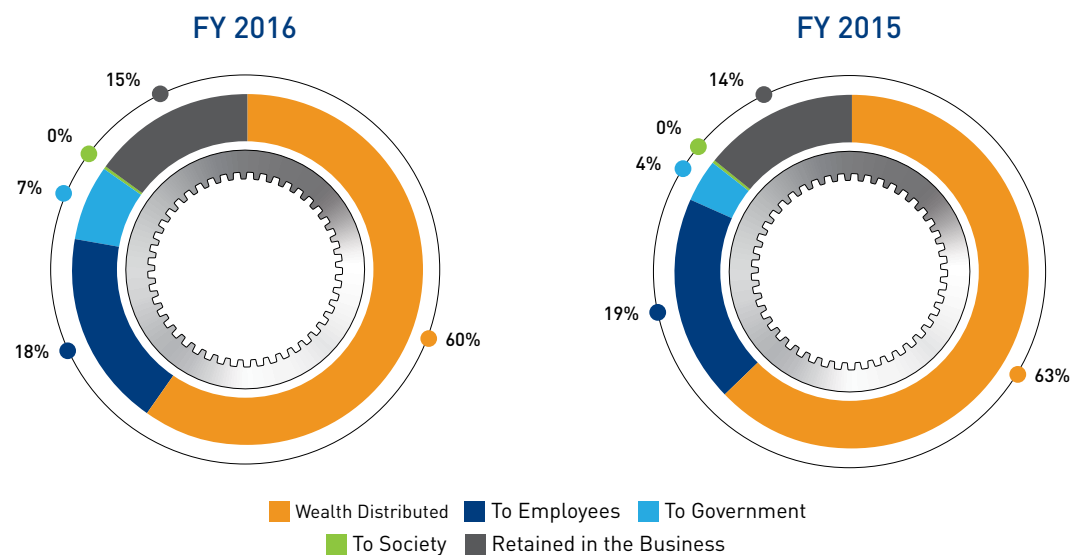




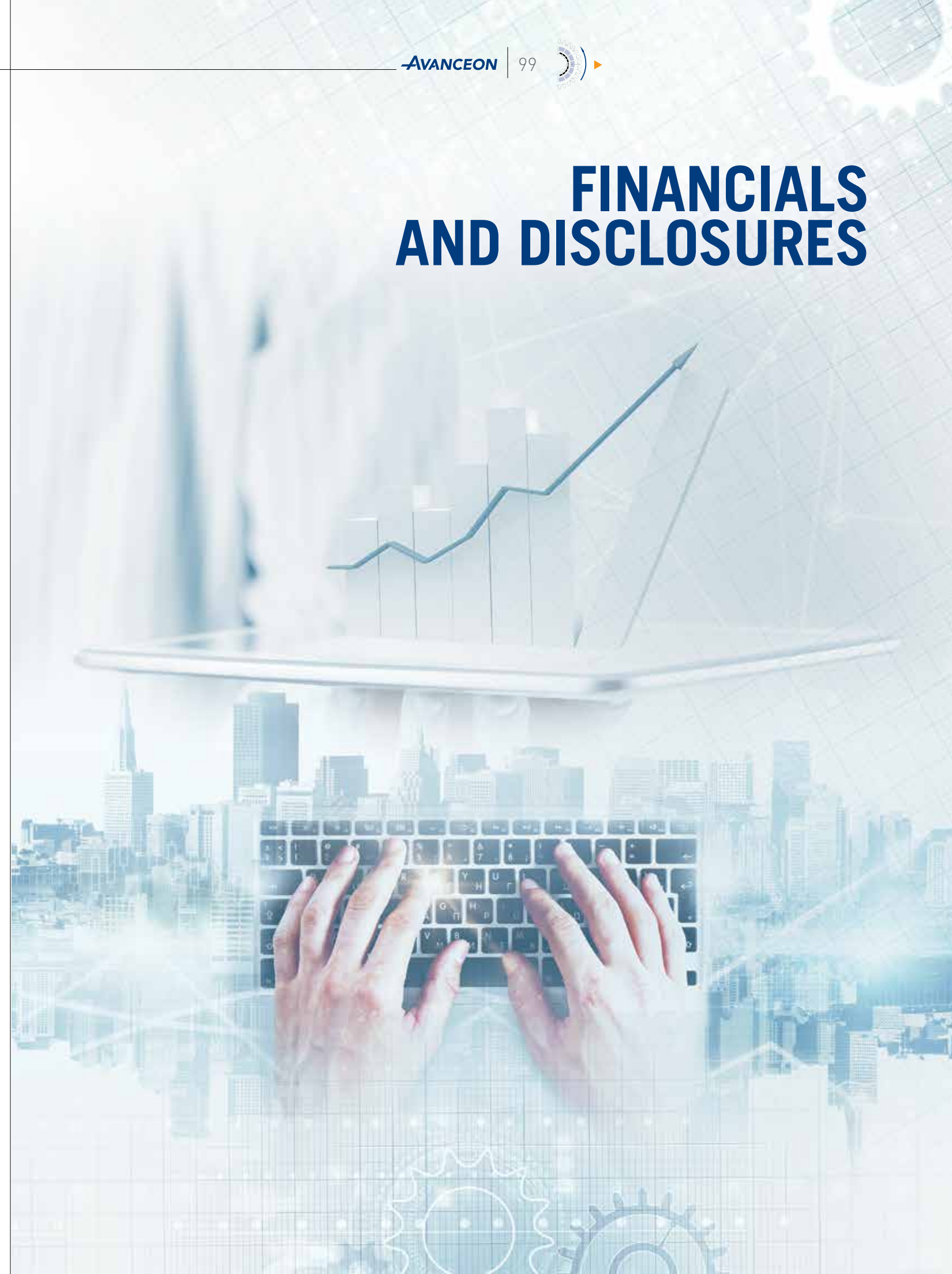
# Statement of Value Addition

	FOR THE YEAR ENDED			
	31 December, 2016		31 December, 2015	
	(Rs. in '000)	%age	(Rs. in '000)	%age
<b>Wealth generated</b>				
Sales included Sales Tax	2,144,419	99%	1,670,643	96%
Other operating income	31,636	1%	61,031	4%
	2,176,055		1,731,674	
<b>Wealth distributed</b>				
Cost of material and services	1,298,184	60%	1,089,468	63%
<b>To Employees</b>				
Salaries and other related cost	398,453	18%	332,354	19%
<b>To Government</b>				
Taxes	144,508	7%	63,701	4%
<b>To Society</b>				
Donation	2,843	0.13%	2,224	0.13%
<b>Retained in the business</b>				
To provide for growth: Retained profits	332,067	15%	243,927	14%
	2,176,055		1,731,674	

	2016	2015
Wealth distributed	60%	63%
To Employees	18%	19%
To Government	7%	4%
To Society	0.13%	0.13%
Retained in the business	15%	14%



# FINANCIALS AND DISCLOSURES



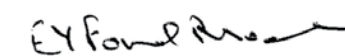
## Auditors' Report to the Members

We have audited the annexed balance sheet of Avanceon Limited (the Company) as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deductible by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



**Ernst & Young Ford Rhodes**  
Chartered Accountants  
Audit Engagement Partner: Farooq Hameed

Lahore: 21 March, 2017

## Financial Statements for the year ended December 31, 2016



Balance Sheet  
as at December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorized capital			
150,000,000 (2015: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
Issued, subscribed and paid up capital			
105,696,903 (2015: 105,696,804) ordinary shares of Rs 10 each	5	1,056,969	1,056,968
Share premium	6	61,894	61,894
Employees' share compensation reserve	7	51,597	45,000
Un-appropriated profit		828,009	725,670
		1,998,469	1,889,532
<b>Surplus on Revaluation of Property, Plant and Equipment</b>	8	112,461	110,384
<b>Non Current Liabilities</b>			
Deferred tax	9	36,270	20,762
Liabilities against assets subject to finance lease	10	44,567	34,015
		80,837	54,777
<b>Current Liabilities</b>			
Current portion of liabilities against assets subject to finance lease	10	20,960	15,416
Finances under mark up arrangements and other credit facilities - secured	11	200,339	110,772
Creditors, accrued and other liabilities	12	539,761	533,474
		761,060	659,662
<b>Contingencies and Commitments</b>	13		
		2,952,827	2,714,355

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



(Rupees in '000)	Note	2016	2015
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	14	230,232	225,280
Intangible assets	15	124	-
Long term investments	16	473,671	473,671
Long term loans and deposits	17	16,850	15,297
		720,877	714,248
<b>Current Assets</b>			
Stock in trade	18	48,416	55,454
Trade debts	19	1,214,804	924,407
Short term investments		-	5,000
Advances, deposits, prepayments and other receivables	20	952,849	971,170
Cash and bank balances	21	15,881	44,076
		2,231,950	2,000,107
		2,952,827	2,714,355



Director

Profit & Loss Statement  
for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
Sales	22	903,014	836,456
Cost of sales	23	(533,478)	(494,823)
Gross profit		369,536	341,633
Administrative and selling expenses	24	(145,173)	(152,669)
Other operating expenses	25	(7,350)	(2,475)
Other operating income	26	168,336	135,543
		15,813	(19,601)
Profit from operations		385,349	322,032
Finance costs	27	(18,075)	(10,381)
Profit before tax		367,274	311,651
Taxation	28	(54,236)	(30,713)
Profit for the year		313,038	280,938
Earnings per share - basic	29.1	2.96	2.66
Earnings per share - diluted	29.2	2.78	2.55

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
Chief Executive

  
Director

Statement of Comprehensive Income  
for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
Profit for the year		313,038	280,938
Other comprehensive income			
Items not to be reclassified to profit and loss in subsequent periods			
Transfer from revaluation surplus on account of incremental depreciation net of tax	8	695	894
Items to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income for the period		313,733	281,832

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
Chief Executive

  
Director



## Cash Flow Statement

for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	25,042	125,466
Finance cost paid		(14,616)	(6,136)
Taxes paid		(29,957)	(26,133)
<b>Net cash (used in) / generated from operating activities</b>		<b>(19,531)</b>	<b>93,197</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and capital work in progress		(6,175)	(11,113)
Purchase of intangible assets		(140)	-
Proceeds from sale of property, plant and equipment		10,232	9,063
Profit on bank deposit		289	3,889
Short term investment		5,000	90,457
Net increase in long term deposits		(1,553)	(4,259)
<b>Net cash generated from investing activities</b>		<b>7,653</b>	<b>88,037</b>
<b>Cash flows from financing activities</b>			
Net cash received against share issued		1	4
Dividend paid		(98,260)	(236,801)
Finances under mark up arrangements and other credit facilities		89,567	110,772
Repayment of finance lease liabilities		(7,625)	(22,984)
<b>Net cash used in financing activities</b>		<b>(16,317)</b>	<b>(149,009)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(28,195)</b>	<b>32,225</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>44,076</b>	<b>11,851</b>
<b>Cash and cash equivalents at the end of the year</b>	21	<b>15,881</b>	<b>44,076</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



Director



## Statement of Changes in Equity

for the year ended December 31, 2016

(Rupees in '000)	Share capital	Share premium	Employee's share compensation reserve	Un-appropriated profit / (loss)	Total
<b>Balance as on 1 January 2015</b>	1,056,966	61,893	45,000	681,661	1,845,520
Profit for the period	-	-	-	280,938	280,938
Other comprehensive income	-	-	-	894	894
	-	-	-	281,832	281,832
Issue of 270 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	2	1	-	-	3
Cash dividend paid at Rs. 2.25 per share	-	-	-	(237,823)	(237,823)
	2	1	-	(237,823)	(237,820)
<b>Balance as on 31 December 2015</b>	<b>1,056,968</b>	<b>61,894</b>	<b>45,000</b>	<b>725,670</b>	<b>1,889,532</b>
Profit for the period	-	-	-	313,038	313,038
Other comprehensive income	-	-	-	695	695
	-	-	-	313,733	313,733
Cash dividend paid at Rs. 2 per share	-	-	-	(211,394)	(211,394)
Issue of 99 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	1	-	-	-	1
Employee share option	-	-	6,597	-	6,597
	1	-	6,597	(211,394)	(204,796)
<b>Balance as on 31 December 2016</b>	<b>1,056,969</b>	<b>61,894</b>	<b>51,597</b>	<b>828,009</b>	<b>1,998,469</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



Director

Notes to the Financial Statements  
for the year ended December 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on March 26, 2003 as a private limited company which was changed to a public company on March 31, 2008 under the Companies Ordinance, 1984. The principal activity of the Company is to trade in products of automation and control equipments and to provide related technical services. The registered office of the Company is situated at 19 km, Multan Road, Lahore. The company is listed on Pakistan Stock Exchange Limited.

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2016:

New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IFRS 10	- Consolidated Financial Statements
IFRS 12	- Disclosure of Interests in Other Entities
IAS 27	- Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	- Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	- Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 and IAS 38	- Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16	- Property, Plant and Equipment
IAS 41	- Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	- Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5	- Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	- Financial Instruments: Disclosures - Servicing contracts
IFRS 7	- Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	- Employee Benefits - Discount rate: regional market issue
IAS 34	- Interim Financial Reporting - Disclosure of information ‘elsewhere in the interim financial report’

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

2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 2	- Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	- Consolidated Financial Statements and IAS 28: Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7	- Statement of Cashflows: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12	- Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4	- Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	01 January 2018
IAS 40	- Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22	- Foreign Currency Transactions and Advance Consideration	01 January 2018

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company’s financial statements in the period of initial application.

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

Standard		IASB Effective date (annual periods Beginning on or after)
IFRS 9	- Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	- Regulatory Deferred Accounts	01 January 2016
IFRS 15	- Revenue from contracts with costumers	01 January 2018
IFRS 16	- Leases	01 January 2019

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company’s financial statements in the period of initial application except for IFRS 15 of which management is in process of evaluating impact on the financial statements.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for revaluation of certain items of property, plant and equipment at revalued amounts as referred to in note 14.

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.

3.3 Significant accounting judgments and critical accounting estimates / assumptions

The Company’s significant accounting policies are stated in note 4. 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



# Notes to the Financial Statements

## for the year ended December 31, 2016

judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

### a) Provision for taxation

Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income and the decisions taken by appellate authorities. The charge for tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### b) Recoverable amount of property, plant and equipment

The company bases its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 14.

### c) Cost to complete the projects

As part of application of percentage of completion method on contract accounting, the Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

### d) Stock in trade

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

## 4. 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.

### 4.1 Staff retirement benefits

The Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2015:10%) of the basic salary.

### 4.2 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.

#### 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 balance sheet 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.

### 4.3 Property, plant and equipment

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

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to other comprehensive income.

Depreciation is charged to income using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in note 14 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 balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

### 4.4 Capital work in progress

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

### 4.5 Investments

Investments intended to be held for less than twelve months from the balance sheet 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 designation on a regular basis.

#### Investments in equity instruments of subsidiaries

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

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

### 4.6 Leases

The Company is the lessee.

#### 4.6.1 Finance leases

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

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

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

# Notes to the Financial Statements

## for the year ended December 31, 2016

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 14. Depreciation of leased assets is charged to profit and loss account.

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

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

### 4.6.2 Operating leases

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

### 4.7 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

### 4.8 Stock in trade

Stock of raw materials and finished goods, 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.

### 4.9 Financial instruments

#### 4.9.1 Financial assets

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

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

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

#### b) Loans and receivables

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

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

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

#### d) Held to maturity

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

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus

transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

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

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

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

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.11.

### 4.9.2 Financial liabilities

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

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

### 4.10 Offsetting of financial assets and liabilities

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

### 4.11 Trade debts

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

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

### 4.12 Cash and cash equivalents

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

### 4.13 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



## Notes to the Financial Statements

### for the year ended December 31, 2016

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 balance sheet date.

#### 4.14 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 Company.

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

#### 4.15 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet 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 profit and loss account.

#### 4.16 Borrowing costs

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

#### 4.17 Revenue recognition

Revenue from sale of goods are recognized when significant risks and rewards of ownership are transferred to the buyer.

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

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

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

#### 4.18 Dividend income

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

#### 4.19 Share based payment transactions

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

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

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

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

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

#### 4.20 Operating segments disclosure

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

#### 4.21 Related party transactions

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

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

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

2016 (Number of Shares)			2016 (Rupees in '000)	2015
57,163,853	57,163,754	Ordinary shares of Rs. 10 each fully paid in cash	571,639	571,638
48,533,050	48,533,050	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	485,330	485,330
105,696,903	105,696,804		1,056,969	1,056,968

(Number of Shares)	Note	2016	2015
<b>5.1 Movement during the year is as follows:</b>			
Balance as at 01 January		105,696,804	105,696,534
Ordinary shares issued during the year	5.1.1	99	270
Balance as at 31 December		105,696,903	105,696,804

**5.1.1** This represents issue of shares from cancelled portion of unsuccessful applicants of Initial Public Offering in 2014, which are being issued to successful applicants in proportion to their original subscription. 5,000 shares were cancelled out of which 2,853 (2015: 2,754) have been issued until the year end.

**5.2** Wain Family holds 75% (2015: 75%) share capital of the Company.

### 6. SHARE PREMIUM

This represents premium on 25,163,853 (2015: 25,163,754) shares at the rate of Rs. 4 each. Cost incurred on Initial Public Offering amounting to Rs. 38,761,352 have been written off against this.

(Rupees in '000)	Note	2016	2015
<b>7. EMPLOYEES' SHARE COMPENSATION RESERVE</b>			
Share options scheme I	7.1	45,000	45,000
Share options scheme II	7.2	6,597	-
		51,597	45,000

**7.1** Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 18 September 2013 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. A reserve

## Notes to the Financial Statements

### for the year ended December 31, 2016

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.

(Rupees in '000)	2016	2015
<b>7.1.1 Movement in the amount of options granted against the reserve is as follows:</b>		
Balance as at January 1	26,866	16,753
Options issued during the year	11,423	10,113
Balance as at December 31	38,289	26,866
<b>Number of options]</b>	<b>2016</b>	<b>2015</b>
<b>7.1.2 Movement in share options outstanding at end of the year is as follows:</b>		
Balance as at January 1	4,600,000	4,400,000
Options issued during the year	160,629	200,000
Balance as at December 31	4,760,629	4,600,000

The fair value of options granted during the year was Rs. 30.58.

All options have been issued at Rs. 1 in 2013, Rs. 1.20 in 2014, Rs. 1.44 in 2015 and Rs. 1.73 in 2016 and with five year vesting period and can be exercised after 2018, 2019, 2020 and 2021 respectively. The share options vest if the executive remains employed by the Company at that time.

Subsequent to the year end, the Board of Directors resolved to vary terms of the Scheme revising the exercise price of options granted to Chief Operating Officer of the Company during year 2014, 2015 and 2016 to Rs. 1 instead of Rs. 1.2, 1.44 and 1.73 respectively with exercise period from 01 July 2018 to 31 December 2018 instead of five year vesting period under the original terms of Scheme. These variations will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these variations which will be accounted for in the subsequent year.

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

(Rupees in '000)	2016	2015
<b>7.2.1 Movement in the amount of options granted against the reserve is as follows:</b>		
Balance as at January 1	-	-
Options issued during the year recognized at offer value	6,597	-
Balance as at December 31	6,597	-
<b>Number of options]</b>	<b>2016</b>	<b>2015</b>
<b>7.2.2 Movement in share options outstanding at end of the year is as follows:</b>		
Balance as at January 1	-	-
Options issued during the year	1,950,683	-
Balance as at December 31	1,950,683	-

The fair value of options granted during the year was Rs. 16.91.

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

## 8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

(Rupees in '000)	2016	2015
Opening balance of surplus on revaluation of property, plant and equipment	110,384	90,295
Revaluation surplus arising during the year - net of tax	2,772	20,983
Surplus transferred to other comprehensive income for the year on account of incremental depreciation	(695)	(894)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax	112,461	110,384

## 9. DEFERRED TAX

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

Accelerated tax depreciation / amortization	(915)	(1,643)
Unused tax losses	(45,000)	(45,000)
Surplus on revaluation of property, plant and equipment	3,956	2,013
Income taxable on receipt basis	78,229	65,392
	36,270	20,762

The aggregate tax losses available to the Company for set off against future taxable profit as at 31 December 2016 amount to Rs. 202 million (2015: Rs. 317 million). Of these, losses aggregating to Rs. 150 million (2015: Rs. 150 million) have been recognized resulting in recognition of deferred tax asset amounting to Rs. 45 million (2015: Rs. 45 million) in the financial statements as at 31 December 2016. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses can be deducted.

Expiry of aggregate tax losses is as follows:

(Rupees in '000)	2016	2015
<b>Tax Year</b>	<b>Nature</b>	
2017	Business Loss	-
2018	Business Loss	14,489
2019	Business Loss	45,669
2020	Business Loss	125,281
2021	Business Loss	8,178
2022	Business Loss	99,281
		-
		175,971
		292,898
No Expiry	Depreciation Loss	26,595
		24,236
		202,566
		317,134

During the year the Company revised its tax computation for the tax year 2016 as certain expenses which are attributable to income under Normal Tax Regime (NTR) on a directly identifiable basis, had been apportioned between income under Final Tax Regime (FTR) and NTR. Management intends to revise the previous returns on the same basis subject to approval from competent authority of Inland Revenue.



## Notes to the Financial Statements

for the year ended December 31, 2016

### 10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 8.06% to 11.47% (2015: 9.44% to 15.18%) per annum. The amount of future payments and the period during which they will become due are:

(Rupees in '000)	2016	2015
Year ended 31 December		
Due not later than 1 year	24,856	18,929
Due later than 1 year but not later than 5 years	47,639	36,802
Minimum lease payments	72,495	55,731
Less: Future finance charges	(6,968)	(6,300)
	65,527	49,431
Current portion	(20,960)	(15,416)
	44,567	34,015

(Rupees in '000)	2016		2015	
	MLP	PV of MLP	MLP	PV of MLP
<b>10.1</b> Minimum lease payments (MLP) and their present value (PV) are regrouped as below:				
Due not later than 1 year	24,856	20,960	18,929	15,416
Due later than 1 year but not later than 5 years	47,639	44,567	36,802	34,015
	72,495	65,527	55,731	49,431

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

(Rupees in '000)	Note	2016	2015
Running finance	11.1	106,904	99,828
Inland bill purchase	11.2	93,435	10,944
		200,339	110,772

**11.1** The Company has obtained running finance facility from a commercial bank with a limit of Rs.120 million (2015: Rs.100 million) bearing mark-up at the rate of 3 months KIBOR plus 2.25% (2015: 3 months KIBOR plus 2.75%). The facility is secured against first mortgage charge of Rs. 165.065 million (2015: Rs.126.19 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land & building ) of the Company, ranking hypothecation charge of Rs. 300 million (2015: Rs. 215 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Company.

**11.2** This facility has a limit of Rs. 100 million (2015: Rs. 50 million) and carries mark-up at the rate of 3 months KIBOR plus 2% (2015: 3 months KIBOR plus 2%) per annum. The facility is secured against 5% margin on invoices / bills, parri passu charge of Rs.334 million 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.

(Rupees in '000)	Note	2016	2015
<b>12. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors		176,719	84,100
Accrued expenses		28,763	23,662
Advances from customers		22,250	39,573
Payable to related parties	12.1	171,827	353,676
Social security payable		45	21
Mark up accrued on:			
- Finances under mark up arrangements and other credit facilities - secured		3,681	2,443
Other liabilities		22,327	28,985
Dividend payable	12.2	114,149	1,014
		539,761	533,474
<b>12.1</b> This represents amount due to related parties which are non-interest bearing.			
Avanceon FZE		171,202	352,538
Avanceon LP		625	1,083
Innovative Travels		-	55
		171,827	353,676

**12.2** This includes dividend payable amounting to Rs. 114.15 million at Rs. 2 per share for the year ended 31 December 2015, and is payable to the CEO of the Company Mr. Bakhtiar H Wain.

### 13. CONTINGENCIES AND COMMITMENTS

#### 13.1 Contingencies

- (i) Bank guarantees issued amounting to Rs 6.01 million (2015: Rs 31.350 million) against the performance of various contracts.
- (ii) During the year the Company received notice under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.
- (iii) Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result of this, the office of the Commissioner Inland Revenue (Appeals), Lahore disposed of the both appeals partially in favor of the company.

Then, Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) decision for both of the years, which is pending for hearing.

#### 13.2 Commitments

- (i) Letters of credit includes Rs. 0.757 million (2015: Nil ) which relates to import acceptance bills.

(Rupees in '000)	Note	2016	2015
<b>14. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	14.1	230,232	225,280
		230,232	225,280

14.1 Operating fixed assets

Notes to the Financial Statements  
for the year ended December 31, 2016

2016

	Cost / Revalued Amount as at 01 January 2016	Additions/ Transfers	Deletions	Effect of Revaluation as at 31 December 2016	Cost/revalued amount as at 31 December 2016	Accumulated depreciation as at 01 January 2016	Depreciation charge for the year / (Deletions)	Effect of revaluation/ transfers	Accumulated depreciation as at 31 December 2016	Net book value as at 31 December 2016	Rate %
<b>Owned Assets</b>											
Freehold land	96,850	-	-	-	96,850	-	-	-	-	96,850	-
Buildings on freehold land	72,926	1,506	-	(5,472)	68,960	7,386	2,105	(9,490)	1,000	68,959	5
Furniture and fixture	11,674	926	-	-	12,600	10,364	561	-	10,925	1,675	20
Vehicles	25,831	127 10,281	(16,785)	-	19,454	17,130	4,362 (11,538)	- 6,488	16,442	3,012	20
Office equipment and appliances	23,855	1,269	(162)	-	24,962	19,283	1,465 (147)	-	20,601	4,361	20
Computers	12,521	2,347	(202)	-	14,666	10,693	1,400 (130)	-	11,963	2,703	33.33
	243,657	6,175 10,281	(17,149)	(5,472)	237,492	64,856	9,893 (11,815)	(9,490) 6,488	59,932	177,560	
<b>Assets subject to Finance Lease</b>											
Vehicles	56,640	23,723 (10,281)	(716)	-	69,366	13,756	12,084 (251)	- (6,488)	19,101	50,265	20
Office equipment and appliances	5,940	-	-	-	5,940	2,345	1,188	-	3,533	2,407	20
	62,580	23,723 (10,281)	(716)	-	75,306	16,101	13,272 (251)	- (6,488)	22,634	52,672	
	306,237	29,898	(17,865)	(5,472)	312,798	80,957	23,165 (12,066)	(9,490) -	82,566	230,232	



2015

	Cost / Revalued Amount as at 01 January 2015	Additions/ Transfers	Deletions	Effect of Revaluation as at 31 December 2015	Cost/revalued amount as at 31 December 2015	Accumulated depreciation as at 01 January 2015	Depreciation charge for the year / (Deletions)	Effect of revaluation/ transfers	Accumulated depreciation as at 31 December 2015	Net book value as at 31 December 2015	Rate %
<b>Owned Assets</b>											
Freehold land	74,500	-	-	22,350	96,850	-	-	-	-	96,850	-
Buildings on freehold land	68,941	5,459	(455)	(1,019)	72,926	904	5,614 (123)	991	7,386	65,540	5
Furniture and fixture	10,995	925	(246)	-	11,674	10,206	403 (245)	-	10,364	1,310	20
Vehicles	6,783	67 32,608	(13,627)	-	25,831	6,480	1,292 (8,530)	- 17,888	17,130	8,701	20
Office equipment and appliances	22,569	3,651	(2,365)	-	23,855	20,408	1,240 (2,365)	-	19,283	4,572	20
Computers	12,178	1,011	(668)	-	12,521	9,787	1,573 (667)	-	10,693	1,828	33.33
	195,966	11,113 32,608	(17,361)	21,331	243,657	47,785	10,122 (11,930)	991 17,888	64,856	178,801	
<b>Assets subject to Finance Lease</b>											
Vehicles	63,504	27,047 (32,608)	(1,303)	-	56,640	18,897	13,095 (348)	- (17,888)	13,756	42,884	20
Office equipment and Appliances	5,940	-	-	-	5,940	1,157	1,188	-	2,345	3,595	20
	69,444	27,047 (32,608)	(1,303)	-	62,580	20,054	14,283 (348,000)	- (17,888)	16,101	46,479	
	265,410	38,160	(18,664)	21,331	306,237	67,839	24,405 (12,278)	991	80,957	225,280	



## Notes to the Financial Statements

for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>14.1.1</b> The depreciation charge has been allocated as follows:			
Cost of goods sold	23	11,583	12,202
Administrative and selling expenses	24	11,583	12,203
		23,166	24,405

**14.1.2** Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 31 December 2016. This revaluation resulted in Nil surplus (2015: Rs.22,350,000) on land and a gain / (loss) of Rs. 4,018,605 (2015: Rs. [2,010,071]) in respect of building. Detailed particulars are as follows:

(Rupees in '000)	Depreciated cost 2016	Revalued amount 2015
Freehold land	96,850	96,850
Buildings on freehold land	64,942	68,961

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

(Rupees in '000)	2016	2015
Freehold land	8,647	8,647
Buildings on freehold land	39,076	38,927

### 14.1.4 Disposal of property, plant and equipment

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

(Rupees in '000)							
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain	Mode of Disposal
<b>Owned Vehicles</b>							
<b>Employees</b>							
Toyota GLI 1.6 - LEC-7586	Saeed Ullah Khan	1,906	1,557	349	637	288	Company Policy
Honda Civic - LE-13-9628	Junaid Mushtaq Paracha	2,531	1,688	843	986	143	Company Policy
Honda Civic Reborn - LE-13-2984	Hussain Ahmed	1,935	1,547	388	685	297	Company Policy
Honda Civic 1.8-VTEC - LEE-14-9540	Omer Bin Abdul Aziz	2,199	696	1,503	1,583	80	Company Policy
Toyota Corolla XLI - LEC-7587	Omer Javaid	1,607	1,286	321	650	329	Company Policy
Toyota XLI - LHE-13-7485	Adeel Khalid	1,589	1,139	450	1,285	835	Bidding
Toyota XLI - LHE-13-7472	Adeel Khalid	1,589	1,139	450	1,285	835	Bidding
		13,356	9,052	4,304	7,111	2,807	
<b>Outsiders</b>							
CD 70 - LZE - 9261	Zaman Autos	56	54	2	11	9	Bidding
CD 70 - LZH - 8783	Zaman Autos	57	57	-	11	11	Bidding
Toyota XLI LHE-13-7486	Irfan Ahmed	1,589	1,139	450	1,160	710	Bidding
Toyota GLI - LHE-13-7482	Irfan Ahmed	1,727	1,237	490	1,365	875	Bidding
		3,429	2,487	942	2,547	1,605	
<b>Leased Vehicles</b>							
Suzuki Bolan LEH-14-5159	IGI Insurance Company	716	251	465	465	-	Insurance claim
Others (scrapped)		365	277	88	109	21	
		17,866	12,067	5,799	10,232	4,433	

(Rupees in '000)	Note	2016	2015
<b>15. INTANGIBLE ASSETS</b>			
Cost	15.1	17,677	17,537
Less: Accumulated amortization	15.2	(17,553)	(17,537)
Net book value as at 31 December		124	-

### 15.1 Cost

As at January 01		17,537	17,537
Additions during the year		140	-
As at December 31		17,677	17,537

### 15.2 Amortization

As at January 01		17,537	17,537
For the year	15.2.1	16	-
As at December 31		17,553	17,537

**15.2.1** The amortization charge has been allocated as follows:

Cost of goods sold	23	8	-
Administrative and selling expenses	24	8	-
		16	-

## 16. LONG TERM INVESTMENTS

(Rupees in '000)	2016		2015	
	Equity % held	Investment at cost	Equity % held	Investment at cost
Wholly owned subsidiaries - unquoted				
- Avanceon FZE				
26 (2015 : 26) fully paid ordinary shares of AED 1 million each	100	473,671	100	473,671

(Rupees in '000)	Note	2016	2015
<b>17. LONG TERM LOANS AND DEPOSITS</b>			
Security deposits	17.1	21,141	20,582
Loan to employees	17.2	4,100	-
		25,241	20,582
Less: Current portion		(8,391)	(5,285)
		16,850	15,297

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

## Notes to the Financial Statements

for the year ended December 31, 2016

(Rupees in '000)	2016	2015
<b>17.2</b> Reconciliation of carrying amount of loans to employees:		
Opening balance	-	-
Add: Disbursements during the year	5,000	-
Less: Repayments during the year	(900)	-
Closing balance	4,100	-

These represent interest free loans (as per company policy) provided to executives and employees for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives / employees on resignation / retirement. These are recoverable in equal monthly installments. The maximum amount of loans due from executives at the end of the year was Rupees 933,332 (2015: Nil). The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

(Rupees in '000)	Note	2016	2015
<b>18. STOCK IN TRADE</b>			
Finished goods		48,416	55,454
		48,416	55,454
<b>19. TRADE DEBTS</b>			
Considered good - due from related parties	19.1	780,979	634,402
Considered good - due from others	19.2	202,263	174,667
Due against construction work in progress and accrued revenue	19.3	231,562	115,337
		1,214,804	924,407
Considered doubtful - due from others	19.4	804	4,308
		1,215,608	928,715
Less: Provision for doubtful debts - specific		(804)	(4,308)
		1,214,804	924,407

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

**19.1** This represents amount due from Avanceon FZE (wholly owned subsidiary). Ageing of this balance is as follows:

(Rupees in '000)	2016	2015
Less than one year	146,576	171,066
One to two years	171,066	263,859
Two to three years	263,859	72,276
More than three years	199,478	127,201
	780,979	634,402

### 19.2 Ageing of due from others

The ageing analysis of these trade debts due from others is as follows:

Less than one year	190,249	169,528
One to two years	11,617	4,415
Two to three years	-	130
More than three years	397	595
	202,263	174,668

### 19.3 Ageing of construction work in progress and accrued revenue

The ageing analysis of these construction work in progress and accrued revenue is as follows:

(Rupees in '000)	Note	2016	2015
Less than one year		185,091	115,337
One to two years		46,471	-
Two to three years		-	-
More than three years		-	-
		231,562	115,337

### 19.4 Provision for doubtful debts and doubtful earnings

Opening balance		4,308	1,358
Add: Provision for the year	24	804	21,550
Less: Write off during the year		(4,308)	(18,600)
Closing balance		804	4,308

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

Advances - considered good			
- To employees		16,990	11,147
- To suppliers		9,833	8,391
		26,823	19,538
Prepayments		12,362	3,036
Bank guarantee / LC cash margin		13,122	13,178
Receivable from income tax department - considered good		46,102	56,122
Retention money - considered good		220	-
Earnest money - considered good		336	943
Earnest money - considered doubtful		95	-
Less: Provision for doubtful earnings	20.2	(95)	-
		336	943
Due from subsidiaries - unsecured			
- Dividend receivable	20.1	603,318	627,259
- Others		247,640	248,164
		850,958	875,423
Other receivables - considered good		2,926	3,315
Less: Provision against doubtful receivables	20.2	-	385
		2,926	2,930
		952,849	971,170

**20.1** This represents dividend receivable from Avanceon FZE (a wholly owned subsidiary).

(Rupees in '000)	Note	2016	2015
<b>20.2 Provision against doubtful receivables and earnings</b>			
Opening balance		385	-
Add: Provision for the year	24	95	385
Less: Write off during the year		(480)	-
Closing balance		-	385



## Notes to the Financial Statements

for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>21. CASH AND BANK BALANCES</b>			
Cash in hand		128	143
Cash with banks:			
Current accounts			
Local currency		15,303	43,933
Foreign currency		67	68
Saving accounts			
Local currency	21.1	383	26,162
		15,753	70,163
		15,881	44,076

**21.1** Profit on balances in saving accounts ranges from 4.25 % to 4.5 % (2015: 4.25% to 4.75%) per annum.

(Rupees in '000)	Note	2016	2015
<b>22. SALES - net</b>			
Local sales and services	22.1	604,610	462,217
Export sales and services	22.2	298,404	374,239
		903,014	836,456

<b>22.1 Local sales and services</b>			
Sale of goods		515,055	329,154
Less: Sales tax		(62,803)	(46,174)
		452,252	282,980
Services rendered		170,346	198,812
Less: Sales tax		(17,989)	(19,575)
		152,357	179,237
Net sales		604,610	462,217

<b>22.2 Export sales and services</b>			
Agency commission		6,865	9,478
Subcontracted supplies		10,534	74,541
Outsourcing income		-	1,839
Project revenue - export		115,618	124,560
Maintenance income - export		-	2,264
Management fees		-	20,000
Other engineering / support services		70,321	93,583
Back office support		95,066	47,974
		298,404	374,239

<b>23. COST OF SALES</b>			
Opening stock		55,454	48,465
Purchases and direct expenses		526,440	501,812
Closing stock	18	(48,416)	(55,454)
	23.1	533,478	483,824



(Rupees in '000)	Note	2016	2015
<b>23.1 Cost of goods sold and services rendered</b>			
Materials consumed		332,233	295,257
Salaries, wages, allowances and other benefits	23.2	104,185	91,617
Employees' share option expense		2,639	-
Telephone, postage and telex		4,039	4,086
Utilities		2,695	3,020
Travelling and conveyance		21,003	27,022
Installation charges		27,489	27,909
Entertainment		3,833	3,823
Repairs and maintenance		453	1,104
Printing and stationery		589	535
Import cost		17,730	12,811
Insurance		3,056	2,836
Rent, rates and taxes		1,531	1,280
Fee and subscription		412	320
Depreciation on property, plant and equipment	14.1	11,583	12,202
Amortization on intangible assets	15.2.1	8	-
Other expenses		-	2
		533,478	483,824

**23.2** Salaries, wages and benefits include Rs. 5.83 million (2015: Rs 4.981 million) and Rs 0.42 million (2015: Rs 0.372 million) representing provident fund contribution by the Company and accumulating compensated absences respectively. Amount of Rs. 80.368 million (2015: Rs. 72.277 million) related to project services.

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

(Rupees in '000)	Note	2016	2015
<b>24. ADMINISTRATIVE AND SELLING EXPENSES</b>			
Director's remuneration		6,447	6,180
Salaries, wages, allowances and other benefits	24.1	63,086	54,977
Employees' share option expense		3,958	-
Telephone, postage and telex		3,457	3,301
Utilities		2,684	3,020
Entertainment		3,477	3,560
Repairs and maintenance		1,342	3,259
Advertisement and sales promotion		234	70
Bad debts write-off expense	19.4	3,270	6,331
Printing, stationery and periodicals		577	494
Vehicle running and maintenance		1,052	1,533
Travelling and conveyance		11,991	17,063
Rent, rates and taxes		1,531	1,280
Training and tuition		1,329	679
Insurance		3,056	2,794
Legal and professional charges		1,731	2,080
Auditors' remuneration	24.2	1,449	1,766
Fee and subscription		2,389	3,014
Corporate expense		2,556	2,615
Late delivery charges		110	10
Depreciation on property, plant and equipment	14.1	11,583	12,203
Amortization of intangible assets	15.2.1	8	-
Marketing expense		6,760	8,027
Other expenses		10,197	7,477
Provision for doubtful receivables and earnings	19.4 & 20.2	899	21,935
		145,173	163,668

## Notes to the Financial Statements

for the year ended December 31, 2016

**24.1** Salaries, wages and benefits include Rs. 2.50 million (2015: Rs 2.135 million) and Rs 0.182 million (2015: Rs 0.160 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

(Rupees in '000)	Note	2016	2015
<b>24.2 Auditors' remuneration</b>			
Statutory audit		800	800
Half yearly review		350	350
Other advisory services		250	400
Out of pocket expenses		49	216
		1,449	1,766
<b>25. OTHER OPERATING EXPENSES</b>			
Social Security		273	251
Donations		2,843	2,224
Exchange loss		4,234	-
		7,350	2,475
<b>26. OTHER OPERATING INCOME</b>			
Income from financial assets	26.1	289	42,201
Income from non-financial assets	26.2	168,047	93,342
		168,336	135,543
<b>26.1 Income from financial assets</b>			
Income on bank deposits		289	3,889
Exchange gain		-	38,312
		289	42,201
<b>26.2 Income from non-financial assets</b>			
Gain on disposal of property, plant and equipment	14.4	4,432	2,677
Dividend income	26.2.1	160,174	84,501
Others		3,441	6,164
		168,047	93,342

**26.2.1** This represents dividend declared by Avanceon FZE (a wholly owned subsidiary) during the year.

(Rupees in '000)	2016	2015
<b>27. FINANCE COSTS</b>		
Mark-up and interest on:		
- Finances under mark up arrangements and other credit facilities - secured	11,207	3,537
- Finance lease	4,185	4,628
- Other financial arrangements	462	413
Bank charges	834	951
Late penalty charges	20	90
Guarantee commission	1,367	762
	18,075	10,381

(Rupees in '000)	2016	2015
<b>28. TAXATION</b>		
Current		
- for the year	40,368	26,873
Deferred		
- for the year	14,261	4,896
- due to reduction in tax rate	-	(1,651)
	14,261	3,245
Prior Year	(393)	595
	54,236	30,713

Due to the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Reconciliation of tax expense and accounting profit is not meaningful in view of presumptive taxation and minimum tax.

		2016	2015
<b>29. EARNINGS PER SHARE</b>			
<b>29.1 Basic earnings per share</b>			
Net profit for the year	Rupees in thousand	313,038	280,938
Weighted average number of ordinary shares	Numbers in thousand	105,697	105,697
Earnings per share	Rupees	2.96	2.66

### 29.2 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 the share options to employees as explained in note 7.

		2016	2015
Net profit for the year	Rupees in thousand	313,038	280,938
Weighted average number of ordinary shares	Numbers in thousand	105,697	105,697
Adjustment for share options	Numbers in thousand	6,711	4,600
Weighted average number of ordinary shares for diluted earnings per share	Numbers in thousand	112,408	110,297
Diluted earnings per share	Rupees	2.78	2.55

**29.2.1** 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 exceed the exercise price of the options.



## Notes to the Financial Statements

for the year ended December 31, 2016

(Rupees in '000)	2016	2015
<b>30. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	367,274	311,651
Adjustments for:		
Depreciation on property, plant and equipment	9,893	10,122
Depreciation on asset subject to finance lease	13,272	14,283
Provision for doubtful debts and advances	899	21,935
Employee share option expense	6,597	-
Bad debts write-off expense	3,270	6,331
Amortization of intangible assets	16	-
Exchange loss / (gain)	4,234	(38,312)
Gain on disposal of property, plant and equipment	(4,432)	(2,677)
Finance cost	15,854	8,578
Income on bank deposits	(289)	(84,501)
Dividend income	(160,174)	(3,889)
	(110,860)	(68,130)
Profit before working capital changes	256,414	243,521
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	7,038	(6,989)
- Trade debts	(298,800)	(119,401)
- Advances, deposits, prepayments and other receivables	168,475	(53,815)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	(108,085)	62,150
	(231,372)	(118,055)
Cash generated from operations	25,042	125,466

### 31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, subsidiaries, post employment benefit plans, other related companies, and key management personnel. The Company 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 34. Other significant transactions with related parties are as follows:

(Rupees in '000)	2016	2015
<b>i. Subsidiaries</b>		
Avanceon FZE- UAE		
Agency commission	6,865	9,478
Export sales	10,534	74,541
Business process outsourcing	95,066	47,974
Fee for technical services	70,321	93,583
Interest payable to Avanceon FZE transferred to the Company	-	128,737
Revenue recognized on the project based on the stage of completion	115,618	126,824
Dividend Income	160,174	84,501
Innovative Automation & Engineering Inc. - USA		
(formerly Engro Innovative Inc.)		
Interest payable to Avanceon FZE transferred to the Company	-	128,737
Management fee charged	-	20,000
<b>ii. Associated undertakings</b>		
Innovative Travels		
- and Innovative Private Limited		
Avanceon LP- USA		
Other charges and reimbursement of expenses	7,892	11,078
Outsourcing income	-	1,839
<b>iii. Post employment benefit plans</b>		
Expense charged in respect of retirements benefit plans	8,334	7,116
Payment for provident fund audit	-	80

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



(Rupees in '000)	2016 Audited	2015 Audited		
<b>32. PROVIDENT FUND</b>				
Size of fund	71,172	57,322		
Fair value of investments made	59,064	43,362		
Cost of investment made	60,799	44,050		
Percentage of investments made	83%	76%		
<b>32.1</b> Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:				
	30 June 2016		30 June 2015	
	Investments (Rupees in '000)	Investment as % of size of the fund	Investments (Rupees in '000)	Investment as % of size of the fund
Government Securities	24,000	34%	22,000	38%
Scheduled Banks	5,438	8%	1,333	3%
Other Mutual Funds	18,097	25%	9,214	16%
Listed Securities	11,528	16%	10,815	19%
	59,063		43,362	

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.

### 33. FINANCIAL RISK MANAGEMENT

#### 33.1 Financial risk factors

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

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

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

#### (a) Market risk

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

#### (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. A foreign exchange risk management guideline has been provided by the Corporate Center. The policy allows the Company to take currency exposure within predefined limits while open exposures are monitored. The Company aims to protect itself against adverse currency movements by either linking the price of its products to foreign currency.

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

## Notes to the Financial Statements

for the year ended December 31, 2016

The following significant exchange rates were applied during the year:

(Rupees in '000)	2016	2015
<b>Rupees per USD</b>		
Average rate	104.49	102.73
Reporting date rate	104.38	104.60
<b>Rupees per GBP</b>		
Average rate	141.46	156.99
Reporting date rate	127.88	155.04
<b>Rupees per Euro</b>		
Average rate	111.70	114.02
Reporting date rate	109.08	114.32
<b>Rupees per AED</b>		
Average rate	28.45	27.97
Reporting date rate	28.42	28.48

At December 31, 2016, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post tax profit/ ( loss) for the year would have been higher/lower as under, mainly as a result of foreign exchange losses/gains on translation of US Dollars-denominated liabilities.

### Foreign currency sensitivity analysis

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

	Change in exchange rate	Effect on profit / (loss) before tax (Rupees in '000)	Effect on equity (Rupees in '000)
2016	5%	4,666	3,220
	-5%	(4,666)	(3,220)
2015	5%	2,518	1,712
	-5%	(2,518)	(1,712)

### (ii) Interest rate risk

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

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

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

(Rupees in '000)	2016	2015
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances	383	26,162
<b>Financial liabilities</b>		
Liabilities against assets subject to finance lease	65,527	49,431
Finances under mark-up arrangements and other credit facilities - secured	200,339	110,772
<b>Total exposure</b>	<b>265,483</b>	<b>160,203</b>

### Interest rate sensitivity analysis

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

	Increase/decrease in basis points	Effect on profit / (loss) before tax (Rupees in '000)	Effect on equity (Rupees in '000)
2016	+100	2,655	1,832
	-100	(2,655)	(1,832)
2015	+100	1,602	1,089
	-100	(1,602)	(1,089)

### (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 equity securities price risk as its entire investment is in wholly owned subsidiary company and is stated at cost.

### (b) Credit risk

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

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

Credit risk also arises from deposits with banks and financial institutions, long term deposits, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with Company maintaining finance lease and short term loan facilities. 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)	2016	2015
Long term advances and deposits	16,850	15,297
Short term investments	-	5,000
Trade debts	1,214,804	924,407
Advances, deposits, prepayments and other receivables	884,552	904,006
Bank balances	15,752	43,933
<b>Total</b>	<b>2,131,958</b>	<b>1,892,643</b>

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

As at 31 December 2016, the Company has 35 (2015: 32) customers owing more than Rs. 1 million (2015: Rs. 1 million) each which account for 80% (2015: 86%) of total debtors.



## Notes to the Financial Statements

for the year ended December 31, 2016

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:

					Balances at banks	
					2016	2015
					(Rupees in '000)	
	Rating Short Term	Rating Long Term	Rating Agency			
Bank Islami Limited	A1	A+	PACRA	10	10	
Faysal Bank limited	A1+	AA	PACRA	216	1,930	
Habib Bank limited	A-1+	AAA	JCR-VIS	2,482	417	
KASB Bank	C	B	PACRA	12	12	
National Bank of Pakistan	A1+	AAA	PACRA	1,858	143	
NIB Bank limited	A1+	AA-	PACRA	93	93	
United Bank limited	A-1+	AAA	JCR-VIS	11	24	
Muslim Commercial Bank	A1+	AAA	PACRA	1	1	
JS Bank Limited	A1+	AA-	PACRA	8,722	28,431	
Deutsche bank AG	P-1	A2	MOODY'S	102	103	
Standard chartered	A1+	AAA	PACRA	2,245	12,764	
Finca Microfinance Bank	A-2	A-	JCR-VIS	-	5	
				15,752	43,933	

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.

**(c) Liquidity risk**

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

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

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

The following are the contractual maturities of financial liabilities:

(Rupees in '000)	Carrying amount	Less than one year	One to five years
<b>2016</b>			
Finances under mark up arrangements	200,339	200,339	-
Liabilities against assets subject to finance lease	72,495	24,856	47,639
Creditors, accrued and other liabilities	517,466	517,466	-
	790,300	742,661	47,639
<b>2015</b>			
Finances under mark up arrangements	110,772	110,772	-
Liabilities against assets subject to finance lease	55,731	18,929	36,802
Creditors, accrued and other liabilities	490,740	490,740	-
	657,243	620,441	36,802

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

(Rupees in '000)	Loans and receivables	
	2016	2015
<b>33.2 Financial instruments by categories</b>		
<b>Assets as per balance sheet</b>		
Long term advances and deposits	16,850	15,297
Short term investments	-	5,000
Trade debts	1,214,804	924,407
Advances, deposits, prepayments and other receivables		
- Advances to employees	16,990	11,147
- Bank guarantee margin	13,122	13,178
- Earnest money	336	943
- Retention money	220	-
- Due from associated companies	850,958	875,423
- Others	2,926	3,315
Cash and bank balances	15,881	44,076
	2,132,087	1,892,786

	Financial liabilities at amortized cost	
(Rupees in '000)	2016	2015
<b>Liabilities as per balance sheet</b>		
Liabilities against assets subject to finance lease	72,495	55,731
Finances under mark up arrangements and other credit facilities - secured	200,339	110,772
Creditors, accrued and other liabilities	517,466	490,740
	790,300	657,243

### 33.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2016 and December 31, 2015 are as follows:

(Rupees in '000)	2016	2015
Borrowings	265,866	160,203
Less: Cash and bank balances	(15,881)	(44,076)
Net debt	249,985	116,127
Total equity	1,998,469	1,889,533
Total capital	2,248,454	2,005,660
Gearing ratio	11%	6%

Notes to the Financial Statements  
for the year ended December 31, 2016

34. 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	
	2016	2015	2016	2015
Managerial remuneration	3,991	3,808	28,172	28,107
House rent	1,596	1,523	11,269	11,243
Utilities	399	381	2,817	2,811
Contribution to provident fund	399	381	2,817	2,811
Others	62	87	878	807
	6,447	6,180	45,953	45,779
Number of persons	1	1	16	16

The Company also provides director and certain executives with company maintained cars.

(Rupees in '000)	2016	2015
35. NUMBER OF EMPLOYEES		
Average number of employees	131	132
Closing number of employees	134	141

36. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However no significant re-arrangements have been made.

37. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 21 March, 2017 has proposed a cash dividend in respect of the year ended 31 December 2016 of Re. 1 per share and 25% Bonus Shares (2015: Cash Dividend of Rs. 2 per share and Nil Bonus Shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 21 March, 2017 by the Board of Directors of the Company.

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Chief Executive

  
Director



## Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Avanceon Limited (the Holding Company) and its subsidiary companies as at 31 December 2016 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Avanceon Limited and its subsidiary companies except for Innovative Automation Inc. USA (formerly Engro Innovative Inc.) results of which have been consolidated based on the unaudited financial information prepared by management. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of Avanceon Limited and its subsidiary companies as at 31 December 2016 and the results of its operations for the year then ended.

### Consolidated Financial Statements

for the year ended December 31, 2016

*Ernst & Young Ford Rhodes*

Ernst & Young Ford Rhodes  
Chartered Accountants  
Audit Engagement Partner: Farooq Hameed

Lahore: 3 April, 2017



# Consolidated Balance Sheet

as at December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
150,000,000 (2015: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
<b>Issued, subscribed and paid up capital</b>			
105,696,903 (2015: 105,696,804) ordinary shares of Rs 10 each	5	1,056,969	1,056,968
Share premium	6	61,894	61,894
Employees' share compensation reserve	7	51,597	45,000
Exchange revaluation reserve		209,034	210,010
Un-appropriated profit		700,040	578,673
		2,079,534	1,952,545
<b>Surplus on Revaluation of Property, Plant and Equipment</b>	8	112,461	110,384
<b>Non Current Liabilities</b>			
Liabilities against assets subject to finance lease	9	44,567	35,432
Deferred liabilities	10	64,516	39,545
		109,083	74,977
<b>Current Liabilities</b>			
Current portion of liabilities against assets subject to finance lease	9	21,522	17,938
Finances under mark up arrangements and other credit facilities - secured	11	265,637	190,545
Creditors, accrued and other liabilities	12	696,659	517,631
		983,818	726,114
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		3,284,896	2,864,020

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

Chief Executive

(Rupees in '000)	Note	2016	2015
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	14	233,107	231,195
Intangible assets	15	124	-
Long term investment	16	567,349	568,547
Long term loans and deposits	17	30,624	27,333
		831,204	827,075
<b>Current Assets</b>			
Stock in trade	18	101,234	59,474
Trade debts	19	1,837,932	1,499,063
Advances, deposits, prepayments and other receivables	20	243,154	163,190
Term deposits with banks	21	155,554	180,936
Cash and bank balances	22	115,818	134,282
		2,453,692	2,036,945
		3,284,896	2,864,020

Director



# Consolidated Profit & Loss Account

for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
Revenue	23	2,063,627	1,635,641
Cost of sales	24	(1,317,408)	(1,097,849)
Gross profit		746,219	537,792
Administrative and selling expenses	25	(321,685)	(290,599)
Other operating expenses	26	(9,932)	(4,973)
Other operating income	27	31,636	61,031
		(299,981)	(234,541)
Profit from operations		446,238	303,251
Finance costs	28	(50,455)	(30,625)
Profit before tax		395,783	272,626
Taxation	29	(63,716)	(30,713)
Profit for the year		332,067	241,913
Earnings per share - basic	34.1	3.14	2.29
Earnings per share - diluted	34.2	2.95	2.19

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

  
Chief Executive

  
Director

# Consolidated Statement of Comprehensive Income

for the year ended December 31, 2016

(Rupees in '000)	2016	2015
Profit for the year	332,067	241,913
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods		
- Exchange difference on translating foreign operations	(976)	25,369
Items not to be reclassified to profit or loss in subsequent periods		
- Transfer from revaluation surplus on account of incremental depreciation net of tax	694	894
Total comprehensive income for the year	331,785	268,176

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

  
Chief Executive

  
Director

## Consolidated Cash Flow Statement

for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>Cash flows from operating activities</b>			
Cash generated from continuing operations	33	53,107	224,658
Finance costs paid		(26,466)	(15,604)
Retirement benefits paid		(383)	(1,651)
Taxes paid		(49,457)	(26,799)
<b>Net cash (used in) / generated from operating activities</b>		<b>(23,199)</b>	<b>180,604</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and capital work in progress		(6,604)	(11,456)
Purchase of intangible asset		(140)	-
Proceeds from disposal of property, plant and equipment		10,927	10,511
Income on bank deposits received		12,631	13,615
Short term investment		25,382	18,576
Net increase in long term deposits		(3,291)	(4,682)
<b>Net cash generated from investing activities</b>		<b>38,905</b>	<b>26,564</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		1	4
Dividend paid		(98,259)	(237,823)
Finances under markup arrangements		75,092	151,375
Repayment of finance lease liabilities		(11,004)	(26,438)
<b>Net cash used in financing activities</b>		<b>(34,170)</b>	<b>(112,882)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(18,464)</b>	<b>94,286</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>134,282</b>	<b>39,996</b>
<b>Cash and cash equivalents at the end of the year</b>	22	<b>115,818</b>	<b>134,282</b>

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

  
Chief Executive

  
Director



## Consolidated Statement of Changes in Equity

for the year ended December 31, 2016

(Rupees in '000)	Share capital	Share premium reserve	Employee's share compensation reserve	Exchange revaluation reserve	Un-appropriated profit / (loss)	Total
<b>Balance as on 01 January 2015</b>	1,056,966	61,893	45,000	184,641	573,689	1,922,189
Profit for the period	-	-	-	-	241,913	241,913
Other comprehensive income	-	-	-	25,369	894	26,263
	-	-	-	25,369	242,807	268,176
Final dividend for the year ended 31 December 2014 at the rate of Rs. 2.25 per share	-	-	-	-	(237,823)	(237,823)
Issue of 270 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	2	1	-	-	-	3
	2	1	-	-	(237,823)	(237,820)
<b>Balance as on 31 December 2015</b>	1,056,968	61,894	45,000	210,010	578,673	1,952,545
Profit for the period	-	-	-	-	332,067	332,067
Other comprehensive income	-	-	-	(976)	694	(282)
	-	-	-	(976)	332,761	331,785
Final dividend for the year ended 31 December 2015 at the rate of Rs. 2 per share	-	-	-	-	(211,394)	(211,394)
Issue of 99 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	1	-	-	-	-	1
Employee share option	-	-	6,597	-	-	6,597
	1	-	6,597	-	(211,394)	(204,796)
<b>Balance as on 31 December 2016</b>	1,056,969	61,894	51,597	209,034	700,040	2,079,534

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

  
Chief Executive

  
Director



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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 changed to public limited company on 31 March 2008 under the Companies Ordinance, 1984. The principal activity of the Holding Company is to trade in products of automation and control equipment and provide related technical services. The registered office of the Holding Company is situated at 19 km, Multan Road, Lahore. The company is listed on Pakistan Stock Exchange Limited.

### 1.1 The "Group" consists of:

#### Holding Company

Avanceon Limited (AVN)

#### Subsidiary companies;

	% age of holding
- Avanceon, Free Zone Establishment, UAE (AVNZE);	100%
- Innovative Automation & Engineering Inc. (formerly Engro Innovative Inc.) USA (IA);	100%

AFZE is a Free Zone Establishment with limited liability formed pursuant to Law No.9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued thereunder by the Jebel Ali Free Zone Authority and was registered with the Jebel Ali Free Zone Authority under Registration No. 816 on 28 February 2004, and its registered office is situated in the Jebel Ali Free Zone, Dubai, United Arab Emirates.

The principal activities of the Establishment are to trade in products of automation and control equipment and provide related technical support.

IA's registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Company holds 26.11% (2015: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

## 2. BASIS OF PREPARATION

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

### 2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2016:

#### New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IFRS 10	- Consolidated Financial Statements
IFRS 12	- Disclosure of Interests in Other Entities
IAS 27	- Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	- Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	- Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 and IAS 38	- Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 and IAS 41	- Property, Plant and Equipment and Agriculture - Bearer Plants (Amendment)
IAS 27	- Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

### Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5	- Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	- Financial Instruments: Disclosures - Servicing contracts
IFRS 7	- Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	- Employee Benefits - Discount rate: regional market issue
IAS 34	- Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments did not have any significant effect on the financial statements.

### 2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 2	- Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	- Consolidated Financial Statements and IAS 28: Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7	- Statement of Cash Flows - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12	- Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4	- Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	01 January 2018
IAS 40	- Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22	- Foreign Currency Transactions and Advance Consideration	01 January 2018

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard		IASB Effective date (annual periods Beginning on or after)
IFRS 9	- Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	- Regulatory Deferred Accounts	01 January 2016
IFRS 15	- Revenue from contracts with costumers	01 January 2018
IFRS 16	- Leases	01 January 2019

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application except for IFRS 15 of which management is in process of evaluating impact on the financial statements.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 3. BASIS OF MEASUREMENT

- 3.1** These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of certain items of property, plant and equipment at revalued amounts as referred to in note 8.
- 3.2** The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:
- a) Provision for taxation**
- Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income and the decisions taken by appellate authorities. The charge for tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.
- b) Recoverable amount of property, plant and equipment**
- The Group basis its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 8.
- c) Cost to complete the projects**
- As part of application of percentage of completion method on contract accounting, the Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. 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.
- d) Stock in trade**
- Stock-in-trade is carried at the lower of cost and net realisable value. The net realisable value is assessed by the Group having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.
- 3.3 Functional and presentation currency**
- These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest rupee.

## 4. 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 the years presented.

### 4.1 Principles of consolidation

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

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities

assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the parent obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

### 4.2 Staff retirement benefits

#### Defined contribution plan

The parent Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2015:10%) of the basic salary.

#### Defined benefit plan

The Group operates an unfunded gratuity scheme for all of its permanent employees of Avanceon FZE, Dubai. Provision for employee gratuity is made annually to cover liability under the scheme in accordance with the regulation of Jebel Ali Free Zone Authority, UAE.

### 4.3 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



# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2016

the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised 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 utilised.

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 balance sheet 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.

Provision is not made for taxation which would become payable if retained profits of subsidiaries were distributed to the Holding Company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

### 4.4 Property, plant and equipment

Property, plant 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, however, freehold land is stated at revalued amount.

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

Depreciation is charged to income using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed during the month. The rates of depreciation are stated in note 14 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 balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, 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 recognised 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 income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

### 4.5 Capital work in progress

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

### 4.6 Leases

The Group is the lessee.

### 4.6.1 Finance leases

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

The related rental obligations, net of finance charge, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and long term depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 14. Depreciation of leased assets is charged to profit and loss account.

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

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

### 4.6.2 Operating leases

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

### 4.7 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

### 4.8 Stock in trade

Stock of raw materials and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realisable 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 realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make a sale

### 4.9 Financial instruments

#### 4.9.1 Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2016

trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

### b) Loans and receivables

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

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

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

### d) Held to maturity

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

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

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

Changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.11.

### 4.9.2 Financial liabilities

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

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

### 4.10 Offsetting of financial assets and liabilities

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

### 4.11 Trade debts

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

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

### 4.12 Cash and cash equivalents

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

### 4.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 balance sheet date.

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

### 4.15 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.



# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2016

### 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 balance sheet 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.

### 4.16 Borrowing costs

Mark up, interest and other charges on long term borrowings are capitalised up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to income.

### 4.17 Revenue recognition

Revenue from sale of goods are recognised when significant risks and rewards of ownership are transferred to the buyer. Service revenue is recognised over the contractual period or as and when services are rendered to customers. Financial income is recognised as it accrues on a time proportion basis by reference to the principal outstanding, using the effective mark-up rates.

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

### 4.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the chief executive officer, general manager marketing and chief financial officer.

### 4.19 Share based payment transactions

The grant date fair value of equity settled share based payment to employees is initially recognized in the balance sheet as deferred employee compensation with a corresponding credit to equity as employees' share compensation reserve.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in profit and loss account, employee compensation expense in profit and loss account and deferred employee compensation in balance sheet will be reversed equal to the amortized and unamortized portion respectively, with a corresponding effect to the employees' share compensation reserve.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognised in the profit and loss account is reduced with a corresponding reduction to employee compensation reserve in the balance sheet.

When the options are exercised, employees' compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

### 4.20 Provision

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

### 4.21 Related party transactions

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

Parties are said to be related if they are able to influence the operating and financial decisions of the Group companies and vice versa.

## 5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016 (Number of Shares)		2015	2016 (Rupees in '000)		2015
57,163,853	57,163,754	Ordinary shares of Rs. 10 each fully paid in cash	571,639		571,638
48,533,050	48,533,050	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	485,330		485,330
105,696,903	105,696,804		1,056,969		1,056,968

(Number of Shares)		Note	2016	2015
<b>5.1 Movement during the year is as follows:</b>				
Balance as at 01 January			105,696,804	105,696,534
Ordinary shares issued during the year		5.1.1	99	270
Balance as at 31 December			105,696,903	105,696,804

**5.1.1** This represents issue of shares from cancelled portion of unsuccessful applicants of Initial Public Offering in 2014 of the Holding Company, which are being issued to successful applicants in proportion to their original subscription. 5,000 shares were cancelled out of which 2,853 (2015: 2,754) have been issued until the year end.

**5.2** Wain Family holds 75% (2015: 75%) share capital of the Company.

## 6. SHARE PREMIUM

This represents premium on 25,163,853 (2015: 25,163,754) shares at the rate of Rs. 4 each. Cost incurred on Initial Public Offering amounting to Rs. 38,761,352 have been written off against this.

(Rupees in '000)		Note	2016	2015
<b>7. EMPLOYEES' SHARE COMPENSATION RESERVE</b>				
Share options scheme I		7.1	45,000	45,000
Share options scheme II		7.2	6,597	-
			51,597	45,000

**7.1** Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 18 September 2013 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Holding Company are granted to employees of level MT3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. A

## Notes to the Consolidated Financial Statements

### for the year ended December 31, 2016

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 Holding Company.

(Rupees in '000)	2016	2015
<b>7.1.1 Movement in the amount of options granted against the reserve is as follows:</b>		
Balance as at January 1	26,866	16,753
Options issued during the year recognised at the grant date fair value	11,423	10,113
Balance as at 31 December	38,289	26,866
(Number of options)	2016	2015
<b>7.1.2 Movement in share options outstanding at end of the year is as follows:</b>	<b>2016</b>	<b>2015</b>
Balance as at 01 January	4,600,000	4,400,000
Options issued during the year	160,629	200,000
Balance as at 31 December	4,760,629	4,600,000

The fair value of options granted during the year was Rs. 30.58.

All options have been issued at Rs. 1 in 2013, Rs. 1.20 in 2014, Rs. 1.44 in 2015 and Rs. 1.73 in 2016 and with five year vesting period and can be exercised after 2018, 2019, 2020 and 2021 respectively. The share options vest if the executive remains employed by the Holding Company at that time.

Subsequent to the year end, the Board of Directors resolved to vary terms of the Scheme revising the exercise price of options granted to Chief Operating Officer of the Company during year 2014, 2015 and 2016 to Rs. 1 instead of Rs. 1.2, 1.44 and 1.73 respectively with exercise period from 01 July 2018 to 31 December 2018 instead of five year vesting period under the original terms of Scheme. These variations will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these variations which will be accounted for in the subsequent year.

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

(Rupees in '000)	2016	2015
<b>7.2.1 Movement in the amount of options granted against the reserve is as follows:</b>		
Balance as at January 1	-	-
Options issued during the year recognized at offer value	6,597	-
Balance as at December 31	6,597	-
Number of options]	2016	2015
<b>7.2.2 Movement in share options outstanding at end of the year is as follows:</b>		
Balance as at January 1	-	-
Options issued during the year	1,950,683	-
Balance as at December 31	1,950,683	-

The fair value of options granted during the year was Rs. 16.91.

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



## 8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

(Rupees in '000)	2016	2015
Opening balance of surplus on revaluation of property, plant and equipment	110,384	90,295
Revaluation surplus arising during the year - net of tax	2,772	20,983
Surplus transferred to unappropriated profit on account of incremental depreciation	(694)	(894)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax	112,461	110,384

## 9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 5.66% to 11.47% (2015: 5.66% to 15.18% per annum). The amount of future payments and the period during which they will become due are:

(Rupees in '000)	Note	2016	2015
Year ended 31 December			
Due not later than 1 year		25,431	21,637
Due later than 1 year but not later than 5 years		47,639	38,254
Minimum lease payments		73,070	59,891
Less: Future finance charges		(6,981)	(6,521)
		66,089	53,370
Current portion	9.1	(21,522)	(17,938)
		44,567	35,432

(Rupees in '000)		2016		2015	
		MLP	PV of MLP	MLP	PV of MLP
<b>9.1</b>	Minimum lease payments (MLP) and their present value (PV) are regrouped as below:				
	Due not later than 1 year	25,431	21,522	21,637	17,938
	Due later than 1 year but not later than 5 years	47,639	44,567	38,254	35,432
		73,070	66,089	59,891	53,370

**9.2** There are no financial restrictions imposed by the leasing companies and the Group has the option to purchase the leased assets at the end of lease term.

(Rupees in '000)	Note	2016	2015
<b>10. DEFERRED LIABILITIES</b>			
Retirement and other service benefits		28,246	18,783
Deferred taxation	10.1	36,270	20,762
		64,516	39,545



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(Rupees in '000)	2016	2015
<b>10.1 Deferred Taxation</b>		
The (asset) / liability for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation / amortization	(915)	(1,643)
Unused tax losses	(45,000)	(45,000)
Surplus on revaluation of property, plant and equipment	3,956	2,013
Income taxable on receipt basis	78,229	65,392
	36,270	20,762

The aggregate tax losses available to the Company for set off against future taxable profit as at 31 December 2016 amount to Rs. 202 million (2015: Rs. 317 million). Of these, losses aggregating to Rs. 150 million (2015: Rs. 150 million) have been recognized resulting in recognition of deferred tax asset amounting to Rs. 45 million (2015: Rs. 45 million) in the financial statements as at 31 December 2016. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses can be deducted.

Expiry of aggregate tax losses is as follows:

(Rupees in '000)		2016	2015
	<b>Tax Year</b>	<b>Nature</b>	
	2017	Business Loss	14,489
	2018	Business Loss	45,669
	2019	Business Loss	125,281
	2020	Business Loss	8,178
	2021	Business Loss	99,281
	2022	Business Loss	-
			175,971
	No Expiry	Depreciation Loss	24,236
			202,566
			317,134

During the year the Company revised its tax computation for the tax year 2016 as certain expenses which are attributable to income under Normal Tax Regime (NTR) on a directly identifiable basis, had been apportioned between income under Final Tax Regime (FTR) and NTR. Management intends to revise the previous returns on the same basis subject to approval from competent authority of Inland Revenue.

### 11. FINANCES UNDER MARK UP ARRANGEMENTS AND OTHER CREDIT FACILITIES

(Rupees in '000)	Note	2016	2015
Running finance	11.1	106,904	99,828
Inland bill	11.2	93,435	10,944
National Bank of Fujairah PSC	11.3	-	1,936
United Bank Limited	11.4	65,298	77,837
		265,637	190,545

**11.1** The parent Company has running finance facility from a commercial bank with a limit of Rs.120 million (2015: Rs.100 million) bearing mark-up at the rate of 3 months KIBOR plus 2.25% (2015: 3 months KIBOR plus 2.75%). The facility is secured against first mortgage charge of Rs. 165.07 million (2015: Rs.126.19 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land & building ) of the Company, ranking hypothecation charge of Rs. 300 million (2015: Rs. 215 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Company.

**11.2** This facility has been obtained by parent Company having limit of Rs. 100 million (2015: Rs. 50 million) and carries mark-up at the rate of 3 months KIBOR plus 2% (2015: 3 months KIBOR plus 2%) per annum. The facility is secured

against 5% margin on invoices / bills, parri passu charge on all present and future 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.

(Rupees in '000)	Maturity Months	Limit	2016	2015
<b>11.3 National Bank of Fujairah PSC</b>				
Receivables Financing	6	21,315	-	-
Trust Receipt Loans	4	42,630	-	-
New Port Project				
Short term loan	6	11,368	-	1,936
Receivables Financing	3	65,366	-	-
Trust Receipt Loans	4	65,366	-	-
			-	1,936

These finance facilities bear mark-up at the rate of 2.25% over the bank's prime rate with a floor of 9 percent and are secured by way of pledge over fixed deposit of AED 515,538 (note 21), hypothecation of stocks and personal guarantee of Mr. Bakhtiar Hamid Wain.

(Rupees in '000)	Maturity Months	Limit	2016	2015
<b>11.4 United Bank Limited</b>				
Short term loan	90	14,210	14,210	14,240
Trust Receipt Loans	180	56,840	16,766	-
Invoice discounting (Empower project)	180	142,100	34,321	44,188
United construction				
Trust Receipt Loans	180	56,960	-	19,409
Larsen and Toubro				
Trust Receipt Loans	180	99,680	-	-
			65,297	77,837

These finance facilities bear mark-up at the rate of 4.5% over EIBOR with a floor of 9 percent and are secured by way of undated cheque of AED 500,000, assignment of receivables from respective projects, personal guarantees of Mr. Bakhtiar H Wain, Khalid Wain and Amir Waheed Wain and cross corporate guarantee of Avanceon Limited.

(Rupees in '000)	Note	2016	2015
<b>12. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors		408,046	235,038
Accrued expenses		30,193	48,766
Advances from customers		46,108	61,465
Social security payable		45	21
Mark up accrued on:			
- Finances under mark up arrangements and other credit facilities - secured		3,681	2,443
Payable to related parties		537	1,138
Billing in excess of cost and estimated earning		43,829	125,658
Other liabilities		50,071	42,088
Dividend payable	12.1	114,149	1,014
		696,659	517,631

**12.1** This represents dividend payable to the CEO of the Group Mr. Bakhtiar H Wain at Rs. 2 per share for the year ended 31 December 2015.

Operating fixed assets	14.1	233,107	231,195
		233,107	231,195

14.1 Operating fixed assets												
	2016											
	Cost / Revalued Amount as at 01 January 2016	Exchange adjustment on cost	Additions/ *Transfers/ (Deletions)	Effect of revaluation	Cost as on 31 December 2016	Accumulated Depreciation as on 01 January 2016	Exchange adjustment on accumulated depreciation	*Transfer adjustments/ (Deletions)	Depreciation charge for the year/ Effect of revaluation	Accumulated depreciation as on 31 December 2016	Net Book value as on 31 December 2016	Rate %
<b>Owned Assets</b>												
Freehold land	96,850	-	-	-	96,850	-	-	-	-	-	96,850	-
Building on freehold land	72,926	-	1,506	(5,472)	68,961	7,385	-	-	2,105 (9,490) *	-	68,961	5
Vehicles	25,830	-	127 19,016 *	-	21,232	17,130	(11,400)	25,109 *	4,480	17,984	3,248	20
Furniture and fittings	18,124	(14)	926	-	19,036	16,237	(13)	-	732	16,956	2,080	20
Office equipment and appliances	28,827	(11)	1,269	-	29,923	23,787	(10)	-	1,616	25,246	4,677	20
Plant and machinery	3,953	(8)	-	-	3,945	3,953	(8)	-	-	3,945	-	20
Computers	17,343	(11)	2,776	-	19,906	15,141	(9)	-	1,672	16,674	3,232	33.33
	263,853	(44)	6,604 19,016 *	(5,472)	259,853	83,633	(11,440)	25,109 *	10,605 (9,490) *	80,805	179,048	
<b>Assets subject to Finance Lease</b>												
Motor vehicles	68,082	(153)	23,723 (18,887)	-	72,049	20,702	11,279	(25,002) *	13,669 (251)	20,397	51,652	20
Office equipment and appliances	5,940	-	-	-	5,940	2,345	-	-	1,188	3,533	2,407	20
	74,022	(153)	23,723 (18,887) *	-	77,989	23,047	11,279	(25,002) *	14,857 (251)	23,930	54,059	
	337,875	(197)	30,327	(5,472)	337,842	106,680	(161)	106,937 (17,863)	25,462 (9,490) *	104,735	233,107	

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	2015											
	Cost / Revalued Amount as at 01 January 2015	Exchange adjustment on opening cost	Additions/ *Transfers/ (Deletions)	Effect of revaluation	Cost as on 31 December 2015	Accumulated Depreciation as on 01 January 2015	Exchange adjustment on accumulated depreciation	*Transfer adjustments/ (Deletions)	Depreciation charge for the year/ *Effect of revaluation	Accumulated depreciation as on 31 December 2015	Net Book value as on 31 December 2015	Rate %
Owned Assets												
Freehold land	74,500	-	-	22,350	96,850	-	-	-	-	-	96,850	-
Building on freehold land	68,941	-	5,459 (455)	(1,019)	72,926	904	-	-	5,614 991 *	7,385	65,541	5
Vehicles	6,782	-	67 32,608 *	-	25,830	6,480	-	17,888 *	1,292	17,130	8,700	20
Furniture and fittings	16,791	244	1,335 (13,627)	-	18,124	15,710	234	-	538	16,237	1,887	20
Office equipment and appliances	27,063	189	3,940 (246)	-	28,827	24,544	178	-	1,430	23,787	5,040	20
Plant and machinery	3,794	159	- (2,365)	-	3,953	3,794	159	-	-	3,953	-	20
Computers	16,529	184	1,298 (668)	-	17,343	13,817	174	-	1,817	15,141	2,202	33.33
	214,400	776	12,099 32,608 *	21,331	263,853	65,249	745	17,888 *	10,691 991 *	83,633	180,220	
Assets subject to Finance Lease												
Motor vehicles	76,440	544	27,047 (32,608)	-	68,082	23,790	259	(17,888) *	15,703 (1,162)	20,702	47,380	20
Office equipment and appliances	5,940	-	- (3,341)	-	5,940	1,157	-	-	1,188	2,345	3,595	20
	82,380	544	27,047 (32,608) *	-	74,022	24,947	259	(17,888) *	16,891 (1,162)	23,047	50,975	
	296,780	1,320	39,146 (20,702)	21,331	337,875	90,196	1,004	-	27,582 991	106,680	231,195	

(Rupees in '000)	Note	2016	2015
<b>14.1.1 The depreciation charge has been allocated as follows:</b>			
Cost of goods sold	24.1	12,731	13,791
Administrative and selling expenses	25	12,731	13,791
		25,462	27,582

**14.1.2** Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 31 December 2016. This revaluation resulted in a Nil surplus (2015: Rs.22,350,000) on land and a gain / (loss) of Rs. 4,018,605 [2015: Rs. (2,010,071)] in respect of building. Detailed particulars are as follows:

(Rupees in '000)	Depreciated cost 2016	Revalued amount 2015
Freehold land	96,850	96,850
Buildings on freehold land	64,942	68,961

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

(Rupees in '000)	2016	2015
Freehold land	8,647	8,647
Buildings on freehold land	39,076	40,287

**14.1.4 Disposal of property, plant and equipment**

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

(Rupees in '000)	Particulars of assets	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/(loss)	Mode of Disposal
<b>Owned Vehicles</b>							
	Toyota GLI 1.6 - LEC-7586	1,906	1,557	349	637	288	Company Policy
	Honda Civic - LE-13-9628	2,531	1,688	843	986	143	Company Policy
	Honda Civic - LE-13-2984	1,935	1,547	388	685	297	Company Policy
	Honda Civic - LEE-14-9540	2,199	696	1,503	1,583	80	Company Policy
	Toyota Corolla - LEC-7587	1,607	1,286	321	650	329	Company Policy
	Toyota XLI - LHE-13-7485	1,589	1,139	450	1,285	835	Company Policy
	Toyota XLI - LHE-13-7472	1,589	1,139	450	1,285	835	Company Policy
	NISSAN 5600CC- 61197	6,957	5,797	1,160	696	(464)	Company Policy
		20,313	14,849	5,464	7,807	2,343	
	CD 70 - LZE - 9261	56	54	2	11	9	Bidding
	CD 70 - LZH - 8783	57	57	-	11	11	Bidding
	Toyota XLI LHE-13-7486	1,589	1,139	450	1,160	710	Bidding
	Toyota GLI - LHE-13-7482	1,727	1,237	490	1,365	875	Bidding
		3,429	2,487	942	2,547	1,605	
<b>Leased Vehicles</b>							
	Suzuki Bolan LEH-14-5159	716	251	465	465	-	Insurance claim
	Others (scraped)	365	277	88	109	21	
		24,823	17,864	6,959	10,928	3,969	



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(Rupees in '000)	Note	2016	2015
<b>15. INTANGIBLE ASSETS</b>			
Cost	15.1	17,677	17,537
Less: Accumulated amortization	15.2	(17,553)	(17,537)
Net book value as at 31 December		124	-
<b>15.1 Cost</b>			
As at January 01		17,537	17,537
Additions during the year		140	-
As at December 31		17,677	17,537
<b>15.2 Amortization</b>			
As at January 01		17,537	17,537
For the year	15.2.1	16	-
As at December 31		17,553	17,537
<b>15.2.1</b> The amortization charge has been allocated as follows:			
Cost of goods sold	24.1	8	-
Administrative and selling expenses	25	8	-
		16	-
<b>16. LONG TERM INVESTMENTS</b>			
<b>Unquoted</b>			
Avanceon GP LLC		37	37
Avanceon LP		567,312	568,510
		567,349	568,547

Innovative Automation & Engineering Inc., USA (formerly Engro Innovative Inc.) has a 26.11% (2015: 26.11%) interest in Avanceon LP and Avanceon GP LLC. Avanceon LP is engaged in providing innovative technology solutions to clients in various industries. The partnership designs, develops, implements and provides support of automated manufacturing processes for its customers.

Due to absence of significant influence, Avanceon GP LLC and Avanceon LP are not considered associates for the purpose of consolidation.

(Rupees in '000)	Note	2016	2015
<b>17. LONG TERM LOANS AND DEPOSITS</b>			
Security deposits	17.1	34,915	32,618
Loan to employees	17.2	4,100	-
		39,015	32,618
Less: Current portion		(8,391)	(5,285)
		30,624	27,333

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

(Rupees in '000)	2016	2015
<b>17.2 Reconciliation of carrying amount of loan to employees:</b>		
Opening balance	-	-
Add: Disbursements during the year	5,000	-
Less : Repayments during the year	(900)	-
Closing balance	4,100	-

These represent interest free loans (as per company policy) provided to executives and employees of the parent company for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives / employees on resignation / retirement. These are recoverable in equal monthly installments. The maximum amount of loans due from executives at the end of any month during the year was Rupees 933,332 (2015: Nil). The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

(Rupees in '000)	Note	2016	2015
<b>18. STOCK IN TRADE</b>			
Finished goods		101,234	59,474
		101,234	59,474
<b>19. TRADE DEBTS</b>			
Considered good - due from others	19.1	650,239	751,662
Due against construction work in progress and accrued revenue	19.2	1,187,693	747,401
Considered doubtful- due from others		2,802	4,564
		1,840,734	1,503,627
Less: Provision for doubtful debts - specific	19.3	(2,802)	(4,564)
		1,837,932	1,499,063

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

(Rupees in '000)	2016	2015
<b>19.1 Ageing of trade debts due from others</b>		
The ageing analysis of these trade debts due from others is as follows:		
Less than one year	495,612	719,553
One to two years	132,688	31,040
Two to three years	21,197	474
More than three years	741	595
	650,238	751,662

### 19.2 Ageing of construction work in progress and accrued revenue

The ageing analysis of these construction work in progress and accrued revenue is as follows:

(Rupees in '000)	Note	2016	2015
Less than one year		1,141,222	747,401
One to two years		46,471	-
Two to three years		-	-
More than three years		-	-
		1,187,693	747,401

### 19.3 Provision for doubtful debts and doubtful earnings

Opening balance		4,564	1,358
Add: Provision for the year	25	2,801	21,801
Add: Exchange difference		-	5
Less: Amount written off during the year		(4,563)	(18,600)
		2,802	4,564

## Notes to the Consolidated Financial Statements

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(Rupees in '000)	Note	2016	2015
<b>20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances - considered good			
- To employees		27,317	22,580
- To suppliers		54,637	12,089
		81,954	34,669
Prepayments		17,331	6,223
Bank guarantee/ LC cash margin		70,106	57,505
Receivable from income tax authorities - considered good		46,690	56,711
Earnest money- considered good		336	943
Earnest money- considered doubtful		95	-
Less: Provision for doubtful earnings	25	(95)	-
		336	943
Retention money		220	-
Due from associated concern- unsecured			
- Dividend receivable		19,255	-
Other receivables- considered good		7,262	7,139
		243,154	163,190
<b>21. SHORT TERM INVESTMENT</b>			
Foreign currency	21.1	155,554	175,936
Local currency		-	5,000
		155,554	180,936
<b>21.1</b> This represents term deposits receipts of ABN AMRO (AED 4,957,875) and National Bank of Fujairah PSC (AED 515,538) having maturities of 1 to 6 months carrying mark-up at the rate of 0.27% to 10.08% (2015: 0.51% to 10.08%) per annum.			
(Rupees in '000)	Note	2016	2015
<b>22. CASH AND BANK BALANCES</b>			
Cash in hand		223	257
Cash with banks:			
Current accounts			
Local currency		15,303	107,794
Foreign currency		99,909	68
Saving accounts			
Local currency	22.1	383	26,162
		115,595	134,025
		115,818	134,282

**22.1** Profit on balances in saving accounts ranges from 4.25 % to 4.5 % (2015: 4.25% to 4.75%) per annum.

(Rupees in '000)	Note	2016	2015
<b>23. REVENUE</b>			
Local sales and services	23.1	1,780,014	1,318,843
Export sales and services		254,885	316,798
Investment Income	23.2	28,728	-
		2,063,627	1,635,641
<b>23.1 Local sales and services</b>			
Local sales and services		1,860,806	1,353,845
Less: Sales tax		(80,792)	(35,002)
Net sales		1,780,014	1,318,843
<b>23.2</b> This includes dividend income received by Innovative Automation & Engineering Inc. USA (formerly Engro Innovative Inc. USA) from its associate Avanceon LP.			
(Rupees in '000)	Note	2016	2015
<b>24. COST OF SALES</b>			
Opening stock		59,465	50,290
Purchases and direct expenses		1,359,177	1,107,033
Closing stock	18	(101,234)	(59,474)
	24.1	1,317,408	1,097,849
<b>24.1 Cost of goods sold and services rendered</b>			
Materials consumed		793,357	618,926
Salaries, wages, allowances and other benefits	24.1.1	184,687	166,997
Employees' share option expense		2,639	-
Telephone, fax and internet		8,394	7,584
Electricity and water		2,695	3,020
Travelling and conveyance		100,731	92,180
Installation charges and other direct costs		151,620	126,452
Entertainment		4,909	4,769
Repairs and maintenance		1,695	1,981
Printing and stationary		589	535
Import cost		18,358	14,082
Insurance		4,381	3,962
Rent, rates and taxes		7,303	6,249
Project financial cost		687	1,875
Fee and subscription		412	320
Depreciation on property, plant and equipment	14.1.1	12,731	13,791
Amortization on intangible assets	15.2.1	8	-
Miscellaneous expenses		22,212	35,126
		1,317,408	1,097,849

**24.1.1** Salaries, wages and benefits include Rs 5.83 million (2015: 4.981 million), Rs. 0.42 million (2015: Rs. 0.372 million) and Rs. 4.923 million (2015: Rs. 3.449 million) representing provident fund contribution by the Group, accumulated compensated absences and gratuity contribution respectively. Amount of Rs. 80.368 (2015: Rs. 72.277) related to project services.

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

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

(Rupees in '000)	Note	2016	2015
<b>25. ADMINISTRATIVE AND SELLING EXPENSES</b>			
Director's remuneration		56,783	49,023
Salaries, wages, allowances and other benefits	25.1	150,386	116,334
Employees' share option expense		3,958	-
Telephone, fax and internet		7,812	6,799
Electricity and water		2,684	3,020
Entertainment		3,477	3,560
Repairs and maintenance		2,584	4,135
Advertisement and sales promotion		5,985	4,202
Late delivery charges		110	10
Printing, stationery and photocopies		577	494
Travelling, conveyance and vehicle maintenance		19,109	25,852
Rent, rates and taxes		6,254	5,345
Insurance		3,497	3,169
Legal and professional charges		2,661	3,553
Training and tuition		1,329	679
Auditors' remuneration	25.2	2,753	3,457
Fee and subscription		3,643	4,576
Annual meeting expenses		2,556	2,615
Depreciation on property, plant and equipment	14.1.1	12,731	13,791
Amortization of intangible assets	15.2.1	8	-
Miscellaneous expenses		14,396	11,468
Receivables written off		15,496	6,716
Provision for doubtful receivables and earnings	19.3 & 20	2,896	21,801
		321,685	290,599

**25.1** Salaries, wages and benefits include Rs. 2.50 million (2015: Rs 2.135 million), Rs. 0.182 million (2015: Rs 0.160 million) and Rs. 4.923 million (2015: Rs. 3.499 million) for provident fund contribution, accumulating compensated absences and gratuity contribution respectively.

(Rupees in '000)	Note	2016	2015
<b>25.2 Auditors' remuneration</b>			
<b>Avanceon Limited</b>			
Audit Fee		800	800
Half yearly review		350	350
Other Certifications		250	400
Out of Pocket Expenses		49	216
		1,449	1,766
<b>Avanceon, FZE</b>			
Audit Fee		1,305	1,691
		2,754	3,457
<b>26. OTHER OPERATING EXPENSES</b>			
Social Security		273	251
Donations	26.1	2,843	2,224
Exchange loss		6,816	2,498
		9,932	4,973

**26.1** The Directors or their spouses have no interest in the donees.

(Rupees in '000)	Note	2016	2015
<b>27. OTHER OPERATING INCOME</b>			
Income from financial assets	27.1	17,155	16,516
Income from non-financial assets	27.2	14,481	44,515
		31,636	61,031
<b>27.1 Income from financial assets</b>			
Income on bank deposits		13,187	13,615
Gain on disposal of property, plant and equipment		3,968	2,901
		17,155	16,516
<b>27.2 Income from non-financial assets</b>			
Exchange gain		-	38,312
Other income		14,481	6,203
		14,481	44,515
<b>28. FINANCE COSTS</b>			
Mark-up and interest on:			
- Finances under mark up arrangements and other credit facilities - secured		16,729	9,403
- Finance lease		4,357	5,061
- Other financial arrangements		6,618	3,580
Bank charges		16,689	10,722
Late penalty charges		20	90
Guarantee commission		6,042	1,769
		50,455	30,625
<b>29. TAXATION</b>			
Current			
- for the year		49,848	26,873
Deferred			
- for the year		14,261	4,896
- due to reduction in tax rate		-	(1,651)
		14,261	3,245
Prior Year		(393)	595
		63,716	30,713

Due to the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Reconciliation of tax expense and accounting profit is not meaningful in view of presumptive taxation and minimum tax.



# Notes to the Consolidated Financial Statements

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## 30. 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 37. Other significant transactions with related parties are as follows:

(Rupees in '000)		2016	2015
<b>i. Associated undertakings</b>			
Innovative Travels and Innovative (Private) Limited	Other charges and reimbursement of expenses	7,892	11,078
Avanceon LP	Outsourcing income	-	1,839
<b>ii. Post employment benefit plans</b>			
	Expense charged in respect of retirements benefit plans	8,334	7,116
	Payment for provident fund audit	-	80

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

## 31. RATES OF EXCHANGE

Foreign currency assets and liabilities have been translated at conversion rate of Rs.104.38 (2015: Rs.104.60) and Rs. 28.42 (2015: Rs. 28.48) for USD and AED respectively.

(Rupees in '000)		2016	2015
<b>32. PROVIDENT FUND</b>			
Size of fund		71,172	57,322
Fair value of investments made		59,064	43,362
Cost of investment made		60,799	44,050
Percentage of investments made		83%	76%

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

	2016		2015	
	Investments (Rupees in '000)	Investment as % of size of the fund	Investments (Rupees in '000)	Investment as % of size of the fund
Government Securities	24,000	34%	22,000	38%
Scheduled Banks	5,438	8%	1,333	3%
Other Mutual Funds	18,097	25%	9,214	16%
Listed Securities	11,528	16%	10,815	19%
	59,063		43,362	

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.

(Rupees in '000)		2016	2015
<b>33. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		395,783	272,626
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment		10,605	10,691
Depreciation on asset subject to finance lease		14,857	16,891
Amortisation on intangible asset		16	-
Exchange loss		236	2,095
Employee benefits expense		9,846	7,582
Share option expense		6,597	-
Provision for doubtful debts and advances		2,896	21,801
Gain on disposal of property, plant and equipment		(3,968)	(2,901)
Finance cost		27,704	18,044
Income on bank deposits		(13,187)	(13,615)
Profit before working capital changes carried forward		451,385	333,214
Profit before working capital changes brought forward		451,385	333,214
Effect on cash flow due to working capital changes:			
(Increase) in current assets			
- Stock in trade		(41,760)	(9,184)
- Trade debts		(341,765)	(168,487)
- Advances, deposits, prepayments and other receivables		(79,408)	(7,314)
Decrease in current liabilities			
- Creditors, accrued and other liabilities		64,655	76,429
		(398,278)	(108,556)
Cash generated from operating activities		53,107	224,658

		2016	2015
<b>34. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
<b>34.1 Basic earnings per share</b>			
Net profit for the year	Rupees	332,067	241,913
Weighted average number of ordinary shares	Numbers	105,697	105,697
Earnings per share	Rupees	3.14	2.29

### 34.2 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 the share options to employees as explained in note 7.

		2016	2015
Weighted average number of ordinary shares	Numbers	105,697	105,697
Assumed conversion of share options into ordinary shares	Numbers	6,711	4,600
Weighted average number of ordinary shares for diluted earnings per share	Numbers	112,408	110,297
Earnings per share - Diluted	Rupees	2.95	2.19

**34.2.1** 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 exceed the exercise price of the options.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 35. OPERATING SEGMENTS

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

CODM considers the business from the perspective of nature of products and business segments. Systems, engineering and export segments are also viewed in the geographic perspective by segregation of sales made to Middle Eastern countries and USA.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit and segment assets (stocks and receivables only). Unallocated items comprise mainly of group corporate assets and liabilities.

The Group management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

### 35.1 Consolidated operating segment results

	2016						
(Rupees in '000)	AMS	Core Business	Specialized Business	Engineering	Middle East and USA	Elimination	Total
SEGMENT PROFIT AND LOSS ACCOUNT							
Revenue from external customers	255,843	842,133	158,355	391,824	713,876	(298,404)	2,063,627
Cost of sales	(128,968)	(594,946)	(111,851)	(196,306)	(535,871)	250,533	(1,317,408)
Gross Profit	126,875	247,187	46,504	195,518	178,005	(47,870)	746,219
SEGMENT ASSETS							
Debtors	76,646	365,816	143,057	119,751	1,913,107	(780,444)	1,837,932
- Considered good - others	61,214	233,942	101,421	107,130	926,976	(780,444)	650,239
- Due against work-in-progress	15,431	131,874	41,635	12,621	986,132	-	1,187,693
Others	4,073	33,024	3,302	8,016	52,819	-	101,234
Stock in Trade	4,073	33,024	3,302	8,016	52,819	-	101,234
Segment total assets	80,719	398,840	146,359	127,767	1,965,926	(780,444)	1,939,166

	2015						
(Rupees in '000)	AMS	Core Business	Specialized Business	Engineering	Middle East and USA	Elimination	Total
SEGMENT PROFIT AND LOSS ACCOUNT							
Revenue from external customers	210,709	600,107	139,780	385,859	671,586	(372,400)	1,635,641
Cost of sales	(124,649)	(412,271)	(101,533)	(236,371)	(548,959)	325,934	(1,097,849)
Gross Profit	86,060	187,836	38,247	149,488	122,627	(46,466)	537,792
SEGMENT ASSETS							
Debtors	73,158	670,998	217,800	162,450	1,009,059	(634,403)	1,499,063
- Considered good - others	59,550	568,528	185,661	120,331	451,995	(634,403)	751,662
- Due against work-in-progress	13,608	102,470	32,140	42,119	557,064	-	747,401
Others							
Stock in Trade	5,394	35,155	5,373	9,531	4,021	-	59,474
Segment total assets	78,552	706,153	223,173	171,981	1,013,080	(634,403)	1,558,537

**35.2** For management purposes, the activities of the Group are organised into business units based on the nature of products and expertise required with five reportable segments.

#### (i) After Marketing Support (AMS)

AMS segment is the provision of services as technical supports and service level agreements (SLAs) and related spares.

#### (ii) Core Business

##### (a) Application Based Solutions (ABS)

ABS sales include the supply of patented systems, power products, softwares, Variable Speed Drives (VSDs) and Variable Frequency Drives (VFDs) procured mainly from Honeywell Systems and Rockwell Automation. Avanceon Limited acts as a sole distributor of Honeywell Systems and Rockwell Automation in Pakistan.

##### (b) Systems

Systems sales are embedded solutions of multiple Original Equipment Manufacturers (OEM) equipments, comprising Honeywell, Kobold, Samson and Weg products, along with engineering services to implement them. These solutions sales fall in the domain of System Integration (SI) as defined globally.

##### (c) Products

Products segment includes sales of motors, analysers and other specialised products of OEMs. Major suppliers of products are Amatek Inc., Hyperwave solutions and Kobold Messrings.

#### (iii) Specialized Business

##### - High End Solutions (HES)

HES segment is a turnkey solution for process optimization, where real time performance management is employed to arm the customers with the data they need to make large scale business decisions.

#### (iv) Engineering services

- Engineering services business includes revenues from:
- man-hours charged to Avanceon LP and Avanceon FZE for in-house engineering and development of Human Machine Interfaces (HMI), logic design, and development of engineering control mechanisms; and
- secondment of Avanceon Limited's engineers to Avanceon LP and Avanceon FZE project sites for installation, commissioning and post implementation support of systems.

#### (v) Middle East and USA

Middle East and USA segment consists of core business, specialized business, and engineering services (as stated above) to UAE, Qatar, US, Pakistan and European Union countries.

### 35.3 Reconciliation of segment profit and loss

Reportable segments gross profit is reconciled to profit after tax as follows:

(Rupees in '000)	Note	2016	2015
Gross profit for reportable segments	35.1	746,219	537,792
Administrative and selling expenses		(321,685)	(290,599)
Other operating expenses		(9,932)	(4,973)
Other operating income		31,636	61,031
		(299,981)	(234,541)
Profit from operations		446,238	303,251
Finance costs		(50,455)	(30,625)
Profit before tax		395,783	272,626
Taxation		(63,716)	(30,713)
Profit for the year		332,067	241,913

# Notes to the Consolidated Financial Statements

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(Rupees in '000)	Note	2016	2015
<b>35.4 Reconciliation of segment assets</b>			
Reportable segments assets are reconciled to total assets as follows:			
<b>Assets</b>			
Segment assets for reportable segments	35.1	1,939,166	1,558,537
Corporate tangible and intangible assets		263,855	258,528
Other corporate assets		567,349	568,547
		2,770,370	2,385,612
Unallocated portion of current assets			
Advances, deposits, prepayments and other receivables		243,154	163,190
Term deposits with banks		155,554	180,936
Cash and bank balances		115,818	134,282
		514,526	478,408
<b>Total assets as per balance sheet</b>		<b>3,284,896</b>	<b>2,864,020</b>

Segment assets include the operating assets used by each segment and consist of stocks and receivables (net of provisions). Liabilities are not allocated to operating segments as such information is not presented separately for each segment for the purposes of management decision making.

Finance costs are not allocated to segments, as this is driven by the central treasury function, which manages the cash position of the group.

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

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

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

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

#### (a) Market risk

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

#### (i) Currency risk

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

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

The Group is exposed to currency risk arising primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to foreign currency interest bearing loans and borrowings, creditors and debtors. The Group's exposure to foreign currency changes for all other currencies is not material.

The following significant exchange rates were applied during the year:

(Rupees in '000)	2016	2015
<b>Rupees per USD</b>		
Average rate	104.49	102.73
Reporting date rate	104.38	104.60
<b>Rupees per GBP</b>		
Average rate	141.46	156.99
Reporting date rate	127.88	155.04
<b>Rupees per Euro</b>		
Average rate	111.70	114.02
Reporting date rate	109.08	114.32
<b>Rupees per AED</b>		
Average rate	28.45	27.97
Reporting date rate	28.42	28.48

### Foreign currency sensitivity analysis

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

	Change in exchange rate	Effect on profit / (loss) before tax (Rupees in '000)	Effect on equity (Rupees in '000)
2016	5% -5%	4,666 (4,666)	3,219 (3,219)
2015	5% -5%	2,518 (2,518)	1,712 (1,712)

The Group management believes that its foreign subsidiaries Avanceon FZE and Innovative Automation & Engineering Inc. are not materially exposed to foreign currency risk as the currencies for both United States (USD) and United Arab Emirates (AED) are pegged.

#### (ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from long-term finances and running finance facilities. Long term and short term running finances obtained are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

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

(Rupees in '000)	2016	2015
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances	383	26,162
<b>Financial liabilities</b>		
Liabilities against assets subject to finance lease	66,089	53,370
Finances under mark-up arrangements and other credit facilities- secured	265,637	190,545
<b>Total exposure</b>	<b>331,343</b>	<b>217,753</b>



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### Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on loans and borrowings, with all other variables held constant, of the Group's profit before tax is affected through the impact on floating rate borrowings and cash balances as follows:

	Increase/decrease in basis points	Effect on profit / (loss) before tax (Rupees in '000)	Effect on equity (Rupees in '000)
2016	+500	16,567	12,452
	-500	(16,567)	(12,452)
2015	+500	12,195	9,632
	-500	(12,195)	(9,632)

### (iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group does not hold any investments which exposes it to other price risk.

### (b) Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk from trade and other receivables, other assets and cash and cash equivalents.

Group's credit risk is primarily attributable to its trade and other receivables amounting to Rs.2,831 million (2015: Rs. 2,498 million). However, this risk is mitigated by a credit control policy and applying individual credit limits.

Credit risk arises from deposits with banks and financial institutions, trade debts, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with the Group maintaining long term and short term loan facilities. The Group maintains an internal policy to monitor all of debts and other receivables. The Group is also exposed to the credit risk of commercial banks on account of acceptance of bank guarantees as security against trade debts. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by the management.

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

(Rupees in '000)	2016	2015
Long term advances and deposits	30,624	27,333
Investments available for sale	567,349	568,547
Advances, deposits and other receivables	124,496	88,167
Short term investment	155,554	180,936
Trade debts	1,837,932	1,499,063
Bank balances	115,595	134,025
	2,831,550	2,498,071

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The customer credit risk is managed by using established policies and procedures relating to customer credit risk management including frequent review of aging of accounts and setting up of credit limits where considered necessary. The credit quality of receivables can be assessed with reference to Group's Credit Control policy and their historical performance with negligible default rate.

### (c) Liquidity risk

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

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

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

The following are the contractual maturities of financial liabilities as at 31 December 2016:

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Liabilities against assets subject to finance lease	73,070	25,431	47,639	-
Finances under mark up arrangements	265,637	265,637	-	-
Creditors, accrued and other liabilities	606,677	606,677	-	-
	945,384	897,745	47,639	-

The following are the contractual maturities of financial liabilities as at 31 December 2015:

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Liabilities against assets subject to finance lease	59,891	21,637	38,254	-
Finances under mark up arrangements	190,545	190,545	-	-
Creditors, accrued and other liabilities	327,347	327,347	-	-
	577,783	539,529	38,254	-

### 36.2 Fair values of financial assets and liabilities

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of all financial instruments are not significantly different from their book values. Fair values of each financial instruments is disclosed in their respective notes.

### 36.3 Financial instruments by categories

(Rupees in '000)	Available for sale	
	2016	2015
Investments available for sale	567,349	568,547
(Rupees in '000)	Loans and receivables	
	2016	2015
Long term advances and deposits	30,624	27,333
Trade debts	1,837,932	1,499,063
Advances, deposits and other receivables	124,496	88,167
Cash and bank balances	115,818	134,282
	2,108,870	1,748,845



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

(Rupees in '000)	Financial liabilities at amortized cost	
	2016	2015
Liabilities as per balance sheet		
Liabilities against assets subject to finance lease	66,089	53,370
Finances under mark up arrangements and other credit facilities - secured	265,637	190,545
Creditors, accrued and other liabilities	606,677	327,347
	938,403	571,262

### 36.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2016 and December 31, 2015 are as follows:

(Rupees in '000)		
	2016	2015
Borrowings	331,726	243,915
Less: Cash and bank balances	(115,818)	(134,282)
Net debt	215,908	109,633
Total equity	2,079,534	1,952,546
Total capital	2,295,442	2,062,179
Gearing ratio	Percentage	9%
		5%

### 37. REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

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

(Rupees in '000)	Director / Chief Executive		Other Executives	
	2016	2015	2016	2015
Managerial remuneration	47,431	45,574	103,465	90,067
Retirement benefits	2,383	2,357	5,540	5,665
Other benefits	6,987	1,091	6,570	5,150
	56,801	49,022	115,575	100,882
Number of persons	2	2	20	19

The Group also provides executives and director with company maintained cars.

(Rupees in '000)	2016	2015
<b>38. NUMBER OF EMPLOYEES</b>		
Average number of employees	157	149
Closing number of employees	160	158

### 39. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However no significant re-arrangements have been made.

### 40. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 21 March, 2017 has proposed a cash dividend in respect of the year ended 31 December 2016 of Re. 1 per share and 25% Bonus Shares (2015: Cash Dividend of Rs. 2 per share and Nil Bonus Shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

### 41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 21 March, 2017 by the Board of Directors of the Company.

Chief Executive

Director

## 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.

## Annexures

for the year ended December 31, 2016



## Event Calendar of the Company

follows the period of January 1, 2016 to December 31, 2016

### FINANCIALS:

Financial Results will be announced as per the following tentative schedule:

Annual General Meeting	21st April 2016
Analysis Briefing	25th of April 2016
1st Quarter ending 31 March 2016	22nd April 2016
Half year ending 30 June 2016	22nd August 2016
3rd Quarter ending 30 September 2016	24th October 2016
Financial year ending 31 December 2016	26th October 2016

### NON FINANCIALS

Annual Fiesta	13th February 2016
Dubai Rail Exhibition 2016	08 March 2016
Sugar Event 2016	2nd Week of May 2016
Process Safety Seminar 2016	2nd Week of June 2016
Automation Symposium 2016	Last week of October 2016



### روزمرہ کاروباری اعداد و شمار:-

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۔

### بنیادی سرمایہ داروں کی تفصیل:-

بنیادی سرمایہ داروں کی تفصیل جو کہ مالی سال 31 دسمبر 2016 پر مشتمل ہے جو کہ پچھلے صفحات پر تفصیل سے بیان کی گئی ہے۔ کمپنی کے ڈائریکٹر حضرات، چیف ایگزیکٹو چیف فنانس آفیسر، کمپنی سیکرٹری اور ان کے بیوی، بچوں نے اس سال کے دوران کمپنی کے حصص میں کوئی بھی خریداری نہیں کی سوائے ان کے جو کہ اس بنیادی سرمایہ کے شیڈول میں دیے گئے ہیں۔

### کمپنی کے بیرونی آڈیٹر:-

کمپنی کے موجودہ آڈیٹر میسرز ایم ڈی فورڈ روڈز (M/s. Ernst & Young Ford Rhodes) نے سبکدوش ہونے کیلئے اور دوبارہ منتخب کرنے کیلئے اپنے آپ کو پیش کیا۔ آڈٹ کمپنی کی سفارش پر کمپنی نے انکو سبکدوش ہونے کے بعد دوبارہ مالی سال 2017ء کے آڈٹ کیلئے منتخب کرنے کا فیصلہ کیا ہے۔

### 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 حصہ داروں کو کمپنیز آرڈیننس 1984 کے قواعد و ضوابط کے مطابق پہنچائے۔ کمپنی نے تمام معلومات جو کہ اہم قسم وقت مقررہ پر پاکستانی تجارتی منڈی اور SECP کے قواعد و ضوابط کے مطابق پہنچائیں۔ کمپنی نے تجارتی اور مالیاتی خبریں اور رپورٹس اپنا ویب سائٹ [www.avanceon.ae](http://www.avanceon.ae) پر بھی رکھ دی ہیں۔

### تسلیم کرنا:-

بورڈ آف ڈائریکٹران بڑے پرمسرت طریقے سے اپنے تمام ملازمین کی مسلسل لگن کے ساتھ خدمات کو سرابتا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

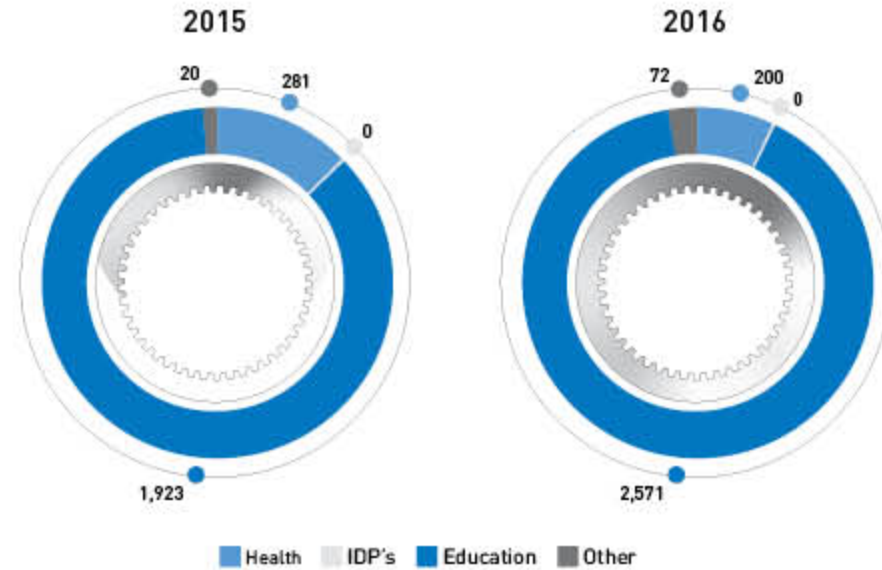
نختیار حمید وائس

چیف ایگزیکٹو آفیسر لاہور

21 مارچ 2017ء

صدقات اور رفاہی کام (Donation & Charity):۔

کمپنی اپنی نوٹل آمدنی کا زیادہ سے زیادہ 19% فیصد صدقات اور وفاقی 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۔



ملازمین کی ریٹائرمنٹ اور سہولیات :-

کمپنی نے اپنے مستقل ملازمین کیلئے ایک منظور شدہ پروڈیٹ فنڈ سکیم کے ذریعے حصداری منصوبہ پیش کیا ہے۔ پروڈیٹ فنڈ کی سرمایہ کاری اور دیگر تفصیلات نیچے دی گئی ہیں۔

2015		2016	
سرمایہ داری فیصد میں	سرمایہ داری (روپے ہزاروں میں)	سرمایہ داری فیصد میں	سرمایہ داری (روپے ہزاروں میں)
38%	22,000	34%	24,000
3%	1,333	8%	5,438
16%	9,214	25%	18,097
19%	10,815	16%	11,528
	43,362		59,063

یہ تمام سرمایہ داری پروڈنٹ فنڈ سے ان اصول و ضوابط کے تحت کی گئی ہے جو کہ پینز آرڈیننس 1984 کے سیکشن 227 میں دیے گئے ہیں۔

نوٹ:- پروڈیٹ فنڈ کے تمام اعداد و شمار جو کہ 30 جون 2016 اور 2015ء پر مشتمل ہیں یہ سب جانچ پڑتال شدہ (Audited) ہیں۔

بورڈ آف ڈائریکٹر کا اجلاس

سال کے دوران بورڈ آف ڈائریکٹرانے چار (4) بورڈ کی میٹنگز منعقد کیں (تمام پاکستان میں منعقد کی گئیں) (مندرجہ ذیل عزت مآب ممبران نے شمولیت اختیار کی :-

نمبر شمار	ڈائریکٹر کا نام	حاضری	منظور شدہ چھٹی
1	جناب خالد حمید وائیں	4	0
2	جناب بشیر رحید وائیں	4	0
3	جناب عامر وحید وائیں	4	0
4	جناب تنویر کرامت	4	0
5	جناب عمر احسن خان	4	0
6	جناب فخر حسین	4	0
7	جناب نوید علی بیگ	4	0

مارکیٹ شیئر کی معلومات اور کاروباری حصوں کی کارکردگی  
(Segmental Business Performance  
& Market Share Information)

کنٹرول انجینئرنگ جیانسٹ 2014ء کے مطابق اوپنیشن ان کارمیکٹ شیئر 2% کے نزدیک ہے جو کہ عالمی درجہ بندی میں 15 ویں نمبر پر بہترین سسٹمز انٹیگرٹرز (Systems Integrators) کے طور پر شامل کیا جاتا ہے۔ موجودہ مارکیٹ لیڈر 9% فیصد کے ساتھ سب سے آگے ہے۔ بنیادی وجوہات جو اوپنیشن ان کو پاکستان میں مارکیٹ کا لیڈر رکھنے میں کارگر ثابت ہوئی ہیں یہ ہیں کہ کنسٹرکٹر کی تعداد میں اضافے اور مواصلات اور ٹرانسپورٹ سے متعلقہ بہت سارے منصوبے مارکیٹ میں آ رہے ہیں جو کہ کھیتی کی ملل ایسٹ کی کامیابی کا موجب بنے دوسرے الفاظ میں ہم یہ کہہ سکتے ہیں، کیونکہ ہم اس کاروباری فیلڈ میں پھیل کرنے والوں میں شامل ہیں اور جسکو دوسروں پر سبقت حاصل ہے۔ اپنی بہترین کام کرنے کی خوبی اور آڈیشن اینڈ پرائس کنٹرول کرنے کی سوجھ بوجھ ہے جو کہ اوپنیشن ان لیڈنگ دوسری مارکیٹوں میں ممتاز کرتی ہے۔ اس وقت اوپنیشن ان لیڈنگ جو کہ ٹوٹل مارکیٹ کا 63% فیصد حصہ رکھتی ہے۔ جو اپنے مقابلے کی کمپنیوں سے زیادہ آمدنی کماتی ہے۔

میں موجودہ 'شراکت داری اور چارمستقل کاروباری دفاتر کی موجودگی جو کہ دینی' دوام' جدہ میں ہیں اسکے ساتھ کاروباری شراکت داری جو اب قلمبسی میں علی ایئرڈ سٹراور ATCO کے ساتھ انجام پائیں۔

کچھنی متحدہ عرب امارات، سعودی عرب، قطر، اومان، امریکہ اور خاص طور پاکستان میں سیاسی اور مالیاتی امور کی بحالی کی وجہ سے اپنے انٹرنیشنل آئینی اور وسائل کی بحالی اور بہتری کیلئے بہت زیادہ پرامید ہے۔

چکھلے سالانہ اجلاس عام میں اٹھائے گئے معاملات

₹. (Issued Raised in Last AGM)

2015ء کے سالانہ اجلاس عام میں کوئی بھی خاص معاملہ نہیں اٹھایا گیا تھا۔

ایجنڈا نمبر ۱:-

بورڈ آف ڈائریکٹرز اور ممبران نے 31 دسمبر 2015 کی ڈائریکٹر پورٹ اور ڈائریکٹر پورٹ کو پکھا اور منظور کیا۔

ممبران نے اکاؤنٹس دیکھے اور منظور کیے اسکے بعد سوال و جواب کا تفصیلی مرحلہ منعقد کیا گیا جس میں چند ممبران نے کمپنی کے کاروباری معاملات مستقبل کی منصوبہ بندی اور انتظامی امور کے بارے میں سوالات کئے۔

ڈائریکٹر کھیتی چاہے عمر احسن خان اور جناب سعید اللہ خان یا زری چیف فاضل آفیسر نے سوالوں کے جوابات دیے اور کھیتی کے کاروباری معاملات آٹومیشن کے کاروبار کے بارے میں آگاہی دی کھیتی کا میٹنگ کے دوران کھیتی کے مستقبل کی مالیاتی منصوبہ بندی، کاروباری برصورتی اور جی انڈسٹریل پلانٹ کے بارے میں تبادلہ خیال کیا گیا۔

بورڈ آف ڈائریکٹران کے معاوضے

-(Board of Director Remuneration)

کھیتی کے تمام انڈیکسٹرز صاحبان جو کہ نان ایگریکیولچر انڈیکسٹرز ہیں سوائے چیف ایگریکیولچرل انڈیکسٹرز اور چیف ایپرائیٹنگ انڈیکسٹرز کے۔ کھیتی چیف ایگریکیولچرل انڈیکسٹرز اور چیف ایپرائیٹنگ انڈیکسٹرز کی ہیومن ریسورس کے منظور شدہ قواعد و ضوابط کے مطابق تھوڑی اور دیگر مراعات دیتی ہے۔ جو کہ سالانہ بنیادوں پر ہیومن ریسورس ریمویشن کمیٹی کی سفارش پر پورڈ آف انڈیکسٹرز منظور کرتے ہیں۔ اسکے علاوہ کسی اور انڈیکسٹرز کو کوئی بھی رقم بینک میں حاضری کیلئے نہیں دی جاتی۔

اپنے مشترکہ کاروباری اداروں کے ساتھ لین دین

-(Transaction with Related Party)

کئی مروجہ کاروباری قواعد و ضوابط کے مطابق اپنے مشترکہ کاروباری اداروں کے ساتھ کاروباری لین دین کرتی ہے جو کہ Arm Length Pricing اور Mechanism پر مشتمل ہے۔ کئی Transfer Pricing جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ کے قواعد و ضوابط کے مطابق سرانجام دیتی ہے۔



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 متعلق سود اور گاڑیوں کے کرائے بخیرگی دیر کے ادائیگے 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۔

#### عارضی سرمائے کے انتظامی امور

##### (Working Capital Management)

پچھلے پانچ سالہ موجودہ اثاثہ جات اور بہت ہی کم عرصے میں میپے میں منتقل ہونے والے اثاثہ جات کو بہتر کیا، جو کہ کمپنی کی بہتر ہوتی ہوئی سرمایہ کی صورت حال اور لمبے عرصے کیلئے سرمایہ کے حصول کے تعلقات جو کہ کمپنی کی روزمرہ کی کاروباری صورتحال کیلئے ضروری ہیں، کمپنی اپنے روزمرہ کی کاروباری ضروریات کیلئے عارضی سرمایہ کے حصول کو بہت ہی بہتر طریقے سے بحال رکھے ہوئے ہے۔ جو کہ ہمارے خریداروں کے آرڈرز کو مکمل کرنے کیلئے بہت ضروری ہے۔ ہم نے اپنے خریداروں سے ایک متعین عرصے کے اندر میپے کی وصولی کو یقینی بنایا، کمپنی بہت بہتر طریقے سے عارضی سرمایہ کی ضروریات کو سامنے رکھتے ہوئے بہت ہی تھکداری سے اور انتہائی نظم و ضبط کے ساتھ اپنے تمام چھوٹے عرصے کے قرضوں کو ایک خاص حد سے زیادہ بڑھنے نہیں دیا۔ اور اپنی ضروریات کیلئے سرمایہ کے حصول کو اپنے ذرائع سے اہتمام کیا تاکہ سود کے خرچے کو کم سے کم رکھا جاسکے۔ 2016ء میں کمپنی نے درمیانی درجے کے دو قرضے لیے تاکہ کمپنی اپنے دو بڑے منصوبے جو کہ متحدہ عرب امارات اور پاکستان میں ہیں کو مکمل کر سکے۔ 2017ء میں کمپنی کو بہت زیادہ یقین ہے کہ وہ اپنے قرضوں کو 2015ء کے برابر لے کر آئے۔

#### سرمایہ کی صورتحال کو بہتر بنانے کی حکمت عملی

##### (Issues Strategy to Overcome Liquidity)

2015ء میں متحدہ عرب امارات کی وجہ سے ہماری آمدن کم رہی، ہم یوں بھی کہہ سکتے ہیں کیونکہ ہم اس فیلڈ میں مکمل کرنے والوں میں شامل ہیں ہمارے خریداروں کو ہم پر اعتماد ہے اور ہم ان کو اپنا شراکت دار سمجھتے ہیں اور ہم ان کے آؤٹیشن اینڈ پرائس کنٹرول کے علم میں اضافہ کا موجب بنیں گے۔ ہم 63% فیصد حصص کے ساتھ پاکستان کی تجارتی منڈی میں باقی کمپنیوں سے آگے ہیں جو کہ ثابت کرتا ہے کہ ہم اپنی آمدنی انتہائی مقابلے کی فضا میں بھی برقرار رکھ سکتے ہیں۔

#### مستقبل کی کاروباری منصوبہ بندی (Future Prospects):

کاروباری معاملات کے مستقبل کی منصوبہ بندی جو کہ ہمارے بورڈ آف ڈائریکٹرز اور مینجمنٹ کی منصوبہ بندی اور پلان کا حصہ ہے ہماری سبڈری ایویشن ان ایف زی ای (Avanceon FZE) جو کہ سو فیصد (100%) ایویشن ان لیمیٹڈ (Avanceon Ltd.) کی ملکیت ہے جس نے اس سال Arkan Integrated Development LLC Qatar کے ساتھ کاروباری شراکت داری کی ہے اور ایک نئی ذیلی کمپنی ایویشن ان ایل ایل سی قطر (Avanceon LLC Qatar) بنے گی جو کہ قطر کی وزارت تجارت اور منصوبہ بندی کی منظوری کے بعد اسکے قوائد و ضوابط کے مطابق بنائی اور چلائی جائے گی۔

قطر جو کہ تیل کی پیداوار اور اس سے منسلک کاروباری معاملات کیلئے بہت اہمیت کا حامل ہے، مستقل کاروباری سرگرمیوں کی موجودگی کیلئے بہت موزوں ہے، اسکے لیے بہت ہی اعلیٰ درجے کی خدمات ضروری ہیں جو کہ بڑے بڑے منصوبوں کو سرانجام دینے کیلئے ضروری سمجھی جاتی ہے۔ ہماری گلف

بڑی وجہ 8% فیصد تنخواہوں میں اضافہ اور اخراجات کی وجہ سے دیگر انتظامی امور کے اخراجات میں اضافہ ہوا ہے۔ کمپنی کی انتظامیہ اس اضافے کو 10% کی سطح پر برقرار رکھنے کی کوشش کرے گی۔

#### حصص کا رجحان (Stock Liquidity):

کمپنی نے بڑی کامیابی کے ساتھ 25.166 ملین عام حصص کی پیشکش بذریعہ شروعاتی پبلک آفر (IPO) کے تحت کی، مخصوص مقاصد حاصل کرنے کیلئے جیسا کہ حصول کوائف، ملازمت کی مستقل بحالی اور ملازمین کو حقدار بنانے کی سکیم (Employees Share Option Scheme) کے تحت جو کہ کاروبار کیلئے کافی کامیاب رہا ہے۔

کمپنی نے سال 2014 کی پہلی سرمایہ میں دو مراحل کے ذریعے، پہلے مرحلے میں کمپنی نے 18.875 ملین عام حصص بک بلڈنگ (Book Building) کے ذریعے بڑے سرمایہ داروں کو اور دوسرے مرحلے میں 6.292 ملین عام حصص عام عوام کو 14 روپے فی حصص کے حساب سے دیے۔ دونوں مراحل بک بلڈنگ (Building Book) اور عام عوام حصص میں بڑی کامیابی کیساتھ اور ضرورت سے زیادہ حصص خریدنے کی دلچسپی ظاہر کی گئی جو کہ کمپنی پر سرمایہ داروں کے مکمل اعتماد کو ظاہر کرتی ہے۔ کمپنی نے بڑی کامیابی کے ساتھ اپنے آپ کو ثابت کیا، پیسے کے بہاؤ کو یقینی بنا یا اور بنیادی سرمایہ میں اضافے کے ساتھ حقداروں کی دولت میں اضافہ کیا۔

#### ملازمن کو حقدار بنانے کی سکیم

##### (Employee Share Option Scheme)

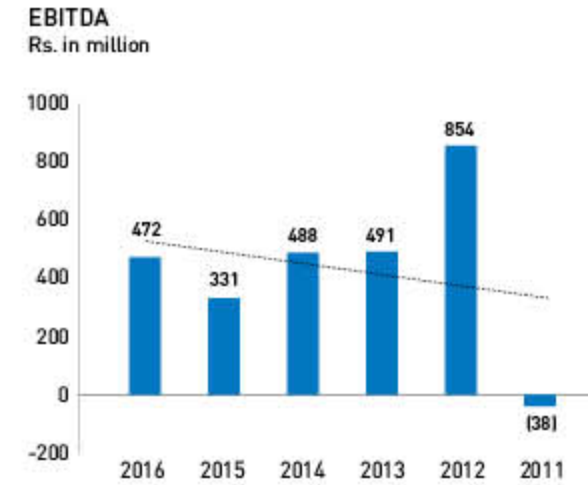
کمپنی نے اپنے ملازمین کو حقدار بنانے کی سکیم کے ذریعے بڑی کامیابی کے ساتھ پانچ (5) ملین عام حصص 2013ء اور 2014ء میں اپنے انتہائی اہم منتظمین اور تجربہ کار مینیجرز اور ملازمین کو 1 روپے 1.20 روپے 1.44 روپے اور 1.73 روپے جو کہ کم از کم 90% فیصد رعایت کے ساتھ پیش کیے تاکہ اپنے انتہائی اہم اور منتظمین ملازمین کو کمپنی اپنا حقدار بناسکے اور کمپنی کے ملازمین زیادہ عرصے تک کمپنی میں کام کریں انکی کام کی طرف توجہ مرکوز کرنے کیلئے اس سکیم نے بہت اچھا کام سرانجام دیا۔ جو کہ کمپنی کی دولت میں اضافے کا موجب بنا۔ ہماری کمپنی نے بڑی کامیابی کے ساتھ مقاصد کے حصول کیلئے اور اپنے انتہائی اہم منتظمین اور تجربہ کار مینیجرز کو زیادہ عرصہ کمپنی میں کام کرنے کیلئے اہل بنایا۔ اس سکیم کے 2018 میں نفاذ کے بعد بقیہ تمام حقداروں کی دولت میں 4.72% کے حساب سے کمی ہوئی۔ پہلی سکیم کی کامیابی اور حصول مقاصد کے بعد بورڈ آف ڈائریکٹرز نے مزید پانچ (5) ملین دوسری سکیم (ESOS-II) کے تحت پیش کیے جو کہ بحساب 16.80 روپے سے لیکر 34.84 روپے کی قیمت پر جو کہ 2016ء سے لیکر 2020ء تک پیش کیے جائیں گے اور ان حصص کا دورانیہ مذکورہ حصص کا مالک بننے کیلئے کم از کم پانچ سال کا عرصہ درکار ہوگا۔ کمپنی نے 2016ء میں اس نئی سکیم کے ذریعے 16.80 روپے کے حساب سے 1.951 ملین حصص جاری کیے جو کہ 2021ء میں مکمل حقدار بنانے میں تبدیل ہو جائیں گے۔ کمپنی پر اعتماد ہے کہ وہ مقاصد جو کہ دوسری سکیم کے تحت خیال کیے گئے ہیں جن میں تجربہ کار اور انتہائی منتظمین ملازمین کی زیادہ عرصے تک کمپنی میں ملازمت اور انکا اپنے آپ کو کمپنی میں حقدار محسوس کرنا ہے۔ کمپنی اپنی کامیابیوں اور دولت میں تمام ملازمین کو برابر شامل کرنا چاہتی ہے جس طرح ہمارے باقی حقدار ہیں، دونوں سکیمیں ہماری نظر میں بہت اہم کردار ادا کر رہی ہیں جو کہ آخر میں تمام حقداروں کی دولت میں اضافہ کریں گی۔

#### 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

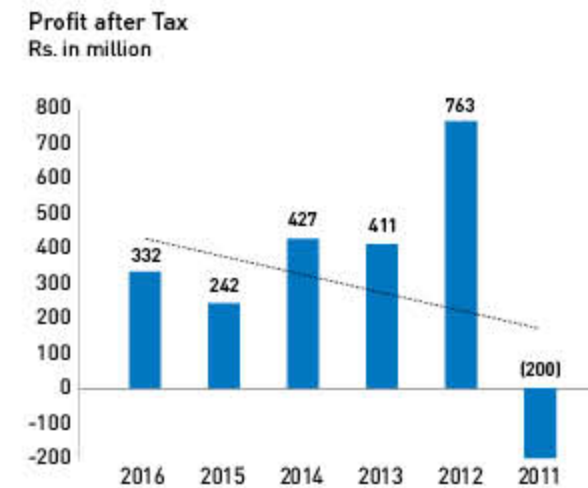


#### منافع جات سود، ٹیکس کوٹائی، فزرسوڈی اور کساد بازاری سے پہلے (EBITDA):



#### منافع بعد از ٹیکس (Profit after Taxation):

خالص منافع (ٹیکس کوٹائی کے بعد) 37% فیصد اضافہ ہوا ہے جو کہ بہت ہی قابل تحسین ہے۔ کمپنی انتظامیہ بہت پر امید ہے کہ وہ 2017ء میں کمپنی کے مجموعی اور خالص منافع میں اضافہ کرے گی کیونکہ کمپنی کے پاس 28 فروری 2017ء تک 25 ملین امریکی ڈالر کے خالص آرڈر ہیں۔ کمپنی انتظامیہ پر امید ہے کہ وہ آمدنی کا تقریباً 3 ملین روپے کا ہدف مالی سال 2017ء میں حاصل کر لے گی۔



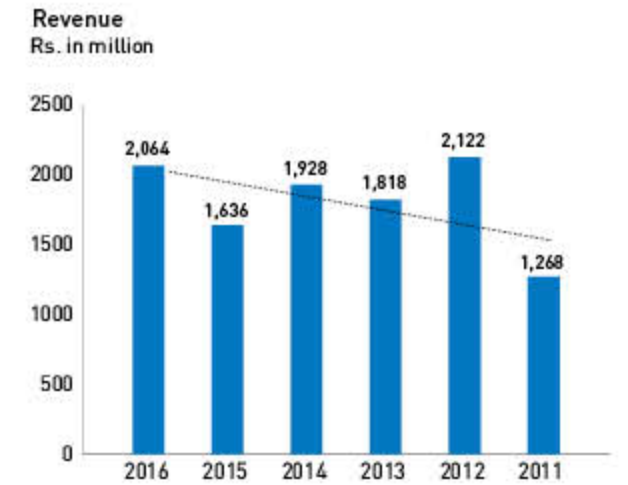
#### ٹیکسیشن (Taxation):

2016ء کے مالی سال میں ٹیکس کے اخراجات میں پچھلے سال کے مقابلے میں 107% فیصد اضافہ دیکھا گیا ہے کیونکہ حکومت پاکستان نے ڈیوٹی ٹیکس 10% فیصد سے بڑھا کر 12.5% فیصد کر دیا ہے جو کمپنی کے موجودہ اور ڈیفرنڈ ٹیکس اخراجات میں اضافے کا باعث بنا۔ اسکے علاوہ 2016ء میں 90,863 امریکی ڈالر ڈیوٹی ٹیکس خرچے کے طور پر درج کیا گیا ہے جو کہ ڈیوٹی ٹیکس کی آمدنی 275,343 امریکی ڈالر پر لاگو ہوتا ہے جو کہ ہماری ایک ایسوی ایڈ کمپنی ایویشن ان ایل پی نے جو بڑ کیا ہے۔

#### مقررہ اخراجات (Fixed Cost):

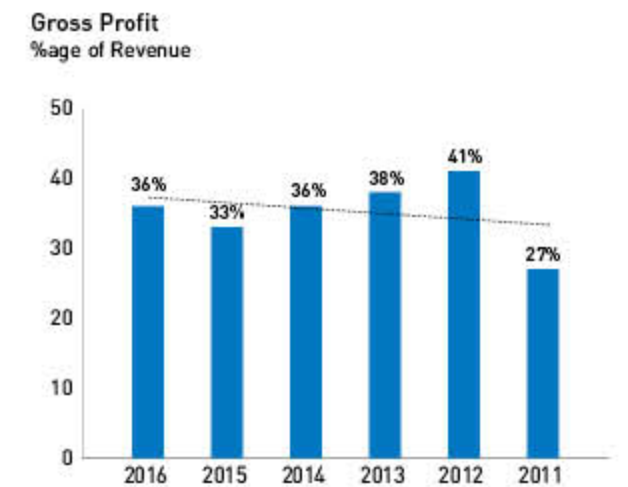
ہم نے 12% فیصد (2015: 14%) خالص مقررہ اخراجات میں اضافہ کا مشاہدہ کیا ہے۔ جسکی

تو یہ آمدنی زیادہ ہو سکتی تھی۔ پھر بھی 2016ء کی چوتھی سرمایہ اور 2017ء کی پہلی سرمایہ میں ہم نے اپنے طے شدہ پلان سے زیادہ آرڈر جنریشن کی۔ یہ آرڈر جنریشن 2017ء کی دوسری اور تیسری سرمایہ میں زیادہ بہتر آمدنی کا موجب بن سکتی ہے۔ کمپنی کی آمدنی 2016ء کے مالی سال میں ہماری توقعات کے مطابق رہی تو سوائے 2016ء کے شروع کے چند مہینوں کے، ہماری 2017ء کی پہلی سرمایہ کی کارکردگی نے تمام کیوں کو پورا کر دیا۔



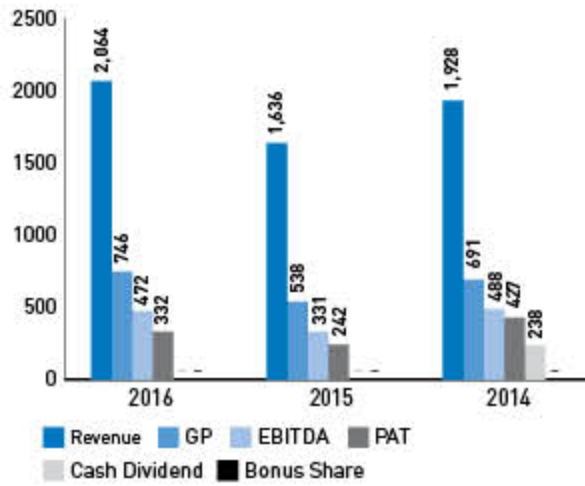
#### مجموعی منافع (Gross Profit):

ہم نے آخری مالی سال کے مقابلے میں 8% فیصد اضافہ کا مشاہدہ کیا ہے، اب موجودہ مجموعی منافع کی سطح واپس مالی سال 2014ء کے برابر آگئی ہے۔ کمپنی کی انتظامیہ 2017ء میں منافع جات کو 2013ء کے مطابق برقرار رکھنے کیلئے بہت زیادہ پر امید ہے۔





**Group Profit & Loss Statements**  
for the year ended 31 December, 2016  
Rs. in million



### فیحص آمدنی (Earning Per Share):

آخری پانچ سال سے کمپنی کی فیحص آمدنی کارہجان اوپر کی طرف رہا سوائے آخری سال کے اور اس سال کے اوپر کے کارہجان 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۔

### فیحص آمدنی (Standalone):

بنیادی کمائی فیحص بعد از ٹیکس کوئی 2.96 روپے (2015: 2.66) فیحص ہے۔

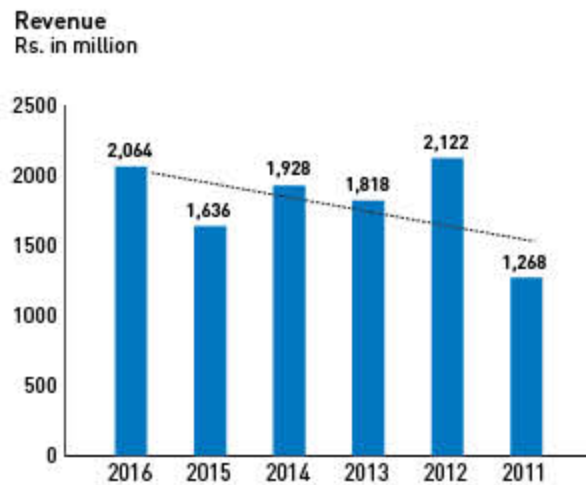
### فیحص آمدنی (Consolidated):

بنیادی کمائی فیحص شیر بعد از ٹیکس سلسلہ 3.14 روپے (2015: 2.29 روپے) ہے۔

مالیاتی کارکردگی (Consolidate)

### آمدنی (Revenue):

کمپنی کی آمدن 2,064 ملین روپے رہی (جو کہ پچھلے سال کے مقابلے میں 26 فیصد زیادہ رہی)۔ اگر سعودی عرب میں 2015ء کی پہلی اور دوسری سہ ماہی میں آرڈر لینے میں دیر نہ ہوتی



### مجوزہ تقسیم کاری:-

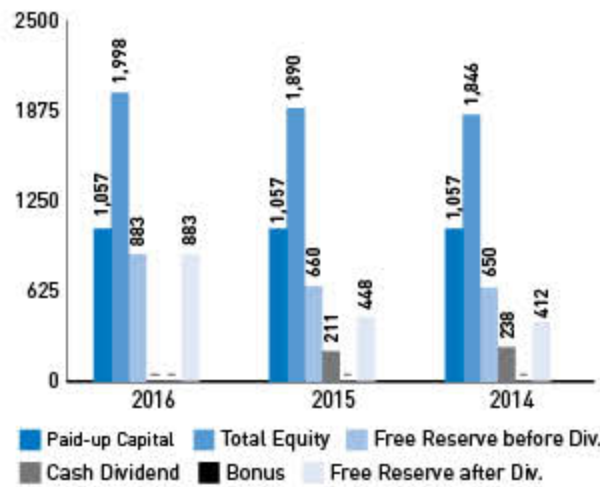
ڈائریکٹران نے 10% کیش ڈیویڈنڈ 1 روپیہ فی حصص (2015: 2 روپے فی حصص) اور 25% فیصد بونس شئرز (2015: سٹریٹس شئرز) تجویز کیا ہے۔  
تقسیم کاری کی تفصیل درج ذیل ہے۔

### منافع تقسیم کاری کیلئے (Standalone Financial):

2015	2016
(روپے ہزاروں میں)	(روپے ہزاروں میں)
660,000	883,000
(211,394)	(105,697)
448,606	777,303

منافع کے ذخائر تقسیم کاری کیلئے  
تقسیم کاری  
منافع کے ذخائر تقسیم کاری کیلئے  
(اگلے سال منتقل کیے گئے)

**Capital, Total Equity, Free Reserve and Dividends**  
(AVN Standalone)  
Rs. in million



### کاروباری نتائج (Consolidated):

2015	2016
(روپے ہزاروں میں)	(روپے ہزاروں میں)
1,635,641	2,063,627
272,626	395,783
(30,713)	(63,716)
241,913	332,067

آمدن  
منافع ٹیکس سے پہلے  
ٹیکس اخراجات  
منافع بعد از ٹیکس



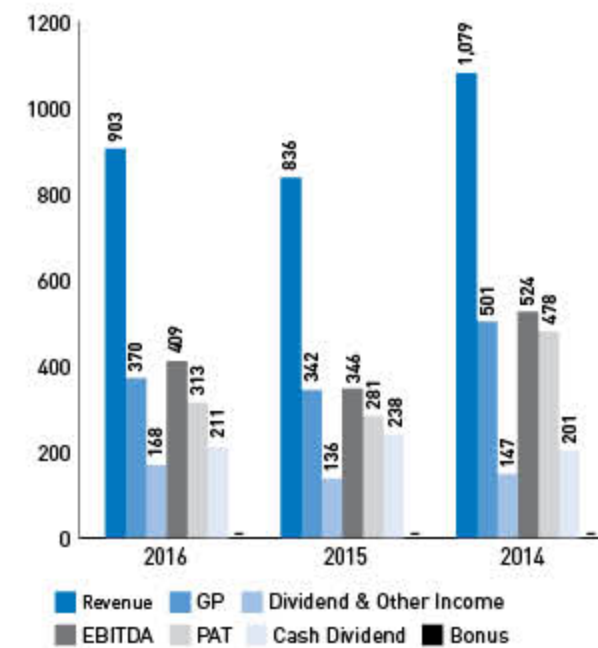
## ڈائریکٹران کی رپورٹ



کمپنی کے ڈائریکٹران انتہائی مسرت کے ساتھ کمپنی کے (Consolidated) اور (Standalone) آڈٹ کیے گئے اکاؤنٹس (آڈیٹر سے جانچ پڑتال شدہ) اور آڈیٹر کی رپورٹ کے ساتھ (جو کہ مالی سال 31 دسمبر 2016 پر مشتمل ہیں) پیش کرتے ہیں یہ تمام مالیاتی اعداد و شمار اور اس سے متعلقہ مالیاتی گوشوارے جنہیں کمپنی کی انتظامیہ نے مندرجہ ذیل اصول و ضوابط کے تحت تیار کیا ہے۔ تفصیلات اکاؤنٹس کو تمام مالی سٹیکولڈرز کو کمپنی کی انتظامیہ نے 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 بلا جھجکا بیان کیا ہے۔
- 2- اصول و ضوابط کے مطابق تمام حسابات کاریکار رکھا جا رہا ہے۔
- 3- مناسب حساب کی پالیسیاں اختیار کی گئی ہیں اور یہ مالی سٹیکولڈرز کی تیاری میں لاگو کی گئی ہیں جو کہ حساب کتاب کے مناسب اصول و ضوابط اور دانشمندی پر مبنی ہیں۔
- 4- تمام بین الاقوامی اکاؤنٹنگ کے اصولوں اور بیان کرنے کے ضابطوں کے مطابق جو کہ پاکستان میں بھی قابل اطلاق ہے انکی پیروی مالی سٹیکولڈرز کو تیار کرنے میں کی گئی اور نتیجتاً اسے شائستگی سے پورا کیا گیا۔
- 5- کمپنی کے اندرونی معاملات کا جانچ پڑتال کا اصول صحت مندانہ ہے جو کہ بہت ہی اچھے طریقے سے منسٹر انداز میں لاگو کیا اور چلایا جا رہا ہے۔
- 6- کمپنی کی قابلیت پر اس طرح جاری رکھنے پر کوئی بھی 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 ڈیویڈنڈ، میسجز 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۔

**Profit & Loss Statements (Standalone)**  
for the year ended 31 December, 2016  
Rs. in million



### رپورٹ:-

کمپنی کی کارکردگی انتہائی تسلی بخش اور رجحان ترقی کی طرف رہا ہے آرڈر جنریشن، مقررہ اخراجات پر قابو، بہترین انتظامی امور، کیش کے بحالہ کا انتظام اور مناسب بینکنگ سہولیات کی موجودگی جو کہ بہت ہی مناسب خرچوں پر مشتمل رہی، تمام قرضوں اور وعدوں کی بروقت ادائیگی جو کہ کمپنی کی بہت بڑی کامیابی ہے۔ کمپنی کے تمام ڈیپارٹمنٹ نے بہت اچھا کردار ادا کیا اسکے ساتھ کمپنی نے آرڈر جنریشن کا ایک کاب تک سب سے بڑا ہدف عبور کیا۔ ہماری سعودی عرب میں علی الترتیب کمپنی (ATCO) کیساتھ شراکت داری بہت کامیاب رہی۔ ہماری آمدنی اور خالص منافع میں اضافہ ہوا اور ہم نے



حصص یا شیئگان کراچی میں وڈیہ کافرئس کی سہولت سے بھی فائدہ اٹھا سکتے ہیں خواہشمند حصص یا شیئگان جو کہ جموئی طور پر 10% فیصد سے زائد کے مالک ہوں اندر کراچی میں رہائش ورج ذیل معلومات کو فراہم کریں اور اسے کچھنی کے رجسٹرڈ پتے پر سالانہ اجلاس عام کے انعقات سے دس دن پہلے جمع کروائیں۔



## نوٹس برائے سالانہ چودھواں اجلاس عام

اطلاع دی جاتی ہے کہ اویسیوں لمینڈ ("AVN") کے حصص یافتگان کا چودھواں سالانہ اجلاس عام مورخہ 25 اپریل 2017ء بروز منگل بوقت 3 بجے سہ پہر بمقام فیروز ہال، کسٹری گالف کلب، سیکٹر سی، بحریہ ٹاؤن، لاہور پر مندرجہ ذیل امور کو انجام دینے کیلئے منعقد ہوگا۔

### A- عمومی کاروباری امور:-

- 1- تفصیلات کی منظوری (Minutes of the Meeting) جو کہ تیرہویں سالانہ اجلاس عام مورخہ 21 اپریل 2016 کو منعقد ہوا تھا۔
- 2- 31 دسمبر 2016 کو ختم ہونے والے کمپنی کے مالی سال کے آڈٹ شدہ مالیاتی گوشوارے ڈائریکٹرز اور ڈیڑی رپورٹس وصول کرنا اور انہیں اختیار کرنا۔
- 3- اویسیوں لمینڈ کے 7 ڈائریکٹران کو تین سالہ مدت کے لیے منتخب کرنا جسکی ابتدا مورخہ 25 اپریل 2017ء سے ہوگی جو کہ کمپنیز آرڈیننس 1984 اور میوریٹم اینڈ آرٹیکل آف ایسوسی ایشن کی شقوں کے مطابق ہیں، سبکدوش ہونے والے ڈائریکٹران کے نام مندرجہ ذیل ہیں۔
  - 1- جناب بختیار حمید وائیں
  - 2- جناب خالد حمید وائیں
  - 3- جناب عامر حمید وائیں
  - 4- جناب نوید علی بیگ
  - 5- جناب عمر حسن خان
  - 6- جناب جمل حسین
  - 7- جناب تنویر کرامت
- مورخہ 21 مارچ 2017 میں ہونے والی ڈائریکٹران کی میٹنگ میں بورڈ آف ڈائریکٹران نے منتخب ہونے والے ڈائریکٹران کی تعداد سات (7) شخص کی ہے۔ سبکدوش ہونے والے ڈائریکٹران کے مطابق قابل اطلاق قوانین دوبارہ منتخب ہونے کے لیے اہل ہونگے۔
- 31 دسمبر 2017 کو ختم ہونے والے مالی سال کیلئے کمپنی کے ڈیڑی رپورٹس اور اس کا معاوضہ طے کرنا۔ موجودہ ڈیڑی رپورٹس چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہوتے ہیں اور دوبارہ تقرری کے اہل ہونے کی وجہ سے خود کو پیش کرتے ہیں۔
- بورڈ آف ڈائریکٹران کی سفارش کے مطابق 1 روپے فی حصص کی شرح سے یعنی 10% فیصد حتمی نقد منافع کی ادائیگی پر غور کرنا، منظور کرنا اور اعلان کرنا۔
- اضافی امور جو کہ چیئرمین کی اجازت سے ہونگے۔

### B- اہم کاروباری امور:-

- 7- بونس حصص کی منظوری جسکی تجویز کا تناسب ہر 100 حصص پر 25 حصص کے حساب سے ہوگا جو کہ 25 فیصد بنتے ہیں اور مندرجہ ذیل قرار داد منظور کرنا۔  
”قرار پایا جاتا ہے کہ عام حصص جسکی بنیادی قیمت 10 روپے فی حصص کے حساب سے ہے جو کہ بطور بونس شیئرز جاری کیے گئے اور مذکورہ شیئرز مکمل ادا شدہ عام حصص کے مطابق کمپنی کے ممبرز کو الاٹ کیے جائیں گے جسکا تناسب ہر 100 حصص پر 25 حصص کے حساب سے ہوگا یعنی 25% فیصد۔ ان ممبران کو جسکا نام ممبران رجسٹر میں مورخہ 17 اپریل 2017 کے اختتامی حساب کتاب پر ہے۔ ایسے بونس شیئرز ڈیویڈنڈ کی ترسیل اور تمام امور میں عام حصص کے قانونی مساوی ہونگے۔  
مزید قرار کیا جاتا ہے کہ ممبران کے کسری استحقاق کو مکمل حصص میں اکٹھا کر کے اسٹاک مارکیٹ میں فروخت کیا جائے گا اور اس سے حاصل شدہ رقم کو کسی فلاحی ادارے کو عطیہ کی جائے گی۔
- 8- سیوریٹیز اینڈ ایکسچینج آف پاکستان کے جاری شدہ SRO 470 (I) / 2016 مورخہ 31 مئی 2016ء کے مطابق یہ وضع کیا گیا ہے کہ مندرجہ ذیل شخصیں خصوصی قرار داد کے تحت منظوری گئی ہیں۔  
”قرار پایا جاتا ہے کہ SRO 470 (I) / 2016 مورخہ 31 مئی 2016ء کی قیمل کے تحت اور شیئرز ہولڈرز کی رضامندی اور اجازت سے کمپنی کے بورڈ آف ڈائریکٹران اور سیکرٹری کو مجاز کیا جاتا ہے کہ وہ کمپنی کے سالانہ آڈٹ شدہ مالی گوشوارے کمپنی کے ممبران کو بذریعہ CD/DVD/USB ترسیل کریں اور یہ کمپنی کے بورڈ آف ڈائریکٹران اور سیکرٹری کو ان تمام عوامل اور چیزوں کیلئے مجاز کیا جاتا ہے جو اس قرار داد کو پورا کرنے کے لیے ضروری ہیں۔“
- 9- ”قرار پایا جاتا ہے کہ ایسی پلانٹیشنز آف ایشن سیم (ESOS-I) میں مندرجہ ذیل ٹیبل میں دی گئی نظر ثانی جو کہ کمپنی کے COO کیلئے ہیں منظوری گئیں۔“

سال	نظر ثانی شدہ فی حصص پیش کی رقم	بنیادی فی حصص پیش کی رقم	بنیادی مجموعی مدت	نظر ثانی شدہ مجموعی مدت
2014	1 روپے	1.20 روپے	2019	2018ء
2015	1 روپے	1.44 روپے	2020	2018ء
2016	1 روپے	1.73 روپے	2021	2018ء

احسن ظلیل (کمپنی سیکرٹری)

لاہور مورخہ 03 اپریل 2017

### حاشیات:-

- (1) کمپنی کے حصص کی منتقلی کی کتب مورخہ 18 اپریل 2017 سے 25 اپریل 2017ء (بشمول دونوں دن) بند رہیں گی جس دوران تدوین کیلئے کسی بھی حصص کی منتقلی کی وہ درخواستیں جو درست حالت میں کمپنی کے شیئرز رجسٹرار کے دفتر THK ایسوسی ایشن (پرائیویٹ) لمیٹڈ فرسٹ فلور 40-C، بلاک نمبر 6، PECHS، کراچی۔ 75400 مورخہ 17 اپریل 2017ء کو دفتری اوقات ختم ہونے سے قبل موصول ہوگی۔ انکو حتمی نقد منافع کی ادائیگی، بونس شیئرز کی منتقلی اور سالانہ اجلاس عام میں شرکت اور حق رائے دہی استعمال کرنے کے استحقاق کے تعین کیلئے بروقت شمار کیا جائے گا۔
- (2) کوئی بھی ممبر جو کہ کمپنی کے ڈائریکٹران کے انتخابات میں حصہ لینا چاہتا/ چاہتی ہے وہ کمپنی کو رجسٹرڈ آفس اویسیوں لمینڈ بمقام 19 کلوسٹر مین ملتان روڈ، لاہور پر بذریعہ نوٹس کمپنی کے سالانہ اجلاس عام سے کم از کم چودہ (14) دن قبل کمپنی آڈیٹس 1984ء سیکشن (4) 178 کی شرط کے تحت اس ارادے سے آگاہ کرے گا کہ وہ کمپنی کے الیکشن کیلئے نامزد کیا جائے۔
- 1- رضامندی بطور ڈائریکٹر کام کرنا اور فارم 28 جو کہ بمطابق شرائط کمپنی آڈیٹس 1984 زید دفعہ 184 مکمل ہو۔
- ب- اقرار نامہ کہ کوڈ آف کارپوریٹ گورننس 2012 اور کمپنیز آرڈیننس 1984 میں دیے گئے اہلیت کے معیار کے مطابق لمینڈ کمپنی کے بطور ڈائریکٹر کام کرنے کا/ کی اہل ہوں۔
- ج- کمپنی کی ویب سائٹ پر دینے کیلئے کوآف نامہ بعد دفتری پیدائش سے کم از کم 7 دن پہلے بمطابق شرائط جو کہ SRO 25 (I) / 2012 مورخہ 16 جنوری 2012 اور SRO 634 (I) / 2015 مورخہ 10 جولائی 2014ء کے تحت ہو۔
- (3) سالانہ اجلاس عام میں شمولیت بولنے اور حق رائے دہی کرنے کے مستحق ہر ممبر کو یہ حق حاصل ہے کہ وہ شرکت بولنے اور حق رائے دہی استعمال کرنے کیلئے اپنی جگہ کسی عیوضی/ نائب (پراسی) کو مقرر کرے اور ایسے عیوضی/ نائب کو اجلاس میں شرکت بولنے اور حق رائے دہی استعمال کرنے کی نسبت سے وہی اختیارات حاصل ہونگے جو کہ بذات خود کمپنی کے رکن کو حاصل ہوتے ہیں۔ عیوضی/ نائب مقرر کرنے کیلئے ہر لحاظ سے درست اور باقاعدہ مہر شدہ اور دستخط شدہ پراسی فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہونا ضروری ہے۔ عیوضی/ نائب کا بذات خود کمپنی کے حصص یافتگان میں سے ہونا ضروری نہیں۔
- (4) ممبر کیلئے ضروری ہے کہ وہ بروقت اپنے پتہ میں تبدیلی THK ایسوسی ایشن (پرائیویٹ) لمیٹڈ فرسٹ فلور 40-C، بلاک 6-PECHS، کراچی 75400 کمپنی کے شیئرز رجسٹرار کو مطلع کر دیں۔

### دیگر نوٹس:-

- 1- انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سیکورٹی گروپ اکاؤنٹ میں جمع ہے اسکی رجسٹریشن کی تفصیلات قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا اصلی شناختی کارڈ یا پاسپورٹ سے کروائیں۔
- 2- حصہ داران جو کہ CDC میں رجسٹر ہیں ان سے درخواست کی جاتی ہے کہ وہ اپنا آئی

### دیگر نوٹس:-

- 1- انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سیکورٹی گروپ اکاؤنٹ میں جمع ہے اسکی رجسٹریشن کی تفصیلات قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا اصلی شناختی کارڈ یا پاسپورٹ سے کروائیں۔
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### حصص یافتگان کا اجلاس میں شرکت کیلئے۔

- 1- انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سیکورٹی گروپ اکاؤنٹ میں جمع ہے اسکی رجسٹریشن کی تفصیلات قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا اصلی شناختی کارڈ یا پاسپورٹ سے کروائیں۔
- 2- حصہ داران جو کہ CDC میں رجسٹر ہیں ان سے درخواست کی جاتی ہے کہ وہ اپنا آئی

ڈی نمبر اور اکاؤنٹ نمبر جو کہ CDC میں ہے ہمراہ لائیں۔

- 3- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹران اپنے نمائندگی قرار داد اختیار نامہ بعد نامزد کیے گئے شخص کے دستخط نمونہ پیش کریں۔

### عیوضی/ نائب پر کسی کی تقرری کیلئے:-

- 1- انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سیکورٹی گروپ اکاؤنٹ میں ہوں اور اسکی رجسٹریشن کی تفصیلات قوانین کے مطابق جمع کروائی گئی ہوں، پروکسی مکمل اور صحیح طور پر تصدیق شدہ ہونا چاہئے۔
- 2- پروکسی فارم پر دو اشخاص گواہ ہونے چاہئیں جسکے نام پتہ جات، شناختی کارڈ نمبر پروکسی فارم پر لکھے ہوں۔
- 3- اصل حقدار اور عیوضی/ نائب کے درست شناختی کارڈ یا فائدہ مند مالکان کے سپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ساتھ مہیا کی جائیں گی۔
- 4- پروکسی اپنا اصل شناختی کارڈ یا پاسپورٹ اجلاس کے وقت پیش کرے۔
- 5- کارپوریٹ شناخت کی صورت میں حقدار عام بورڈ آف ڈائریکٹرز و ولوشن نامزد کیے گئے شخص کے دستخط نمونہ جات کے ساتھ اجلاس کے وقت پیش کرے گا۔

### ڈیویڈنڈ وارنٹ پر شناختی کارڈ نمبر:-

- بمطابق SRO 831 (2) / 2012 مورخہ 05 جولائی 2012ء بعد SRO 19(1) / 2014 مورخہ 10 جنوری 2014ء شناختی کارڈ نمبر کے بغیر ڈیویڈنڈ وارنٹ جاری نہیں ہوگا۔ وہ انفرادی ممبر جنہوں نے اب تک درست شناختی کارڈ کی کاپی جمع نہیں کروائی انہیں دوبارہ یاد دہانی کرائی جاتی ہے کہ جلد از جلد مندرجہ بالا پتہ پر کمپنی کے شیئرز رجسٹرار کو براہ راست بھیج دیں۔ کارپوریٹ افراد سے درخواست کی جاتی ہے کہ اپنے قومی ٹیکس نمبر (NTN) فراہم کر دیں۔ شناختی کارڈ NTN کی تفصیلات فوئیو نمبر کے ساتھ فراہم کریں۔

### ڈیویڈنڈ کی براہ راست ادائیگی:-

- SECP 2012 کے سرکلر نمبر 18 مورخہ 05 جون 2012 اور SECP لٹر نمبر SM/CDC 8(4) مورخہ 05 اپریل 2013ء کے تحت قانون کے مطابق حصص یافتگان براہ راست بینک اکاؤنٹ میں اپنا نقد منافع حاصل کرنے کے حقدار ہیں اس طریقے سے فائدہ اٹھانے کیلئے انفرادی حصص یافتگان کمپنی کے شیئرز رجسٹرار کو درخواست جمع کروا سکتے ہیں۔ اس کی درخواست کمپنی کی ویب سائٹ www.avanceon.ae پر موجود ہے۔ سی ڈی سی اکاؤنٹ ہولڈر اپنی درخواست براہ راست اپنے بروکر ای سی ڈی سی کو جمع کروا سکتے ہیں۔ جسکی نقل کمپنی کے شیئرز رجسٹرار کے پاس جمع کروائی جائے۔

### اجلاس عام اور سالانہ مالیاتی گوشواروں کی اطلاعات کی ترسیل:-

- 2014 SRO 787 (1) / 2014 مورخہ 08 ستمبر 2014ء کے مطابق SECP نے کمپنی کے حصص یافتگان کو سالانہ مالیاتی گوشوارے اور اطلاعات بذریعہ الیکٹرانک میل (E-mail) موصول کرنے کی سہولت دینے کی ہدایت کی ہے۔ ہمیں اپنے حصص یافتگان کو جو مستقبل میں سالانہ مالیاتی گوشوارے اور اطلاعات ای میل کے ذریعے موصول کرنے کے خواہشمند ہیں کو یہ سہولت پیش کرتے ہوئے مسرت ہے۔ خواہشمند حصص یافتگان سے گزارش کی جاتی ہے کہ وہ اپنی رضامندی کا فارم ای میل کے ذریعے ارسال کریں جو کہ کمپنی کی ویب سائٹ www.avanceon.ae پر موجود ہے۔ برائے مہربانی اس امر کو یقینی بنائیں کہ آپ کی ای میل بالکل درست ہے اور اس میں اس طرح کی ای

محکم بورڈ:-





## تشکیل نیابت داری

### 14واں سالانہ اجلاس عام

میں / ہم ----- ساکن ----- بطور اوپنسیون لمیٹڈ -----

رکن و حامل ----- عام حصص مطابقی شیئر رجسٹرڈ فولیو نمبر -----

اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر ----- اور ذیلی کھاتہ نمبر -----

ساکن ----- یا بصورت دیگر ----- ساکن -----

کو اپنی جگہ مورخہ 25 اپریل 2017 منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ ----- 2017

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گواہان:

1

دستخط:

نام:

پتہ:

سی این آئی سی یا پاسپورٹ نمبر:

2

دستخط:

نام:

پتہ:

سی این آئی سی یا پاسپورٹ نمبر:

دستخط

براہ کرم پانچ روپے مالیت  
کے ریونیو ٹکٹ چسپاں  
کریں۔

(دستخط کمپنی میں درج  
نمونہ کے دستخط کے مطابق  
ہونے چاہئے)

نوٹ: پراکسیز کے موثر ہونے کے لئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کا کمپنی کا رکن ہونا ضروری نہیں ہے۔ سی ڈی سی کے حصص یا فتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر انڈرڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔

The Company Secretary  
**AVANCEON LIMITED**  
Avanceon Building,  
19 km, Main Multan Road,  
Lahore - 54660  
Pakistan

## Form of Proxy

14<sup>th</sup> Annual General Meeting of Avanceon Limited

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Avanceon Limited and holder of \_\_\_\_\_  
\_\_\_\_\_ Ordinary Shares as per Share Register Folio  
(No. of Shares) \_\_\_\_\_  
No. \_\_\_\_\_ and / or CDC Participant I.D. No. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the 14<sup>th</sup> Annual General Meeting of the Company to be held on  
Tuesday, April 25, 2017 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

**Witnesses:**

1. Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 \_\_\_\_\_  
 NIC or \_\_\_\_\_  
 Passport No. \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue stamp

2. Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 \_\_\_\_\_  
 NIC or \_\_\_\_\_  
 Passport No. \_\_\_\_\_

(Signature should agree with the specimen signature registered with the Company)

**Note:**

1. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.
2. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.



# Electronic Transmission Consent Form

The securities & Exchange Commission of Pakistan through SRO 787(II)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor’s report and director’s report etc. (Audited Financial Statements) along with the Company’s Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company’s Annual Report through email are requested to complete the requisite form below.

CDC Shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company’s Registrar, THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No. 3, Dr. Zia Uddin Ahmed Road, Karachi.

## Electronic Transmission Consent Form

Pursuant to the directions given by the Securities and Exchange Commission of the Pakistan though its S.R.O 787(11)/ 2014 of the September 08, 2014, I, Mr./Ms. \_\_\_\_\_ S/o, D/o., w/o \_\_\_\_\_ hereby consent to have the Avanceon Limited Audited Financial Statement and Notice of Annual General Meeting delivered to me via email on my address provided below:

Name of Member / Shareholder \_\_\_\_\_  
Folio/ CDC Account Number \_\_\_\_\_  
CNIC \_\_\_\_\_  
Email Address \_\_\_\_\_

It is stated that the above mentioned information is true and correct and that I shall notify the company and its share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company’s Audited Financial Statement and Notice of Annual General Meeting.

Date: \_\_\_\_\_

Signature of Member/Shareholder \_\_\_\_\_





## Request for Video Conferencing Facility Form

Members can also avail video conference facility in Karachi. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at Karachi to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Avanceon Limited and holder of \_\_\_\_\_  
\_\_\_\_\_ Ordinary Share(s) as per Share Register Folio  
No/CDC A/C No. \_\_\_\_\_ hereby Opt for video conference facility at \_\_\_\_\_

Date: \_\_\_\_\_ Signature of Member/Shareholder \_\_\_\_\_

AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
**AVANCEON LIMITED**  
Avanceon Building,  
19 km, Main Multan Road,  
Lahore - 54660  
Pakistan

## INVESTORS' EDUCATION

To comply with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

[www.jamapunji.pk](http://www.jamapunji.pk)



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- Online Quizzes



SECP

Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

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\*Mobile apps are also available for download for android and ios devices



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