



Your Partner in
Digital
Transformation



YOUR PARTNER IN DIGITAL TRANSFORMATION

2019 was an outstanding year for Avanceon.

We joined hands with some of the leading technological giants. Octopus Digital, our new solutions offering became fully operational and is on its way to becoming an integral part of the Avanceon family. We travelled to the African continent to develop new opportunities for our oil and gas business. And we had one of our strongest year in history.

Our year end numbers are testament to our commitment to Mission 2022.

2019, however, was also a year of introspection. We forced ourselves to look within for a frank and honest self-analysis of

our strengths and weaknesses. We dove deep into how we can create more opportunities, develop meaningful relationships with our partners and innovative ways to better serve our customers. Above all, how we must sustain our business and growth without jeopardizing our future and keep our people safe during uncertain times.

Here is how we accomplished it all in 2019.

Welcome to Avanceon 2019 Annual Report.

LETTER FROM THE FOUNDER & CEO

Dear Shareholders, Partners, Customers and Team,

Welcome to Avanceon 2019 Annual Report.

'Continue to do What You are Doing' was the advice given to me with a beaming smile by one of our biggest customers in the Middle East when I asked how Avanceon could have improved its performance on a particularly tough assignment. In that moment, I couldn't have been prouder of being a part of Avanceon.

Now something about how I look at the business

Silver Lining amid Turbulent Markets

After a tough period, Pakistan's economy in FY2019 has shown positive signs of recovery. We capitalized on the opportunity with 66% growth in 2019 order generation. The growth came from our core verticals of Food & Beverage, Oil & Gas and FMCG. With positive indicators coming from new markets that we have invested in; we expect the growth march of Avanceon to continue in Pakistan.

FY2019 was a productive year for Middle Eastern markets. The region saw a 3% growth with 11% increase in contracts awarded. National Development Plans across the region such as the Saudi Vision 2030, Qatar National Vision 2030, Expo 2020 in UAE and the FIFA World Cup in 2022 in Qatar fueled growth with \$69 billion worth of building contracts awarded. Very apt that 2019 was a record year for Avanceon also in the Middle East.

Partnering with the Giant of Africa

Avanceon has a strong presence in South Asia, Middle East and North America. Africa, particularly Nigeria has always been on our radar. An active OPEC member since 1971, the 'Giant of Africa' remains the largest oil and gas producer on the continent. Considering its unique position, Avanceon will be partnering with PE Energy Limited, a leading Nigerian engineered solutions and supply chain management company. Avanceon will help set up a state-of-the-art Center of Excellence in Port Harcourt. In 2019, I had the pleasure of visiting the location of the Excellence Center in Rivers State province. The positive effect this alliance will have on our bottom line is something I am very excited about.

Improving our Operational Efficiency

As any organization, Avanceon needs to continuously improve its agility and responsiveness. To achieve synergy between all departments, an Executive Management Board has been constituted under the leadership of Tanveer Karamat, President of Avanceon Ltd.

I will leave it to Tanveer to explain the charter and objectives of the Executive Board

Building on a Digital Future

Avanceon is currently going full steam ahead with the proof of concept of its disruptive Digital offering. I am happy to announce that Octopus Digital, in partnership with Microsoft, has successfully implemented some very exciting concepts in the industry. We would be scaling up in the third quarter and I am positive we will see some very strategic successes soon.

COVID-19 and Mission 2022

In 2018, we promised our shareholders that we will increase our order generation both organically and inorganically to achieve over 80% of growth by 2020. Just a quick glance at our 2019 numbers will confirm that we are absolutely on track for the audacious target. We have started 2020 with the utmost confidence of achieving our promised results. COVID-19 with all its dangers has not dampened our spirits but instead has led us to introspect about the havoc it has wreaked in everybody's lives around us.

Avanceon's priority in these challenging times has been to secure the safety of its team members spread over five countries and many geographical locations. It is my pleasure to announce that despite 95% of our team members working remotely from home or a safe location, we have not allowed a single day of discontinuity to our clients' businesses. I am very proud of the response by our team which speaks volumes of our resilience and ability to meet any kind of challenge.

Nobody knows for sure how this crisis will pan out, but we feel quite insulated towards any substantial impact to our business. The whole concept of working remotely aligns perfectly with the value proposition of our business; it would actually be fair to assume that as the world comes out of this crisis, many more opportunities will open for Avanceon to position itself as the ideal partner in transforming manufacturing.

I will sign off by saying that I pray for the safety of all and hope that the COVID-19 pandemic ends with the world's renewed sense of compassion and empathy for all humanity.

I also assure you that we will 'Continue to do What We are Doing' and strive to improve every step of our way to the future.

Yours Sincerely,



Bakhtiar H. Wain
Founder & CEO



AVANCEON

Tomorrow's solutions, today.

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 & REMUNERATION COMMITTEE

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

AUDITORS

EY Ford Rhodes
Chartered Accountants

LEGAL ADVISOR

Chima & Ibrahim
Advocates and Corporate Council

WEB PRESENCE

www.avanceon.ae | www.avanceon.com
www.avanceon.qa | www.octopusdtl.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
Bank of Singapore, 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
JS Bank Limited, Pakistan
Qatar International Islamic Bank QIIB, Qatar
Qatar Islamic Bank QIB, Qatar

SHARE REGISTRAR

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

REGISTERED OFFICE

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

REGIONAL HEADQUARTERS - MIDDLE EAST**Avanceon FZE - Dubai, UAE**

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

Abu Dhabi, UAE

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

Doha, Qatar

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

Jeddah, Saudia Arabia

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

Dammam, Saudia Arabia

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

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

300 Eagleview Blvd, Suite 100
Exton, PA 19341
United States of America
Phone: +1 610 458 8700

REGIONAL HEADQUARTERS - SOUTH ASIA**Lahore, Punjab, Pakistan**

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

Karachi, Sindh, Pakistan

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

Islamabad, Pakistan

Manzoor Plaza (The Hive Building),
First Floor, Plot 14-E Fazal-e-Haq Road,
G-6/2, Blue Area, Islamabad 44000
Phone: +92 51 573 3031
Email: support.sea@avanceon.ae

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



BOARD OF DIRECTORS' PROFILE

BOARD OF DIRECTORS' STRUCTURE & CORPORATE GOVERNANCE

COMPOSITION OF BOARD AND DIRECTORS' INDEPENDENCE

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

CHAIRMAN OF THE BOARD

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

DIRECTORS' PROFILE

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

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

AMIR W. WAIN, Director – brings over 27 years of international expertise within the information technology and payments industries. Amir is founder



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

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

Avanceon Board.

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

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



CHAIRMAN REVIEW REPORT ON BOARD PERFORMANCE

From the Chairman's Desk

Dear Shareholder,

It is with great privilege that I present to you the Chairman's Review Report on Board Performance for the financial year ended December 31, 2019.

2019 was an eventful year with growth recorded at its weakest pace since the global financial crisis a decade ago. This was partly due to uncertainty on business sentiment and global activity. However, despite adverse economic conditions, Avanceon was able to meet its targets in all sectors and regions.

In 2018, Avanceon embarked upon a mission to achieve exponential but sustained growth both organically and inorganically. As we stand halfway from the finish line, I am happy to report we will reach our Mission 2020 targets with time to spare.

Here are a few salient highlights of the board's activities in 2019.

Sale and Transfer of After Market Support to Octopus Digital (Pvt) Ltd – On July 15 2019, the board unanimously passed the resolution to sale/transfer the After Market Support Engineering & Technical Services business undertaking "AMS Business" Segment from Avanceon to Octopus Digital (Pvt) Limited, a wholly owned subsidiary of Avanceon Limited, against issuance of 81.9 million (eighty one million nine hundred thousand only) ordinary shares of nominal value of Rs 10/- of the subsidiary company in favor of Avanceon Limited.

Organizational Changes – For Avanceon to continuously improve its agility and responsiveness and achieve synergy between all departments, an Executive Management Board has been constituted under the leadership of, Tanveer Karamat who will be serving as the President of Avanceon Ltd. His role as Chief Operating Officer has been entrusted to our senior executives Junaid Mushtaq Paracha and Sarmad Mahmood Qureshi as Vice President Operations for their respective regions.

Our Response to COVID-19 – I am aware that the Covid-19 pandemic began affecting us all in 2020. However, I feel it is important to discuss this unprecedented event in our 2019 Annual Report as its ripple effects will be felt on our 2020 bottom line.

Through this difficult time, I would like to commend the performance of our HSE, Administration and Human Resource departments for their timely response. Avanceon's COVID-19 response in my opinion is the perfect example of our organization's agility and responsiveness in the face of crises. As a result, our teams are fully operational remotely and we do not expect any delays to our customer commitments in 2020.

Avanceon Performance in 2019

Despite a Profit Before Tax (PBT) was up by 32% at 912 Million PKR, performance in 2019 was up by 41% at 4,896 Million PKR and

• Earning Per Share was up by 31% at 4.74 PKR.

Reporting these numbers gives me immense pleasure and



satisfaction.

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

Here is a recap of the Board of Directors of Avanceon Ltd and its subsidiaries:

| | |
|---|---|
| <u>Mr. Khalid H. Wain</u> | (Chairman of the Board – Non-Executive) |
| <u>Mr. Bakhtiar H. Wain</u> | (Director and Chief Executive Officer) |
| <u>Mr. Tanveer Karamat</u> | (Director and Chief Operating Officer) |
| <u>Mr. Amir W. Wain</u> | (Director – Non-Executive) |
| <u>Mr. Umar Ahsan Khan</u> | (Director – Non-Executive/Independent) |
| <u>Mr. Tajammal Hussain</u> | (Director – Non-Executive/Independent) |
| <u>Mr. Naveed Ali Baig</u> | (Director – Non-Executive/Independent) |

In 2019, the Board of Directors met on four occasions in person and online. Besides this, business decisions were taken via circulation of board resolutions. The Board carries out a review of its effectiveness and performance each year after the closure of the fiscal year, on a self-assessment basis. The overall effectiveness of the Board was assessed as satisfactory. Areas that required improvement were duly considered and suitable action plans were formulated.

I've had the pleasure of sitting on the Avanceon board for more than five years. Previously I've been involved at both executive and non-executive level capacities within this organization. Over the years, I have seen the ebbs and flows of our business, markets and economies of regions where we operate. We are not immune to these changes; however, we have taken extraordinary measures to insulate ourselves so that our bottom line does not get affected.

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

Best Regards,

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

Lahore,
Dated: April, 2020



NOTICE OF 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of Avanceon Limited ("AVN") will be held on Friday, 29 May 2020 at 03:00 PM via Zoom video link from Avanceon Limited, Regional Operations Center, 19KM, Main Multan Road, Lahore in compliance with Circular No 5 of 2020 issued by Corporate Supervision Department of SECP dated 17 March 2020, to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting held on 08 August 2019.
2. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
3. To elect 07 (Seven) directors of the Company for the term of three years commencing from 25 April 2020 in accordance with the provision of Section 159 of The Companies Act, 2017 and Memorandum and Articles of Association. The names of retiring Directors are as under:
 1. **Mr. Khalid Hameed Wain**
 2. **Mr. Bakhtiar Hameed Wain**
 3. **Mr. Amir Waheed Wain**
 4. **Mr. Naveed Ali Baig**
 5. **Mr. Umar Ahsan Khan**
 6. **Mr. Tajammal Hussain**
 7. **Mr. Tanveer Karamat**
4. To appoint Auditors of the Company and fix their remuneration. The members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s EY Ford Rhodes, Chartered Accountants for appointment as auditors of the Company.

B. SPECIAL BUSINESS

5. To consider, and if thought fit, to approve as recommended by the Directors, the issue of bonus shares @ 10% and pass the following resolution;

"RESOLVED that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Company whose names appear on the Register of Members as at the close of the business on Thursday,

21 May 2020 in the proportion of 10 Bonus Share for every 100 Shares held, that is at the rate of 10%, as a result of this action a sum of Rs. 192,536,370 (Rupees One Hundred Ninety-Two Million, Five Hundred Thirty-Six Thousand Three Hundred and Seventy only) out of the free reserves of the Company be capitalized and applied towards the issue of bonus shares.

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

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

6. RESOLVED that the Article 8 of the Articles of Association of the Company be and is hereby amended to read as follows:

"Shares in the Capital of the Company may be issued or allotted in full or part payment of any property, land, building, machinery, equipment or goods supplied or any services rendered to the Company in promotion and establishment of the Company or conduct of its business. Provided further that the shares may be issued to employees of the company under an employee stock option scheme approved by Securities and Exchange Commission of Pakistan under the applicable corporate law(s) in Pakistan.

C. ANY OTHER BUSINESS:

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

By Order of the Board

Ahsan Khalil
Company Secretary

Lahore,
Dated: 07 May, 2020

WEBLINK FOR ONLINE MEETING VIA ZOOM:

In pursuance of SECP Circular Nos. 5 and 10 of 2020 dated 17 March 2020 and 01 April 2020 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID 19) for Corporate Sector (194), the proceedings of the AGM shall be held online only through/via "ZOOM".

For attending live proceedings of the AGM the shareholders are requested to follow the below link:

https://us02web.zoom.us/webinar/register/WN_cGhTAYP8TUqLhU3rJYxKAq

Please follow the below link for complete guidance as how to login on Zoom to attend the Annual General Meeting:

<http://www.avanceon.ae/investor-relations/>

(scroll to the bottom of the page for guideline doc)

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

Link: <http://www.avanceon.ae/regional-operations/>

(scroll to the bottom of the page for contact us)

Email: madnan@avanceon.ae

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

Under Section 223(6) of The Companies Act, 2017, circulation of Audited Financial Statements and the Notice of Annual General Meeting has been allowed to be circulated in electronic format through email. The Annual Report of the Company shall be circulated via email to those shareholders whose email addresses are present in the records/database of the CDC and Share Registrar. The shareholders are encouraged to send/update their email addresses on the above mentioned link or email or postal address. The Annual Report has also been uploaded at the Company's website and is readily accessible to the shareholders. www.avanceon.ae.

NOTES:

1. The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Friday, 22 May 2020 to Friday, 29 May 2020 (both days inclusive). Transfer received in order at the office of our Registrar, Ms. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business (5.00 p.m.) on Thursday, 21 May 2020 will be treated to have been in time for the purposes of entitlement of bonus shares to the transferees and to attend & vote at the meeting.
2. A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/ her proxy to attend, speak and vote instead of him / her, and

a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the company.

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

ADDITIONAL NOTES;

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

FOR ATTENDING THE SHAREHOLDERS' MEETING

- I. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are 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 produce 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.

STATEMENT (S) UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

Section 166 of The Companies Act, 2017 requires that a statement of material facts is annexed to the notice of the general meeting called for the purpose of election of directors which shall indicate the justification for choosing the appointee for appointment as independent director.

Accordingly, the company shall ensure that the independents are elected in accordance with the procedures for election of directors laid down in Section 159 of The Companies Act, 2017.

After the person(s) file their notice/intention to be elected as director(s), the company shall apply following criteria for the appointment as independent director:

- Inclusion of name of independent directors in the data bank maintained by Pakistan Institute of Corporate Governance (PICG) duly authorized by SECP.
- The company shall exercise due diligence that the person meets the independence criteria as mentioned in Section 166(2) of the Companies.
- Competency, diversity, skill, knowledge and experience of the person(s) shall be assessed.

STATEMENT (S) UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This Statement is annexed to the Notice of the 17th Annual General Meeting of Avanceon Limited to be held on Friday, 29 May 2020 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such special business;

ITEM 5 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 10 share for every 100 shares held, that is at the rate of 10%, to those Shareholders whose names appear in the Register of Members at the close of Business on Thursday, 21 May 2020, as a result of this action a sum of Rs. 192,536,370 (Rupees One Hundred Ninety-Two Million, Five Hundred Thirty-Six Thousand Three Hundred and Seventy only) out of the free reserves of the Company be capitalized and applied towards the issue of bonus shares.

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

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

ITEM 6 OF AGENDA

In Pursuance of the changes in the Companies (Further Issue of Shares) Regulations, 2020 issued via SRO 231(1) / 2020, the Directors have decided to amend the section - 8 of Articles of Association of the company in order to expressly provide the authorization of issuance of Employee Stock Option Scheme. The said resolution suffices the purpose of these regulations.

SHAREHOLDERS INFORMATION

The 17th Annual General Meeting of Avanceon Limited will be held on Friday, 29 May 2020 at 03:00 PM via Zoom video link from Avanceon Limited, Regional Operations Center, 19KM, Main Multan Road, Lahore in compliance with Circular No 5 of 2020 issued by Corporate Supervision Department of SECP dated 17 March 2020, 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.

WEBLINK FOR ONLINE MEETING VIA ZOOM:

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<http://www.avanceon.ae/investor-relations/> (scroll to the bottom of the page for guideline doc)

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

<http://www.avanceon.ae/regional-operations/> (scroll to the bottom of the page for contact us)

Email: madnan@avanceon.ae
Postal Address: Corporate Officer,
Avanceon Limited, 19-Kms, Main

Multan Road, Lahore.

Major Resolution – Shareholders information:

1. The Board of Director's recommended 10% Bonus share issue i.e. 10 shares for every 100 shares held to the members of the company.

The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from 22 May 2020 to 29 May 2020 (both days inclusive). Transfer received in order at the office of our Registrar, Ms. FAMCO Associates 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business (5.00 p.m.) on Thursday 21 May 2020 will be treated to have been in time for the purposes of entitlement of bonus shares to the transferees and to attend & vote at the meeting.

2. The BOD recommend the Article 8 of the Articles of Association of the Company be and is hereby amended to read as follows:

"Shares in the Capital of the Company may be issued or allotted in full or part payment of any property, land, building, machinery, equipment or goods supplied or any services rendered to the Company in promotion and establishment of the Company or conduct of its business. Provided further that the shares may be issued to employees of the company under an employee stock option scheme approved by Securities and Exchange Commission of Pakistan under the applicable corporate law(s) in Pakistan.

Ownership

As on 31 December 2019 there were 4,417 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 2020 are:

| | |
|--------------|-----------------|
| 1st quarter: | 28 May 2020 |
| Half yearly: | 24 August 2020 |
| 3rd quarter: | 28 October 2020 |

All our quarterly reports are regularly posted to Pakistan Stock Exchange, all annual/quarterly reports are also placed at the Company's website: www.avanceon.ae. The Company reserves the right to change any of the above dates, Under Section 223(6) of The Companies Act, 2017, circulation of Audited Financial Statements and the Notice of Annual General Meeting has been allowed to be circulated in electronic format through email. The Annual Report of the Company shall be circulated via email to those shareholders whose email addresses are present in the records/database of the CDC and Share Registrar. The shareholders are encouraged to send/update their email addresses on the above mentioned link or email or postal address. The Annual Report has also been uploaded at the Company's website and is readily accessible to the shareholders.

www.avanceon.ae.

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

FAMCO Associates (Pvt) Ltd.

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



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KEY HIGHLIGHTS

GLOBAL PRESENCE



+30 years
of commitment



+10 key partners
worldwide



+150 Public & Private
blue chip customers



+1,000 medium &
large scale projects



Southeast Asia Regional
Operations Center Lahore,
Pakistan

Middle East and Africa
Regional Operations Center
Dubai, UAE



+200
employees



+10 offices,
3 operating centers



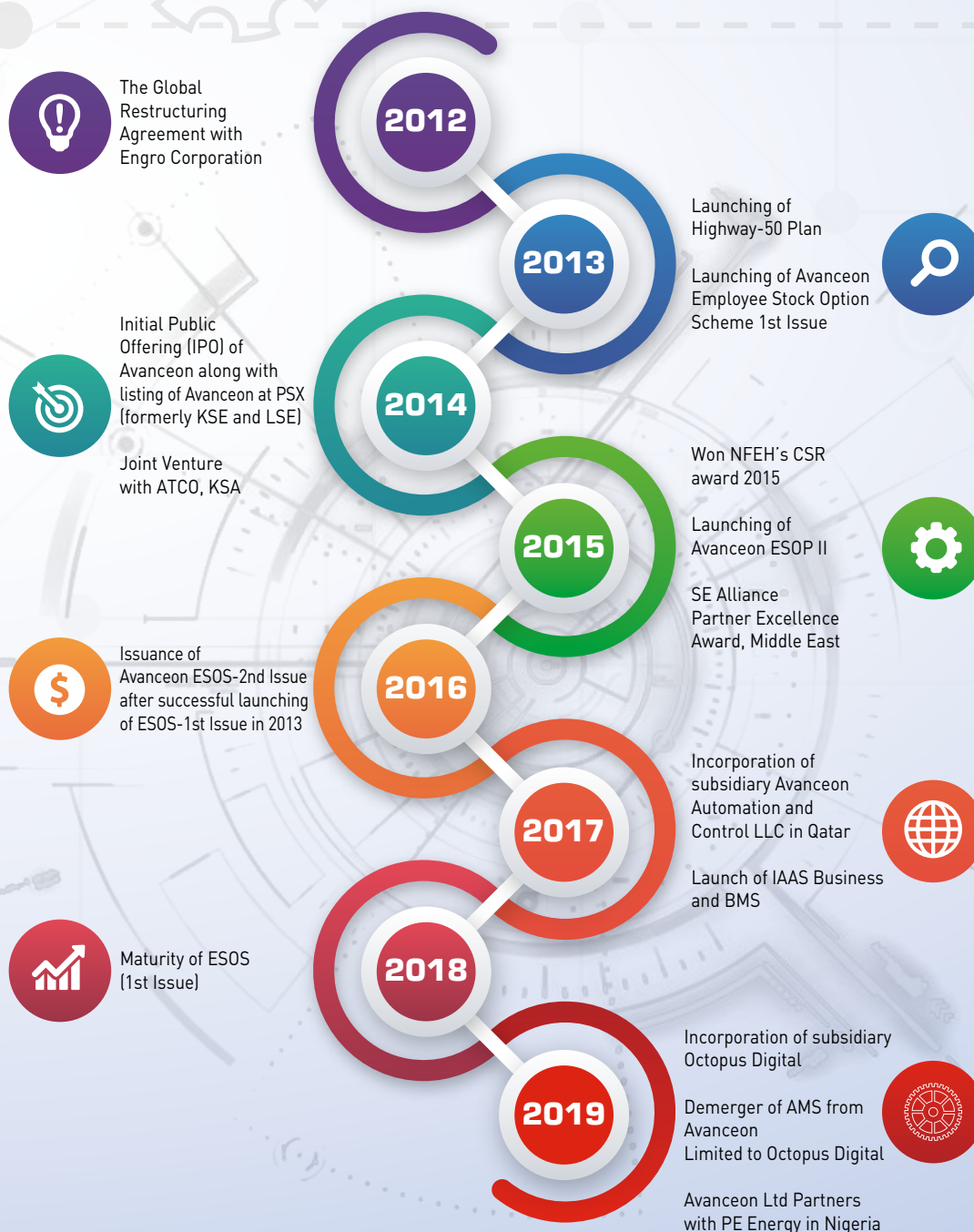
+15 industrial
segments served



+70% Control
System Engineers

OUR HISTORY





INTRODUCING

OCTOPUS DIGITAL

Who We Are

Digital transformation is not a project or an event, it is a journey. Octopus helps businesses digitalise their manufacturing, supply chain and financial workflows backed by strategic and operational maintenance support services. That makes decision support, actionable insights and business intelligence available 24x7x365 both as managed and unmanaged service on a multi-year monthly subscription basis.

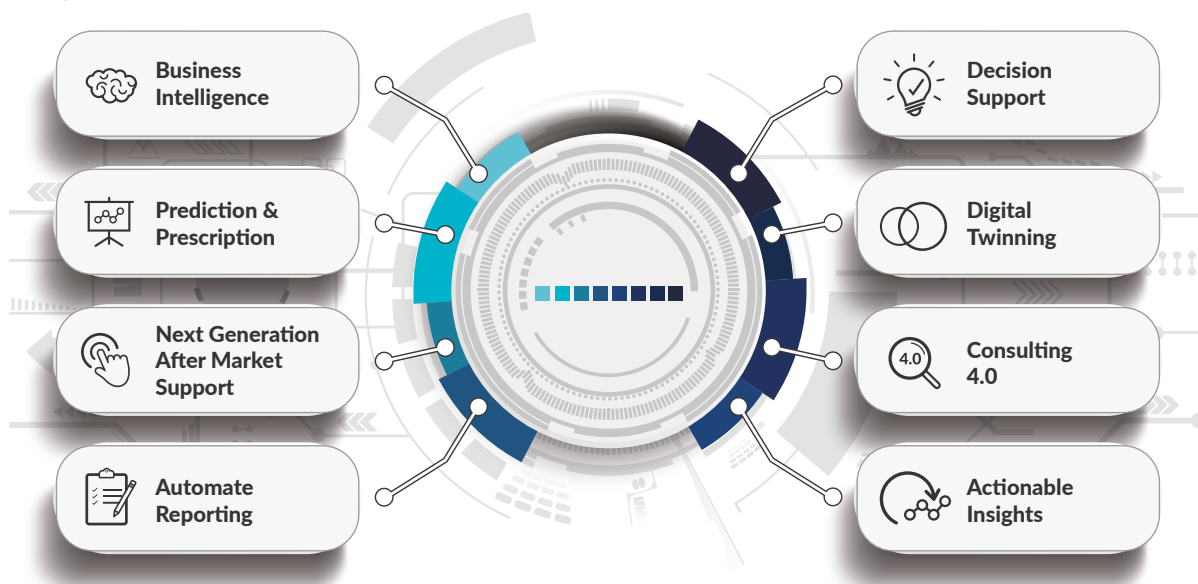
What We Do

WE PROVIDE

END-TO-END DIGITALIZATION

SIMPLY, QUICKLY AND SECURELY

The next generation of Business Intelligence isn't siloed in systems or dependent on fancy dashboards. Instead, insights appear instantly, making it easier to see change and take action.



Decision Support:

Receive automatic alerts for your most important KPIs and never miss an eye on the big picture

Digital Twinning:

Topware creates digital twin of every asset and entire process to connect, analyse and optimize.

Automate Reporting:

Measure productivity by exporting and emailing reports to stakeholders

Consulting 4.0:

Schedule periodical sessions with process experts and data scientists to deep-dive single version of truth

How WE DO IT

CONNECT AND ANALYZE DATA FOR YOUR DECISION SUPPORT

We deliver insights on complex data so every user across the organisation can achieve better outcomes.

Our cloud-native, AI-Powered Topware presents data in a way that lets even non-IT/OT professionals gain insight and take action.

Simplify Complexity: Topware joins data from multiple sources in an enterprise to create single version of truth

Deploy & Adapt Quickly: Topware gets up & running in 07 days followed by 30 min of user orientation & training

Drive Impact: Topware creates alignment among teams, their business objectives and key results on real-time basis



Find us on LinkedIn



Find us online

Whats In It For You

SECURE AND GOVERNED A SINGLE VERSION OF TRUTH FOR YOUR DECISION SUPPORT

ANALYTICS AS A SERVICE

The health of your organization on a single screen. Our Analytics as a Service provides additional insights that enables analysts and end-users to have easy access to data from multiple sources and explore the information at hand interactively and collaboratively.

INFRASTRUCTURE AS A SERVICE

Eliminate capital expense and reduce operational costs. Our Infrastructure as a Service is robust and secure. We partner with the best to keep your data secure and readily available with no downtime. Respond quickly to shifting business trends through a stable and reliable infrastructure. Our proprietary BTMI (Build, Train, Maintain, and Improve) model provides our customers piece of mind with regards to their critical assets.

AFTER MARKET SUPPORT AS A SERVICE

Our strategic approach enables our customers to focus on the core business while their systems are managed and maintained by Octopus Digital's highly reliable team of trained professionals.

FINANCIAL HIGHLIGHTS

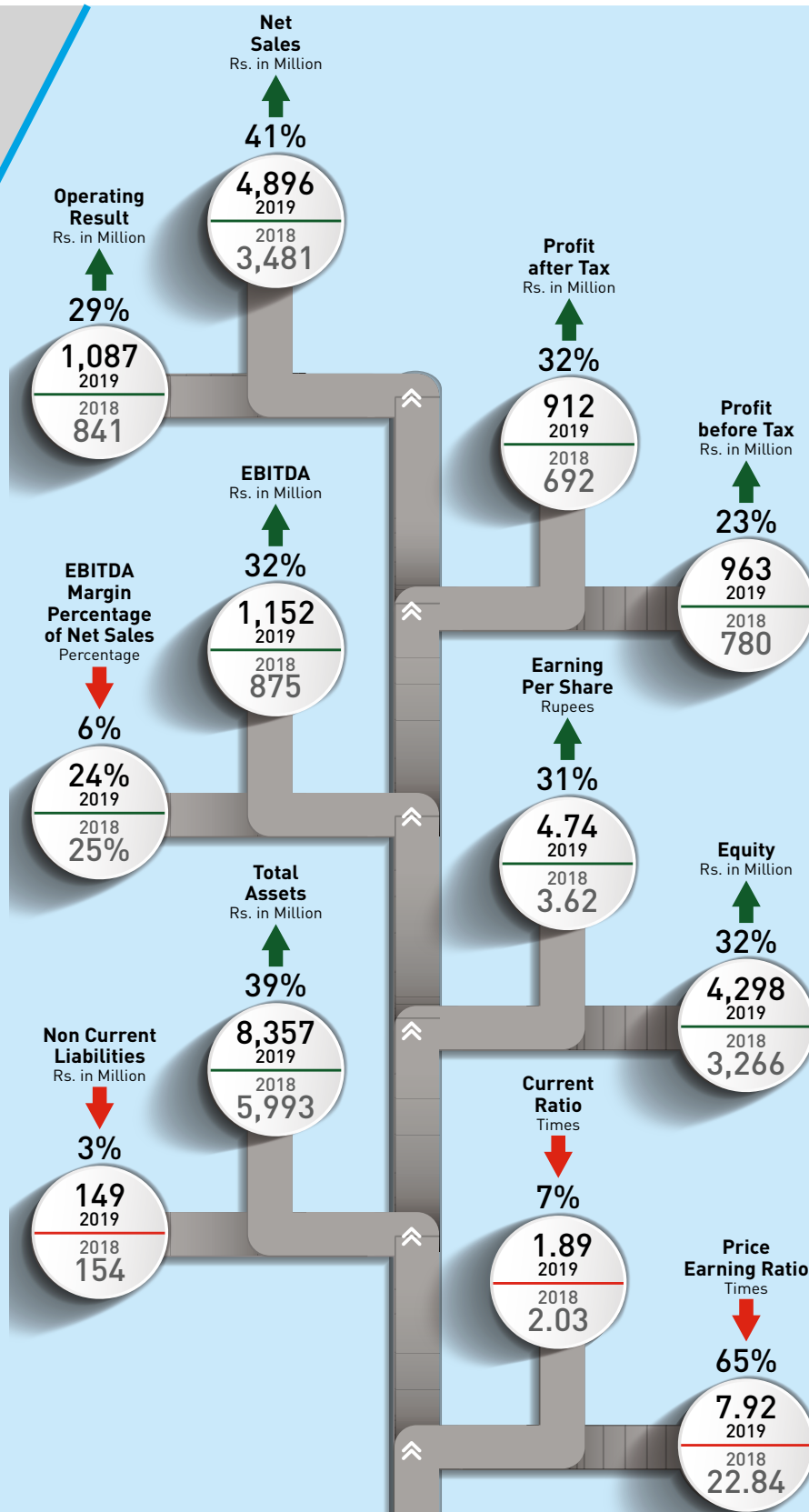
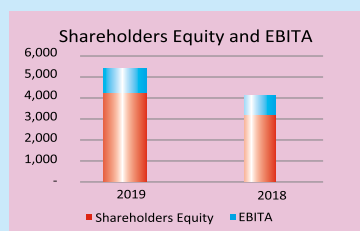
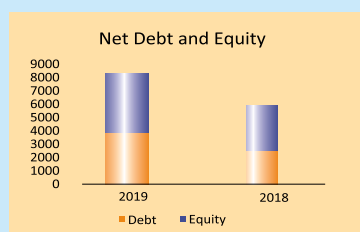
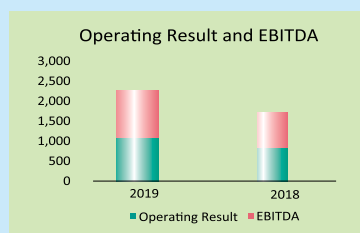
(AS AT DECEMBER 31, 2019) CONSOLIDATED

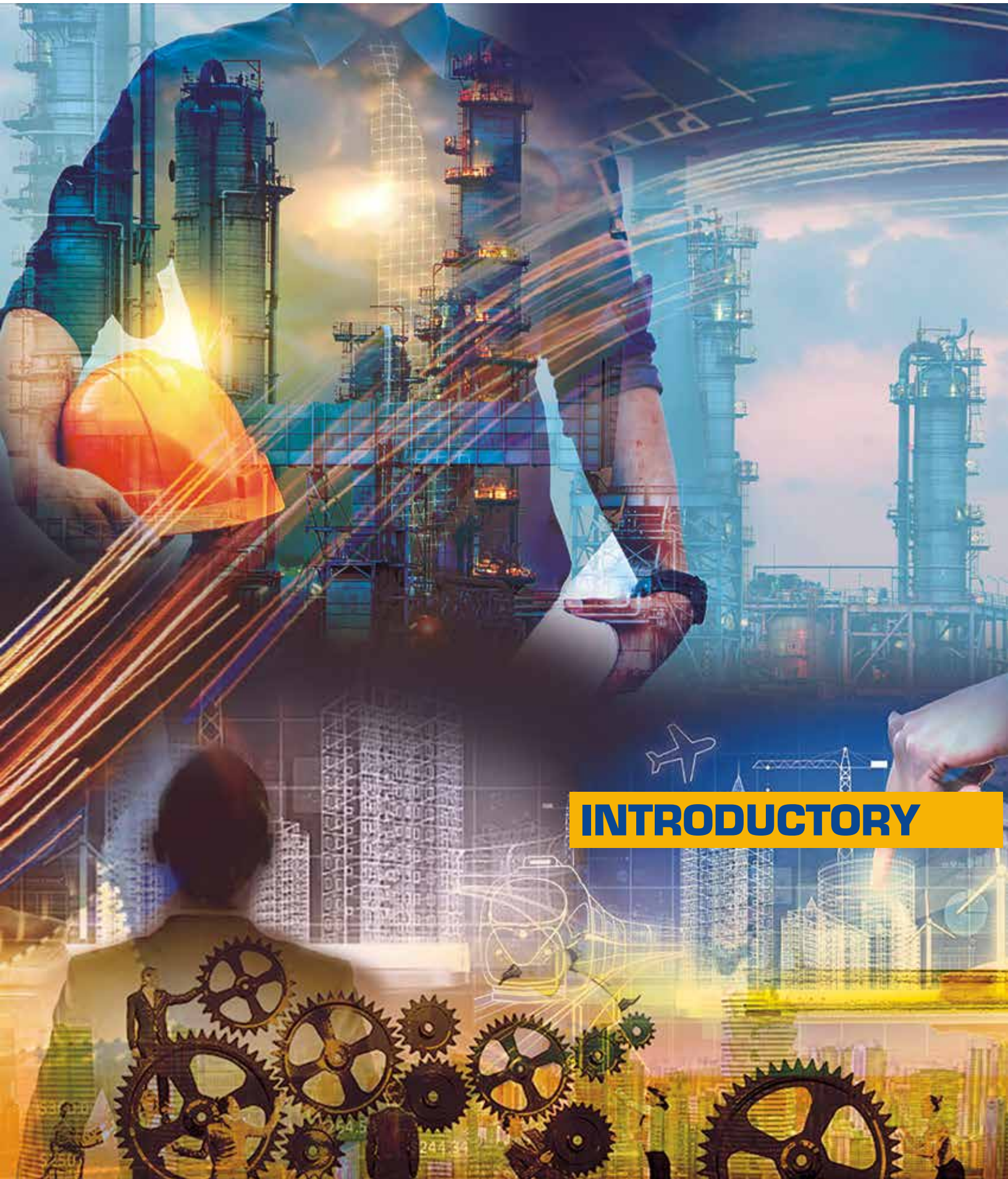


BAKHTIAR H. WAIN

Founder & CEO

Numbers tell the story; Avanceon Ltd exceeded every projection shared with analysts at the start of the year. Team's business continuity response to COVID-19 has been outstanding and we are all geared up for an even better 2020





INTRODUCTORY

VISION & MISSION STATEMENT

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

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



SUSTAINABILITY

INTEGRITY

TEAMWORK

QUALITY

CREATIVITY

AGILITY

CANDOR



PROFILE & GROUP STRUCTURE

CORPORATE PROFILE

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

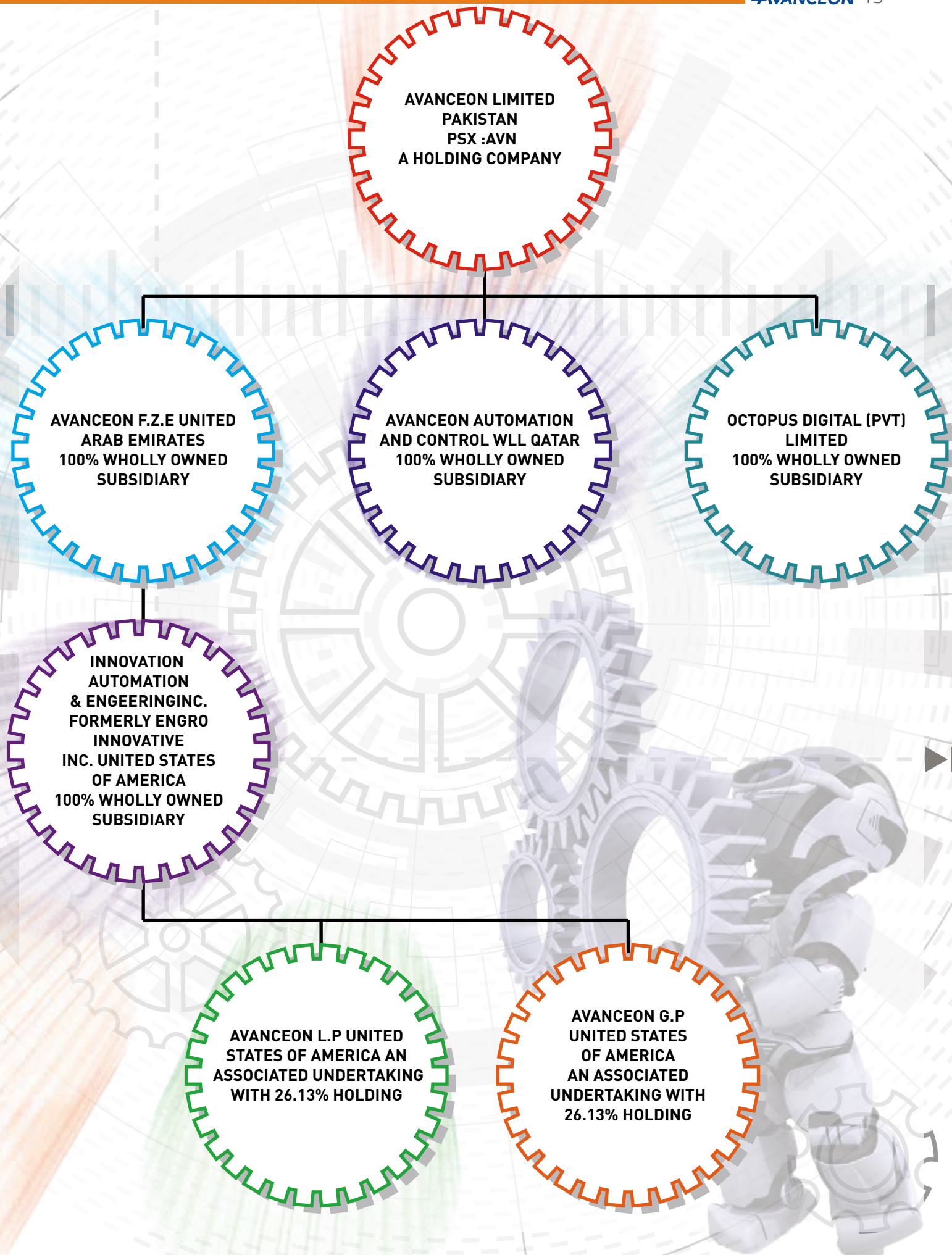


Avanceon has been in the automation business for the last 30 years and has transformed into a 360-degree solution provider for automation, energy management, engineering services and maintenance for major blue-chip companies. A certified member of the select group of Control System Integrators Association, Avanceon is also listed on the Control Engineering Magazine's System Integrator Hall of Fame. Avanceon recently expanded its footprint in the Middle East by setting up offices in Qatar and Kingdom of Saudi Arabia.

ORGANIZATIONAL STRUCTURE

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

In 2019, the Board of Directors of Avanceon Limited passed the resolution for investment in associated company, Octopus Digital (Private) Limited to make it 100% wholly owned subsidiary of Avanceon Limited



LETTER FROM THE PRESIDENT



Dear Friends,

As newly elevated to the position of the President, I speak to you for the first time. It calls for more work and responsibility, and I'm excited to lead the company into the future.

I want to take this opportunity to thank everyone at Avanceon, our customers, partners, and shareholders for their support. I am honored and humbled.

In 2019 we completed the first phase of our Mission 2022 commitment, which we launched three years back. Our goal by the end of the financial year 2020 is to achieve exponential but sustained growth across all business units and regions. I'm delighted to inform you that we are on course thus far. I do see strong headwinds - challenges posed by COVID-19 and global recession in the making, but we stand resolute to reach our promised landmark.

Pakistan Highlights

2019 was a tough year for Pakistan, in the sense that the new government faced the grim challenge of stabilizing the economy, which suffered from years of misaligned economic policies. According to IMF, this led to increase fiscal and current account deficit. The loan money funded the growth resulting in debts so on and so forth. The consolidation phase also had its toll on the industry as the increased interest rates and rupee to dollar parity allowed to free float results in rupee devaluation, both consolidation steps necessary though, yet they forestall the unhindered growth trajectory.

Despite severe conditions, I'm happy to announce that our business units in Pakistan have performed well. Our order generation increased over 60% from last year, and we have a massive bulge of backlog orders. Similarly, the international business has also seen a sustained performance in order generation as the previous year leading to yet another impressive backlog (US\$ 47m). We did see a drop in revenue conversions as some projects faced delays dictated by the new emerging economic reality as well as some projects landing in the late half of the last quarter. The backlog bulge gives us an assured and predictable revenue conversion and bodes well for our Mission 2022. However, the real impact of COVID 19 is

going to have on the overall business performance is yet to be seen in the coming months, but so far we are on track with the numbers projected for March and see a similar trend in the next two months.

Middle East Highlights

- **State of Qatar** – The Qatari economy is at a crossroads. Despite the government's efforts to diversify, oil and gas revenues still account for half of its GDP. With the 2022 World Cup just around the corner, the Qatari government is heavily investing in infrastructure projects. Avanceon is currently engaged in critical infrastructure projects for the state of Qatar. Infrastructure is a sizable and lucrative market for Avanceon, and we are projecting for continued growth in it in 2020.
- **Kingdom of Saudi Arabia** – The largest economy among the Arab nations also saw a slowdown in 2019. The economy grew a meager 0.3% as compared to a 2.4% expansion in 2018. The all-out oil price war and the threat of the Corona Virus will see growth slowdown in 2020 even further for the Middle Eastern giant.

In 2019, we acquired a mix of Water & Wastewater and Oil & Gas and no major infrastructure projects. However, 2018 was predominantly infrastructure high-value projects and not so much O&G. The impact on O&G demand globally is negative to persist into Q3, according to one report. The rebound expected with a resumption of consumer demand. We are hoping for the rebound and enjoy a healthy pipeline of prospects to mature in 2020. However, it all depends on how quickly the situation improves, and the demand and supply balance begins to move toward a positive direction.

- **United Arab Emirates** – The forecasted GDP growth for UAE of 2.4%, only translated to 1.8% in 2019. There were several factors responsible for the slow growth. UAE has been slow growth and an inconsistent market for us as the industrial base is small, and infrastructure projects have been few and far between. Our AMS (aftermarket support) has been maintaining a seven-year service contract of Dubai Metro, and we have recently been awarded another two-year extension. Our two focus areas are increasing our service base and enter the Oil and Gas market in Abu Dhabi in a big way. We have a renewed focus and new strategy in place to tap into these areas. We have hired a senior resource with O&G background from this market to lead the new initiative. A strong pipeline built in a short span suggests positive outcomes in the coming years and reestablishing our lost ground in UAE.

Partnerships

I see partnerships as a vehicle to drive the organic growth; the only model of growth we have so far followed that has made us this big. In 2019 Avanceon aggressively embarked on building partnerships with some of the world's biggest technological companies.

We partnered with Dover Fueling Solutions for our oil retail business. A new line of business that we entered a year back. Dover is a global manufacturer with annual revenue of over US\$ 7 billion. With this, all Oil Marketing Companies (OMC) retail business becomes Avanceon's prospective market. Retail is a short cycle, high volume, and recurring business. We are excited about the prospects and growth in numbers.

We are Microsoft's Gold partners for many years now. We have taken this relationship to a new level where we are going to use their platform and infrastructure to deploy our IP's for our customers who will be subscribing it as a monthly service. Microsoft and Avanceon have decided to co-brand, and co-market the IP's the latter develops, and the former will open its existing markets for those (IP's). We have launched a new company-Octopus Digital to lead this initiative with Microsoft.

I'm also pleased to announce that we have entered into a partnership agreement with Endress+Hauser (E+H), a global leader in measurement instrumentation, solutions, and services. This relationship brings vast prospects for growth and opportunities to establish ourselves as the market leader in this line of business too.

Oil & Gas Pakistan

We enjoyed a good market share in the past, and O&G is one of the most profitable markets for us. 2019 was no different but even better in the sense that we landed a multimillion-dollar pipeline SCADA project as the main contractor. Our PO generation for the oil and gas business unit is up by 26% for the year 2019.

We're pursuing some promising opportunities, and the future looks bright. In all probability, the bit of a lull COVID-19 introduced in the otherwise active O&G is temporary and return to normalcy is just a matter of time. We will reassess the situation in short spans and include it in our planning.

Organizational Changes

Getting the right people on the bus is essential. Getting them in the right seats is crucial.

Avanceon has reached an inflection point. Our focus now is to have the astute awareness to adjust our strategies and

operations accordingly.

The purpose of our business is to serve our customers in a way that creates value and promotes growth. Our various functions within the company must be structurally aligned to deliver the said objectives and measured on common business KPIs. It is challenging for a growing company to keep the functions focused on a common purpose and not let a silo mentality take hold.

It's just a sneak preview of what possible changes would be coming up, including the formation of an Executive Board, which Bakhtiar talked about in his letter. However, since they are 2020 changes, I will discuss them in length in my next year's report with outcomes.

AVN Development Program

No organization has achieved its true potential until it trains and develops its resources. Even though our technical and sales resources are engaged in regular training programs, we launched a comprehensive companywide AVN Development Program on November 18, 2019.

The main objective of this program is to create cross-departmental synergy, increase cohesiveness by uplifting soft-skills of Avanceoners, ensure an appropriate level of competence to perform desired roles, and close job-related skill gaps.

Avanceon Human Resource is spearheading this initiative with companywide learning sessions. We have completed our first module of the AVN Development Program and there is more to follow. Kudos to our Human Resource dept for their efforts!

Octopus Digital

It is our new initiative to transform the manufacturing sector digitally. January 1, 2019, when Octopus Digital (Pvt) Ltd., briefly discussed above, appears on the scene as a new affiliate company of Avanceon Ltd. We have merged Avanceon's AMS (After Market Support) business within Octopus Digital to create a full portfolio services company.

I wish all associates of Octopus Digital the best of luck and success in creating superior value for our customers and shareholders.

In my almost twenty years with this organization and more than thirty years in professional life, I have learned to appreciate the ebbs and flows in business. In other words, nothing is constant but change.

When you start something new, it will never be a straight path. You are vulnerable and a novice. It is this journey from being a novice to becoming the master of your craft that defines your professional journey. Avanceon will always be defined by the people who work here, our partners who support us, our shareholder's belief in us, and our customers who trust us to deliver Tomorrow's Solutions Today.

Thank you for being a part of our journey.
Till we meet again.

Yours Sincerely,



Tanveer Karamat
(President Avanceon Ltd)

ACHIEVE MORE

CODE OF BUSINESS CONDUCT & ETHICAL PRINCIPLES

As an ethically unyielding, proactive and sustainable business, Avanceon has always upheld high standards across all practices without needing third party monitoring.

However, we are honored to have been recognized and accredited, over the years, by industry organizations of excellence.

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

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

CORRUPTION AND BRIBERY PREVENTION

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

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

Information Technology & Communications

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

- Information Security Governing Policy

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

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

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

EQUAL EMPLOYMENT AND ANTI- HARASSMENT

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

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



CUSTOMER CENTRICITY AND SUSTAINABILITY

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

- Customer Bill of Rights
- Customer Projects Bill of Rights

QUALITY, HEALTH, SAFETY AND ENVIRONMENT

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

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

- Essential Health and Safety Environment Training Policy
- ISO 45001:2018- Health and Safety
- ISO 9001:2015 – Quality Management
- ISO 14001:2015 – Environmental Management
- CSIA:2018 – Membership

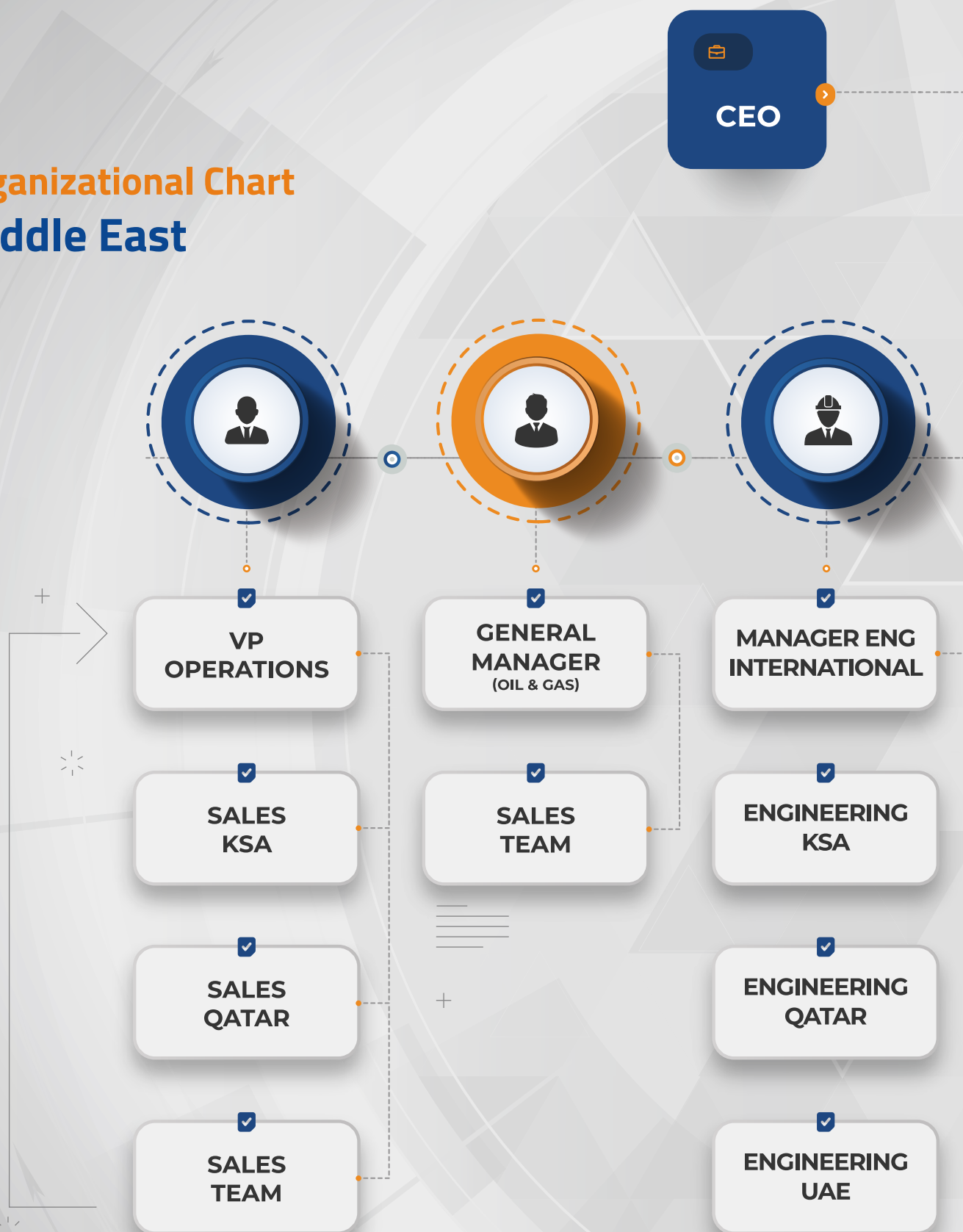
CUSTOMER BILL OF RIGHTS

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

Customer Project Bill of Rights

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

Organizational Chart Middle East



BAKHTIAR H. WAIN
Founder & CEO

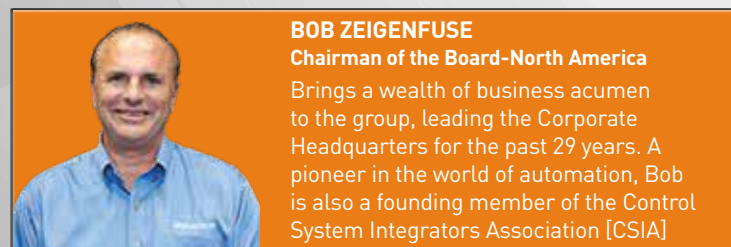
Brings 30 years of exemplary leadership, within top global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd. Bakhtiar founded Avanceon in 1984



TANVEER KARAMAT
President

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

Organizational Chart NORTH AMERICA



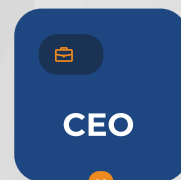


Organizational Chart SOUTH ASIA

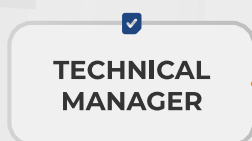


TANVEER KARAMAT
President

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



SOFTWARE
DEVELOPMENT



TECHNICAL
MANAGER



LEAD
SOFTWARE
ENGINEERING



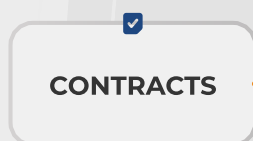
QUALITY
ASSURANCE



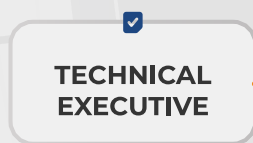
SOFTWARE
ENGINEERING



AFTER
MARKET
SUPPORT



CONTRACTS



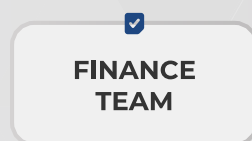
TECHNICAL
EXECUTIVE



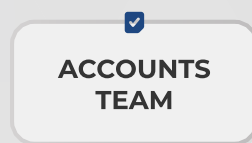
BUSINESS
DEVELOPMENT



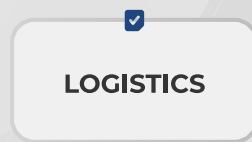
FINANCE



FINANCE
TEAM



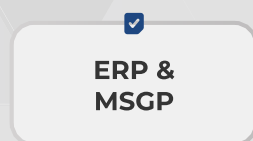
ACCOUNTS
TEAM



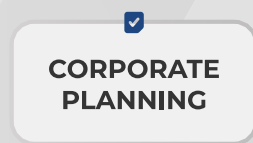
LOGISTICS



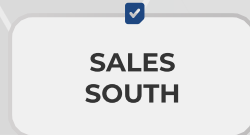
CORPORATE



ERP &
MSGP



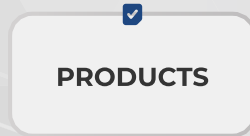
CORPORATE
PLANNING



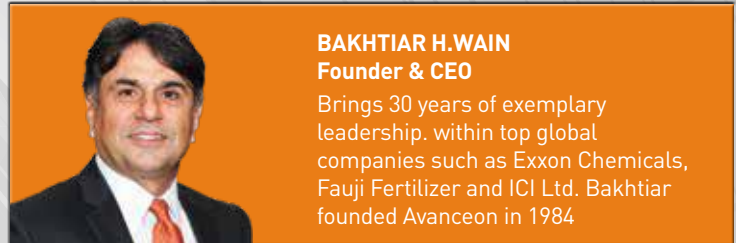
SALES
SOUTH



BMS



PRODUCTS



STREAMLINING OUR PROCESSES

Dynamics GP2016 R2

AVANCEON

New & Improved Use Interface

The brand-new interface gives the user an exciting experience of interacting with GP via new windows for data entry, inquiries and reporting

All in one document view

Sale Orders, Purchase Orders, Inventory & Financial GL

Web Client Accessibility

Employee Expenses, Purchase Order, Sale trx, Accounting Batches etc. along with email notification for approvals.



Workflows

Fully automated workflows from submittal to approval/ rejection or delegation.

Employee Expenses, Purchase Order, Accounting Batches etc. along with email notifications.

Paper Less Data Entry

Attach Documents online with Expense Claims, Purchase Orders and all workflows.

Scanned images, pdf, doc, xlsx etc.

Upcoming Enhancements:

Improved collaboration with the use of Business Intelligence reporting. Integrated with other Microsoft products, e.g. Office 365, Microsoft Azure and Power BI.

Avanceon implemented a companywide change to its ERP and Accounting system with upgradation of Microsoft GP 2016R2.

This powerful automated business system supports our long-term growth strategy and strong commitment towards excellence and will enable Avanceoners to work more efficiently and improve responsiveness with customers, suppliers, and partners.

The new capability is up and running, enriched in web based environment:

Top features:

- Web-client
- PTE (Project Time and Expenses) – Online for Employee Expenses
- Workflows for PTE (inclusive of email notifications and document attachments)
- Auto financial reconciliations (like vendors, customers and banks)

Web Client Accessibility – through the web-client users experienced a seamless connectivity to process their Employee Expenses, Purchase Orders, Sale Transactions and Accounting Batches. Aided with email notification for approvals.

New & Improved User Interface – The brand new interface gives the user an exciting experience of interacting with GP via new windows for data entry, inquiries and reporting. All in one document view – Sale Orders, Purchase Orders, Inventory & Financial GL

Work Flows – Fully Automated workflows for

- Employee Expenses,
- Purchase Orders,
- Batch Approvals for Financials,

These workflows allow users to submit, approve, reject and delegate Employee Expenses, Purchase Orders, Accounting Batches aided with e mail notifications at each step. Further the purchase orders can be approved/ rejected etc using email interface (for example outlook), without being the need to login into the system.

Attach Documents.

The new GP 2016R2 give unique experience for users to attach electronic documents in shape of snaps, Scanned Images, pdf, doc, xlsx etc with Expense Claims, POs and all workflows. Even from a smartphone.

Upcoming Enhancements – Improved collaboration with the use of Business Intelligence reporting. Integrated with other Microsoft products, e.g. Office 365, Microsoft Azure and Power BI.

NATURE OF OUR BUSINESS

OUTLOOK OF THE REGIONS AND SECTORS

Pakistan Economic Outlook.

The Pakistan economy is likely faring better than its regional peers in the third quarter of fiscal year 2020 (which runs from January to March), as the government took longer than others to restrict business activity amid the spread of the coronavirus (Covid-19). From July till January, the current account deficit narrowed by roughly 72%, on the back of solid exports and declining imports. Moreover, merchandise export growth hit a near two-year high in February, and worker remittances surged likely due to fears over Covid-19. Nevertheless, on the domestic front, total credit growth slowed, while industrial production contracted in January 2020. Moreover, the outbreak in Saudi Arabia will likely weigh on remittances in March and for the majority of Q4, which will certainly restrain private consumption.

Growth should taper in FY 2020 due to Covid-19 weighing in on key trading partners and as ongoing fiscal consolidation efforts, weigh on consumption. Economic reforms under the IMF Extended Fund Facility program should support business confidence. Experts see growth of 2.3% in FY 2020 and 3.4% in FY 2021.

OIL & GAS SECTOR – (2018-2019)

The production of crude oil was 21.86 million barrels against target of 32.50 million barrels showing a 67.26 percent achievement. The domestic production of natural gas was 0.96 trillion cubic feet (TCF) against a target of 1.51 trillion cubic feet showing 63.57 percent achievement. The Liquefied Petroleum Gas (LPG) production surpassed the value of 530,129 tons. A total of 73 wells including 27 exploratory and 46 development wells were drilled.

1.26 billion cubic feet gas per day (BCFD) through import of Liquefied Natural Gas (LNG) and local gas is expected to

be added in the national grid and Sui systems respectively by June 2020. To overcome the load of oil transportation on roads, implementation of White Oil Pipeline project envisaging 427 Km pipeline from Sheikhpura to Peshawar has been initiated.

THE FOOD & BEVERAGE SECTOR –

- Nestle Pakistan, Dalda Foods, Murree Brewery, Coke, National Foods and United Industries remain the top players in the Pakistan Food & Beverage industry
- In 2019, few subsectors such as electronics (34.6%), wood products (17%), engineering products (8.4%), fertilizers (4%) showed positive growth while the remaining subsectors, such as textile (0.2%) iron and steel (- 10.2%), food and beverages (-1.5%), registered decline in growth.

FOOD SECURITY AND AGRICULTURE DEVELOPMENT

The agriculture sector recorded a modest growth rate of 0.85 percent. There is dire need to enhance agricultural productivity and to introduce high value crops including horticulture, livestock, poultry and fisheries to enhance income of the farmer, reduce imports and expand export base of the country. The National Agriculture Emergency Program intends to spend Rs.290 billion in the next five years to boost the sector. The program will be executed with the coordination of all provinces to enhance productivity of major crops i.e. wheat, sugarcane, cotton, rice, oilseed crops, improvement of water use efficiency, promoting high value fish farming. The program also includes calf saving, calf fattening and promoting backyard poultry.

The Agriculture sector contributes 19.3% towards GDP growth and provides employment to 38% of the employed labor force. Pakistan has enormous potential to enhance economic contribution of agriculture sector through improved productivity and value addition. However,

Pakistan lags its regional competitors in terms of yield in many important crops.

QATAR ECONOMIC OUTLOOK

Economic prospects for the state of Qatar this year are moderated considerably as COVID-19 will likely batter the tourism and retail sectors in the first half of the year. Moreover, depressed oil and gas prices will weigh heavily on government finances and the external sector. Nevertheless, stronger energy output should help keep the economy afloat. Experts see growth of 0.2% in 2020 and 3.1% in 2021.

On March 18, 2020, the Qatari government suspended international flights and enforced a strict lockdown on public life, which will likely remain in place until the virus outbreak subsides. The economy was already on weak footing before the crisis as industrial production declined in January, due to a decline in manufacturing activity and depressed mining activity. Moreover, the non-oil sector PMI fell to the lowest level since August in March. On the fiscal front, the government announced a USD 20.6 billion package to counter the economic impact of the virus outbreak mainly comprising of liquidity and direct support for sectors at greater risk.

Transportation and Real Estate Projects announced as part of the Qatar National Vision 2030 are expected to face delays due to the COVID-19 repercussions.

The projects may include,

- Expansion of Hamad International Airport to build Concourse F, swelling capacity from 50 to 65 Million passengers annually. Expansion of the passenger terminal and connecting the airport to the train network (Doha Metro) and the railway.
- Development of Hamad port to become one of the region's deepest ports and raising its capacity to handle 12 Million containers annually
- Completion of dwellings in Lusail City, which is expected to accommodate at least 200,000 residents.
- Completion of hotels to add more than 20,000 hotel rooms so as to total more than 43,000 by 2022.

KINGDOM OF SAUDI ARABIA ECONOMIC OUTLOOK

Economic growth was seen accelerating in early 2020, due to a recovery in oil production. However, growth in non-oil and oil activities are expected to lose some steam as COVID-19 weighs on the tourism sector and a more restrictive budget slows dynamics. Experts estimate growth of 1.6% in 2020. In 2021, the panel sees growth at 2.1%.

A preliminary estimate showed the economy contracted for the second consecutive quarter year-on-year in Q4 2019. The fall was mainly due to a sharp decline in the oil sector, while the non-oil sector lost some steam. Turning to the first quarter of 2020, the economy likely remains fragile. Oil production continued to dip in February, while the non-oil private sector PMI fell to a survey-record

low in March, as Covid-19 containment measures led to factory closures. COVID-19 is also weighing heavily on the tourism and retail sectors, which will likely remain depressed until the virus subsides and confidence among consumers returns. On April 1, OPEC producers were free to produce without quotas, which should support oil output going forward. Nevertheless, tepid demand and stronger supply expectations led to a collapse in oil prices, which is expected to weigh heavily on government revenues. Consequently, the Kingdom is expected to cut its budget for the year 2020.

Major Projects in KSA in Oil & Gas, Industrial, Power & Water and Infrastructure & Transportation sectors, some of which are part of the Saudi Vision 2030, may face delays due to the decreased demand in oil

UNITED ARAB EMIRATES ECONOMIC OUTLOOK

The UAE Economic growth is expected to decelerate in 2020 due to a weaker oil sector, while the non-oil sector is also expected to contract. The duration of the outbreak and its impact on global travel and trade presents a considerable downside risk to the outlook. Experts forecast GDP to increase 1.0% in 2020, and 2.9% in 2021

Economic momentum may likely ebb further in Q1 2020 amid coronavirus-related disruption, after decelerating for two consecutive quarters in 2019. The hydrocarbon sector likely suffered from markedly lower oil prices amid plunging global demand and rising supply due to the Russia-Saudi Arabia price war. However, increased production after the breakdown of OPEC production cut agreements in early March will have softened the hit to revenues somewhat. Meanwhile, business conditions in the non-oil private sector also took a hit in Q1, as evidenced by the PMI falling throughout the quarter to a record low in March. In response to the COVID-19 pandemic with domestic activity diminished due to the widespread shutdown of the services sector, the government announced nearly USD 70 billion (equivalent to approximately 16% of GDP) in various fiscal measures, including credit guarantees, reduced taxation and slashing bank reserve requirements.

Major infrastructure projects in UAE may face delays due to the COVID-19 outbreak. The highly anticipated Expo 2020 may also be delayed till October 2021.

Sources:
<https://www.pc.gov.pk/uploads/annualplan/AnnualPlan2019-20.pdf>
<https://www.focus-economics.com/>
<https://www.al-monitor.com/pulse/originals/2020/04/uae-dubai-expo2020.html>

STRATEGIC PARTNERSHIPS



In 2019, there was a flurry of activity on the strategic partners front. Avanceon partners with multiple vendors to provide customers with best-in class solutions. Over the years, we have developed significant partnerships with the top software and hardware OEMs.

ROCKWELL AUTOMATION [NYSE: ROK]

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

SCHNEIDER ELECTRIC [EPA: SU]

In 2019, Schneider Electric recognized Avanceon as its preferred Alliance System Integrator Partner for Water & Wastewater Projects in Middle East & Africa. Avanceon has been certified at Control System & SCADA levels for this elite program.

Schneider Electric's Alliance Integration Partnership Program is a strategic combination of innovative technology, domain expertise, and select system integrator partners, coupled with a solid interoperable architecture which ensures maximized performance, increased profitability and timely delivery of projects.

This recognition is a true representation of strong business relationships between Schneider Electric and Avanceon that offers business value for our clients, continuous training

opportunities to broaden technical capabilities and expand Avanceon's expertise to build world class solutions for the Water & Wastewater industry.

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

SIEMENS [EXTRA: SIE]

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

In July 2019, Siemens Vice President, Head of BP International and Director for Sales & Business Development visited Avanceon's latest project onsite in Lahore, Pakistan.

Avanceon secured its first major project for the provision of Integrated Building Management System (IBMS) for Gold Crest Mall in Lahore, Pakistan. As one of the city's tallest tower, Gold Crest Mall aims at becoming an iconic landmark for the thriving urban area of Lahore.

WEG

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

BELDEN

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

NDC

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

SCHAFFNER

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

PE Energy

Avanceon and PE Energy signed a strategic partnership agreement in September 2019 to provide high-end integrated Control and Automation solutions for industrial end-users/customers and execute Main Automation Contractor (MAC) level projects. The two companies will offer commercial and technical support for the execution of complex control and automation projects in Nigeria. Both Avanceon and PE Energy aim to streamline the deployment and accelerate time-to-market of control and automation solutions/applications.

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

AVEVA

Avanceon is partnering with AVEVA on a multi-million dollar sophisticated SCADA upgrade project for one of the largest Oil & Gas midstream players in Pakistan. AVEVA is a global leader in engineering and industrial software driving digital transformation across the entire asset and operations life cycle of capital-intensive industries. The company's engineering, planning and operations, asset performance, and monitoring and

control solutions deliver proven results to over 16,000 customers across the globe.

Endress+Hauser

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

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

Endress+Hauser has been a reliable partner for the process industry for 65 years providing comprehensive support to customers, from the laboratory to the process. The Group employs more than 13,000 personnel across the globe. 48 sales centers, 80 representatives and production centers in 12 countries guarantees competent worldwide support.

DOVER FUELING SOLUTIONS

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

Dover Fueling Solutions (DFS), a part of Dover Corporation, delivers advanced fuel dispensing equipment, electronic systems and payment, automatic tank gauging and wet-stock management solutions to customers worldwide. This partnership will mark Avanceon's entry into the retail fuel station automation space and will assist in capturing a significant market share in this highly specialized, expanding downstream industry segment in Pakistan.

The agreement was signed at the DFS offices in Dubai, UAE and will see the two companies collaborate on a number of high-profile projects in the near future.

MICROSOFT AND OCTOPUS DIGITAL

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

Through this partnership, Octopus Digital will join forces with Microsoft to explore new markets in the manufacturing and process industry space. Octopus Digital is hoping to reap great benefits out of Microsoft's IP Co-Sell initiative which offers its partners a unique opportunity of reaching more customers around the globe and accelerating revenue generation. Moreover, this partnership also reflects the desire to drive joint revenue and customer success through collaborative selling initiatives and a shared passion for innovative products and services.

SEL

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

SEL serves electric power utilities and industrial companies worldwide through design, manufacture, supply and support of product and services for power system protections, power control automation for sub-stations, and monitoring. This also includes fully configured, tested, and documented settings for networking, control, communications, automation, and protection equipment.

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

SAMSON

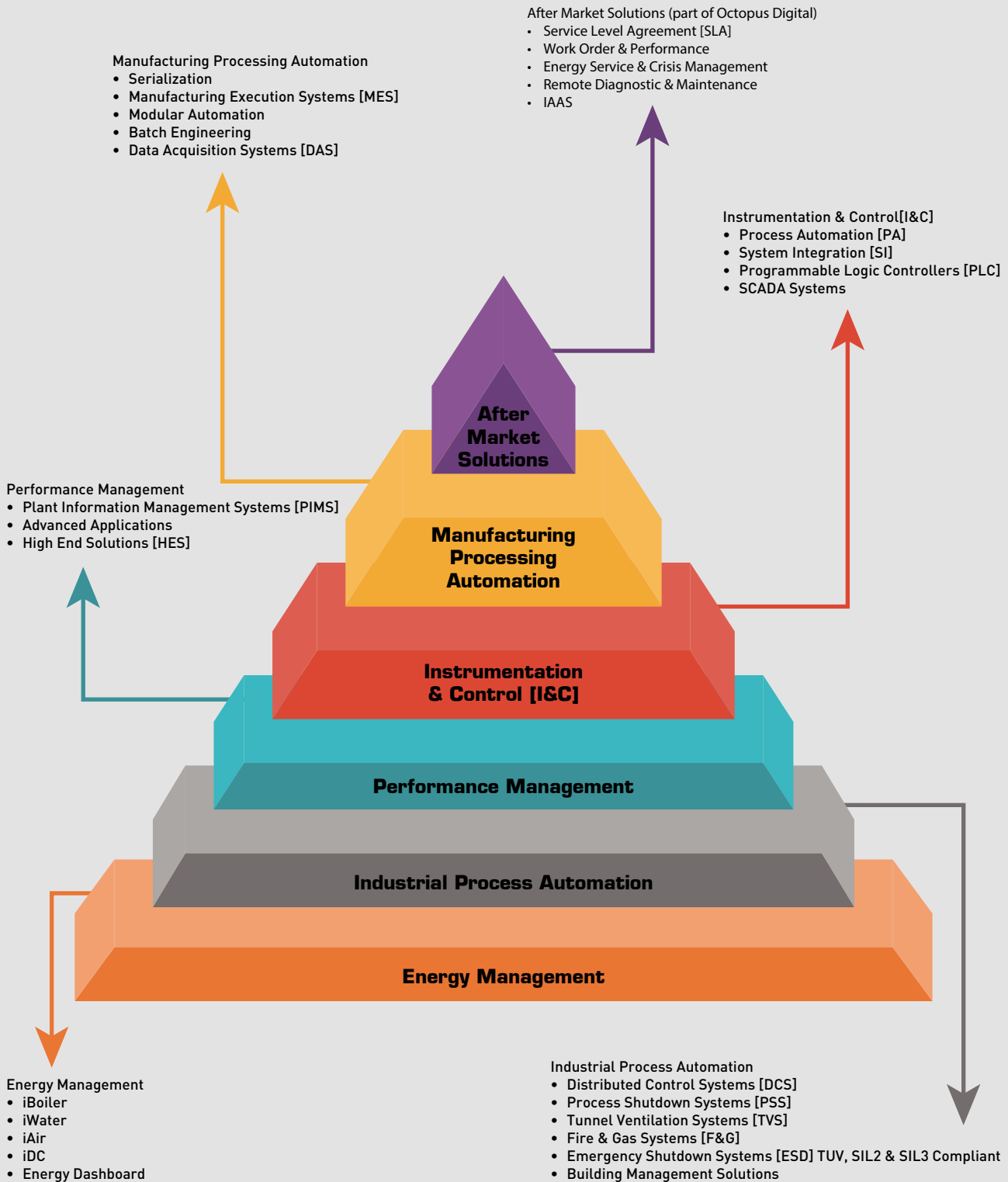
Avanceon Ltd. is currently the appointed SAMSON Controls' distributor and is authorized to sell SAMSON Controls Products & Solutions, along with related services.

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



CORE COMPETENCIES

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



CORE SERVICES

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

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

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

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

- **Batch Engineering:** Assist 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 protocol
- **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 Archestra, 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 range 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 in demand in Oil & Gas, both upstream and downstream, Petrochemicals, Chemicals, Pharmaceuticals, Pulp, Paper and Printing, Metals, Cement and Power. To ensure increased revenues, reduced operating costs, and improved efficiencies for manufacturers, Avanceon provides solutions in:

- Manufacturing Execution Systems
- Plant Information Management Systems

- Real-time process optimization through Advanced Process
- Control technologies
- Customized Software Development services for process and manufacturing industries

Avanceon supports manufacturers in the complete lifecycle implementation of an MES application from systems and requirements definition, technology selection, pilot phase, implementation and rollout. Avanceon supports all phases of the MES implementation and provides a superior project and change management methodology in-line with the initial MES vision and current implementation reality. It has the ability to help manufacturers define MES standards and practices that provide the overall structure and strategy for corporate wide rollout and adoption

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

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

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

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

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

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

OCTOPUS DIGITAL

Since May 23, 2019 Avanceon's After-Market Support Arm is part of a newly formed entity Octopus Digital under the Avanceon Limited umbrella. Octopus Digital along with its business After Market Support will now be at the forefront of providing unparalleled customer and technical support to our customers.

Octopus Digital will provide Topware Digitalization Service Suite which is an end-to-end solution that automates the entire customer service and asset maintenance cycle – from short-term decision making in the control center to long-term maintenance planning in the back office.

- Advanced Dashboard With EDA
- Predictive Decision Support Service
- Prescriptive Decision Support Service
- Auto-ML Digitalized Command and Control

The Octopus Digital Value Proposition to its Clients – The highly developed team of trained professionals hold core competency in After Market Solutions for the automation installed base. They cater to the critical challenges of process and manufacturing industry by following these principals.

Maintainability – Guaranteed Support Guardianship for Emergency support services. Preventive & Predictive Maintenance Planning & Execution. Plant Start-up assistance and support.

Reliability & Availability – Upgrades, lifecycle extension & migrations solutions with risk identification, mitigation & elimination

Sustainability & Efficiency – Reduce manufacturing downtime risks, increase capacity utilization & process efficiency

Modernization to enhance productivity - Converting plant process/manufacturing related data into information with the help of smart technology to take informed decisions via Information dashboards

Trainings & Support – Bridge skills gap for smooth operations.

THE KEY INGREDIENT BEHIND AMS'S SUCCESS – THE AMS DECADE AT A GLANCE

In addition to the guiding principles, multitude of factors have been behind AMS's success over the past ten years.

1. A fully dedicated After Market Support structure with almost a ten-year presence in the Pakistan and Middle-East region.
2. Servicing 40+ long term agreement & 60+ on-call contractual customers in Pakistan and in Middle East region. These include local + several blue chip & MNC. With an average response time of less than 2 hours.
3. 100% customer retention with an average contract age of 5 years.
4. More than 100,000 plus man-hours of field support service executed since 2008.

5. Guaranteed support guardianship and resource availability on demand with a structured remote support & field support engineer dispatch capability.
6. Highly competent & experienced technical resources specializing in customer's process & technology to offer solutions to the core industry challenges.
7. Staying up-to-date with the latest technological advancements, continuous evolving resource competency through knowledge upgrades, trainings and certifications

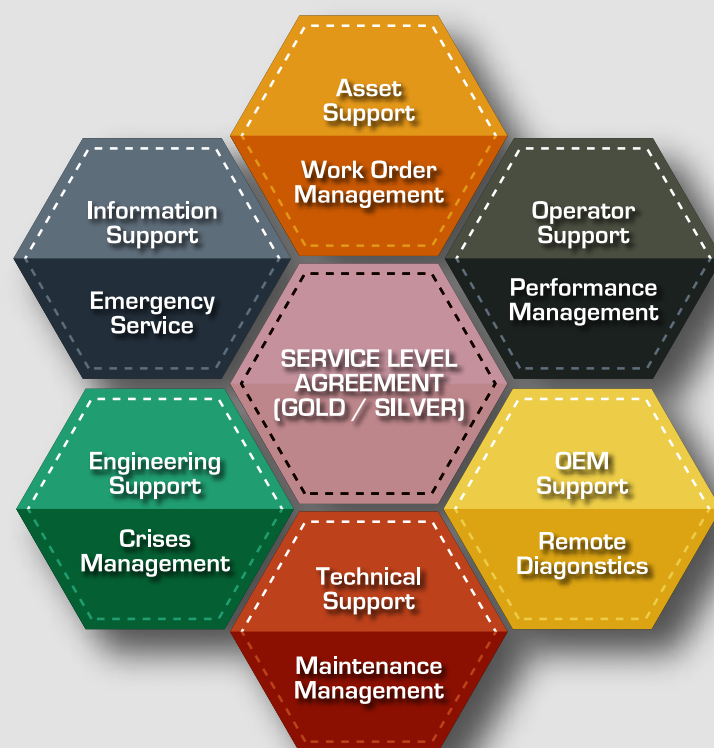
After Market Support – Contractual Guardianship

Avanceon provides a single point of contact for all its clients maintenance support needs. Our mandate is being there to protect client's assets and profits.

| Teamwork | Continued Improvement |
|--|-----------------------|
| <ul style="list-style-type: none"> ● Partner aligned account management ● Business return management & Executive level guidance ● Continuous program improvement & Staff augmentation support | |

| Innovation | Support Program |
|--|-----------------|
| <ul style="list-style-type: none"> ● Integrated CMS ● Proactive reporting & Preventative management ● Predictive Management & Emergency response services | |

| Quality | Monitoring, Management & Verification |
|--|---------------------------------------|
| <ul style="list-style-type: none"> ● 24/7 - 365 Round the Clock Help Desk ● Remote & On-sight support programs ● After project training | |



Quickest response time is 1 hour (Phone Support) Immediate access to up-to-date Plant Information. Maintenance Management Reporting & Back-up System. Document Control and Technical Trainings Spare Parts availability on-time

CUSTOMER PORTFOLIO

Servicing clients over a span of three 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 customer base.

Having established its footprint in the Middle East by setting up of offices in Qatar and Kingdom of Saudi Arabia in 2017, Avanceon has now partnered with PE Energy in 2019 to establish its presence on the African continent.

| SECTOR | OVERVIEW | |
|------------------------|---|--|
| Oil & Gas |  | |
| | Abu Dhabi National Oil Company, UAE Engro ELNGY Pakistan Oil Fields Limited, Pakistan Foster Wheeler, USA Kuwait National Petroleum Company, Kuwait Pakistan Refinery Limited, Pakistan Pakistan Petroleum Limited, Pakistan Saudi Aramco, KSA Takreer, UAE | Attock Petroleum Pakistan British Petroleum, UAE United Energy Pakistan Limited, Pakistan Hyundai, Pakistan Oil & Gas Development Company, Pakistan Pak Arab Refinery Limited, Pakistan Qatar Petroleum, Qatar Schlumberger, Pakistan & UAE Mari Petroleum MOL |
| Utilities & Industries |  | |
| | Lalpir Power, Pakistan Babcock & Wilcox, USA EMICOOL, UAE EMPOWER, UAE Kot Addu Power Company Limited, Pakistan PAL Technologies, UAE Dubai Metro, UAE QDVC, Qatar National Water Company – KSA | Serco Hamad Port Lusail City RTA Liberty Power Tech, Pakistan Palm Utilities, UAE State of Qatar, Qatar Ashghal, Public Works Authority of Qatar |
| FMCG |  | |
| | British American Tobacco, USA Engro Foods, Kraft Foods, Nabisco Brands, USA Proctor & Gamble, USA & Pakistan Unilever Pepsico Biscuits | Coca Cola, USA & UAE Pakistan General Mills, USA USA Kellogg's, USA Nestle, USA, Netherland & Pakistan Sara Lee, USA PMI English Biscuits |
| Chemicals |  | |
| | Ciba, USA DuPont, UAE & USA Engro Polymer and Chemicals Limited, Gatron, USA Saudi Basic Industries Company, Kingdom of Saudi Arabia LOTTE Chemicals Pakistan | Clorox, USA Engro Fertilizer Limited, Pakistan Pakistan Exxon Mobil, USA LOTTE, USA Sherwin Williams, USA |
| Pharmaceuticals |  | |
| | Akzo Nobel, Pakistan Bayer Pharma, USA & Pakistan Johnson & Johnson, USA Merck, USA | Pfizer, USA Astra Zeneca, USA Boehringer Ingelheim, USA |

HR & QHSE UPDATES



What our Human Resource and QHSE Departments Were Up To in 2019!

2019 was a year of self-assessment, learning and encouraging self-growth.

Avanceon Employee Development Program

Avanceon launched a Companywide Training Need Analysis in 2019 in which Top 5 trainings were identified. Avaneconers were required to spend at least one hour on their development every day. The trainings were conducted in classroom settings with active discussions. With 20 participants minimum in a group and at least two groups running simultaneously, all Avanceon offices were online with remote monitoring of Dubai And Qatar sessions from our head office.

Fostering Collaboration, our first training module, began in Nov 2019 and was completed by Feb 2020. 188 employees were enrolled in the learning plan with 9 courses. Top 5 participants were selected based on their progress report and quiz score and were awarded with the Franklin Covey All Access Pass.

Recruitment Drive Events

In 2019, Avanceon embarked on an aggressive recruitment drive to some of the top educational institutes in Pakistan. Here are the details.

- BNU Job Fair on February 28, 2019.
- UET open house on April 3 and 4, 2019 with gold sponsorship of 50k.
- GIKI Open House and Job Fair on April 11th and 12th, 2019. Avanceon provided gold sponsorship of 65K.
- NUST School of Electrical Engineering and Computer Science (SEECs) organized an Industrial Open House on May 2, 2019 in which Avanceon sponsored Open House Computer Science Final year projects.
- NUST Job Fair on February 18, 2020.

QHSE Achievements in 2019

In addition to our Human Resource Department, our QHSE department was also quite busy throughout the year. Here is a list of their achievements.

1. Indoor air quality improvement by installing Air Purifiers and Indoor Plantation
2. Safe Home Initiative Launched
3. Water Conservation (Sensor Water Taps Installed)
4. Ring a doctor (online medical consultation)
5. Food nutrition value details of daily meals communicated
6. Revamping of Emergency Response Team
7. Employees' HSE Certification Program Launched
8. Conducted Sessions on Mental Health & Stress Management and Safe Driving at Motorway by NHMP
9. Grand Celebration of Earth Day and Health & Safety Day 2019
10. HSE Onboarding of a Major Oil & Gas Retail Project by CBRE
11. Successfully passed recertification audit on ISO 9001:2015, ISO 14001:2015 and shifted from OHSAS 18001 to ISO 45001:2018.
12. Successfully passed AVANCEON FZE certification on ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 by QRS UAE.





CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance is the system of Control and rules applied by a Company via its board of directors to oversee a company. It encompasses Company's Financial, Corporate, institutional and ethical responsibilities to its stakeholders. An acceptable level of corporate governance involves being transparent about providing information to outsiders, ensuring that a strong sense of ethical behavior permeates the organization, and ensuring that a strong control system is employed. The Optimal level of governance is derived by balancing the interests of investors, business partners, regulators, lenders, and the community.

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

ROLE OF THE BOARD OF DIRECTORS

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

STATEMENT OF DIRECTORS'

Responsibilities

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

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

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

RESPECTIVE ROLE OF THE CHAIRMAN & THE CEO

Role of the Chairman of the Board

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

Role of the CEO

The roles and responsibilities of the CEO include: developing the Company strategy, supported by yearly business plans and budgets, for Board approval; running the business in accordance with Board decisions; achieving the Company's financial and operating goals and objectives; succession planning; information technology planning; monitoring and reporting the Company's performance and compliance



imperatives to the Board; ensuring that the Company complies with all relevant laws and corporate governance principles through adoption of best practices; serving as chief representative of the Company – ensuring that a long-term strategy is developed and recommended to the Board for added shareholder and company value.

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

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

1. Audit Committee
2. Human Resource and Remuneration Committee
3. Executive(s) Board

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

CEO PERFORMANCE REVIEW BY THE BOARD

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

MANAGEMENT INITIATIVES ON CORPORATE GOVERNANCE

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

ETHICS

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

The ethics program includes:

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

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

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

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

Personal data protection charter – This charter outlines Avanceon corporate rules for the collection, processing, use, dissemination, transfer, and storage

of personal data in order to secure an adequate level of protection within the Avanceon group.

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

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

BUSINESS GOVERNING PRINCIPLES AND VALUES

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

INTEGRITY

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

CODE OF CONDUCT

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

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

SUSTAINABILITY

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

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

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

broader society.

ENVIRONMENTAL PROTECTION

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

OCCUPATIONAL SAFETY AND HEALTH

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

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

EQUAL OPPORTUNITY EMPLOYER

The Company is proud to be an equal opportunity employer, offering employment to both genders, different ethnicities and people with disabilities without any discrimination. Key roles are taken by various nationalities: American, Egyptian, Filipino, French, Indian, Japanese and Pakistani, women are especially encouraged across the company.

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

AVANCEON'S WHISTLEBLOWER POLICY – “SPEAK OUT!”

The Board of Directors of Avanceon and its subsidiaries have adopted a number of policies related to ethics and responsible behavior which define the high standard of governance and business conduct to which we pledge ourselves as an organization.

This has always been our core strength and is reinforced through voluntary reporting of irregularities and periodic reviews of business practices.

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

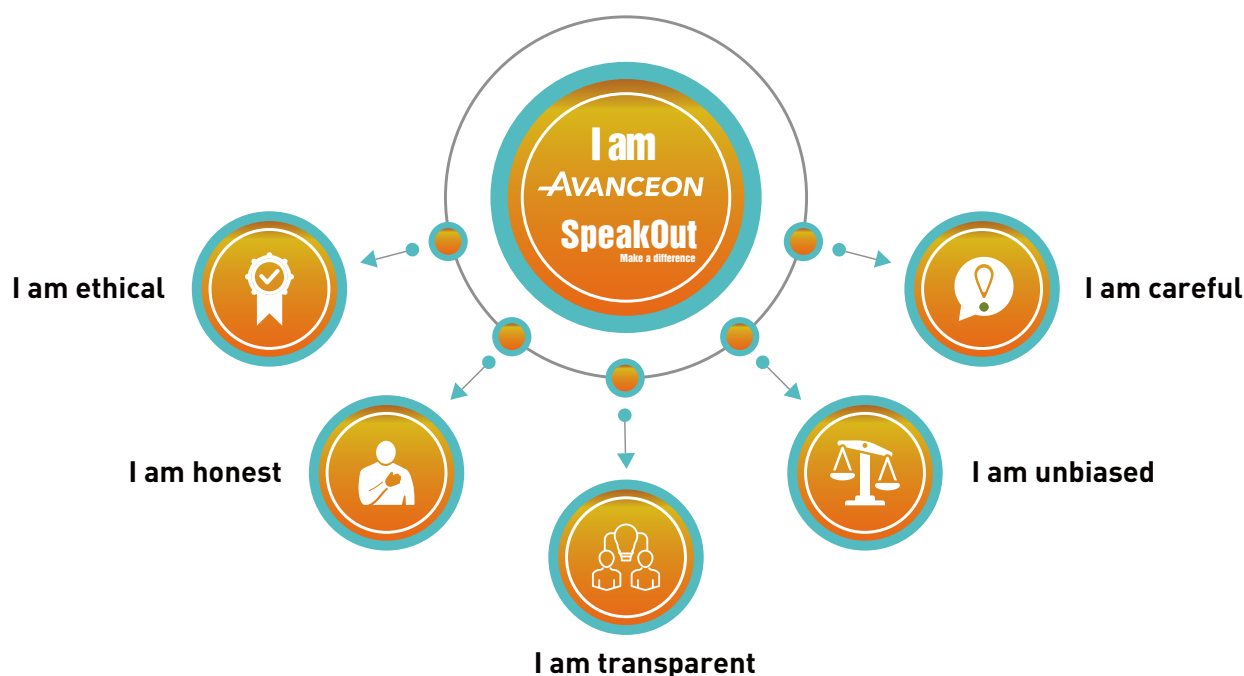
Every effort is made to maintain the confidentiality of complainants and to protect them from any form of retaliation or victimization for genuinely held concerns that are raised in good faith.

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

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

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

Note: During the year 2019, zero cases were reported.



REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF (CODE OF CORPORATE GOVERNANCE) Regulations, 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Avanceon Limited

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

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

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any noncompliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December, 2019.

Further, we highlight below an instance of non-compliance with the requirement of the Regulations as reflected in Note 10 of the Statement of Compliance:

| Reference | Description |
|----------------------|---|
| Regulation 31 (6) | The Company's Head of Internal Audit resigned on 01 August 2019 and his vacancy has not been filled till the date of this report. |



Chartered Accountants

Date: 07 May, 2020

A member firm of Ernst & Young Global Limited

STATEMENT OF COMPLIANCE

LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019



Name of Company: **Avanceon Limited**
For the year ended: **31 December, 2019**

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

1. The total number of directors are seven as per the following, -
 - a. Male: Seven
 - b. Female: None

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

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following:
 - a) Mr. Naveed Ali Baig
10. No new appointment of CFO and Company Secretary occurred during the period.
The position of Head of Internal Audit / Liaison Officer remained vacant from August 01, 2019 to date during the year;
11. Chief financial officer and chief executive officer duly



endorsed the financial statements before approval of the Board;

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

a) Audit Committee

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

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

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

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

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

- | | |
|----|--|
| a) | Audit Committee – Four quarterly meetings during the financial year ended December 31, 2019 |
| b) | HR and Remuneration Committee- One meeting during the financial year ended December 31, 2019 |

15. 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.

16. The statutory auditors of the company have confirmed

that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

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

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;



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

CORPORATE POLICIES

DISCLOSURE OF POLICY FOR ACTUAL AND PERCEIVED CONFLICTS OF INTEREST

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

DISCLOSURE FOR IT GOVERNANCE POLICY

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

AVANCEON'S WHISTLEBLOWER POLICY – "SPEAK OUT!"

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

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

They can use the independent "Speak Out" hotline 0092-42-37515129 or email to speakout@avanceon.ae to raise their concerns. They can also write to Speak Out (PO Box 4012, Lahore - Pakistan.)

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

Speak-outs are encouraged to report serious concerns that

could have a significant impact on the organization. Actions that:

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

HUMAN RESOURCE MANAGEMENT POLICIES INCLUDING PREPARATION OF SUCCESSION PLAN

Human Resource Management

Human Resource Management at Avanceon is covered across several policies, which serve as a comprehensive framework to managing people, workplace and culture. Hiring and confirmation provisions ensure that Avanceon reserves the right to assess prior work experience and skill levels, and to confirm applicants where applicable when considering full-time or part-time employment.

Compensation encompasses 10 policies, the purpose of which is to ensure employee's wellbeing and growth. These include: Vehicle Benefit, Education Allowance, Employee Professional Accreditations, Performance Bonus, Sales Incentive, Technical Services Employee Incentive, Performance bonus, Variable Pay Plan for managers and support staff, Umrah as well as Employee Stock Option Plan amongst others. Human Resources management that encompasses Salaries, Attendance, Asset Utilization, Rewards, health and other guidelines such as Mobile Usage are covered across 11 policies. Human Resource management has introduced the Pay Continuation Plan; over and above to the current benefits, grieved family will receive 50% of monthly gross salary for the period of ten years.

Our Medical and Insurance Policy

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

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

Life insurance is also available to our employees under which they are covered for permanent partial disability, temporary total disability, accidental death and extended death benefit. In 2018, Avanceon increased the room limit allowance by 22% and 16% for Plan A and B respectively. Furthermore, Avanceoners also receive clinic/lab, these centers are known as discount center where employees can avail discount from 10% to 25 % by showing their medical insurance cards.

Compassionate Leaves

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

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

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

Pay Continuation Plan

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

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

Education Allowance Policy

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

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

SUCCESSION PLANNING POLICIES

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

SOCIAL & ENVIRONMENTAL POLICY

In 2019 A new policy requiring minimum HSE Training requirements was promulgated for all facilities of AVANCEON. This policy requires designation wise mandatory trainings for all employees. It has four stages and each employee is required to achieve desired level of training.

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

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

POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

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

INVESTOR GRIEVANCE POLICY

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

SAFETY OF RECORD

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



DIRECTORS' REPORT

The directors of the company take pleasure in presenting their report together with the Company's audited annual financial statements along with consolidated financials for the year ended December 31, 2019, 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 relevant sections of the prevailing Companies Ordinance, in Pakistan, will be put forward to the members at the 17th Annual General Meeting of the Company to be held on May 29, 2020 (Friday) via online platform Lahore, Punjab, Pakistan.

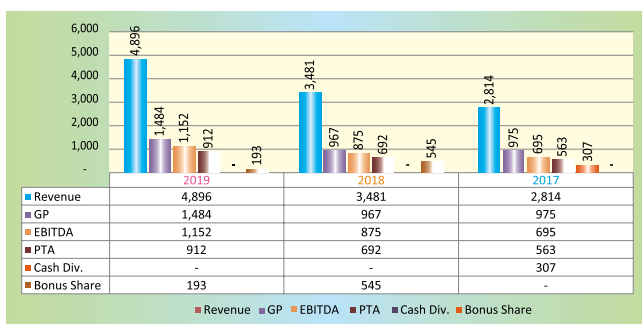
Directors' Report

THE REPORT

The performance of the Company remained on the upswing in terms of order generation, revenues, profit before and after tax, control over fixed costs (excluding provision for bad debts and old balances written off), excellent management of liquidity, maintenance of sufficient banking facilities at very competitive costs, timely repayments of working capital and commitments. All business segments performed well in terms of order generation with all-time high figures. Our joint venture with ATCO and Arkan Integrated Development LLC in the Kingdom of Saudi Arabia and Qatar kicked off very successfully and during the year we achieved all targets as set by BOD for management. The revenues and net profits grew with predicted pace as highlighted in last year director report and during two analyst briefings. The financial year 2019 ended with the highest ever backlog of USD 59million which bodes very well for revenues and net profit of FY 2020 at another positive trend figures.

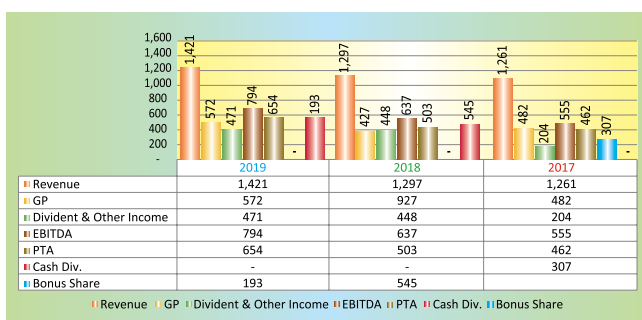
Operating results (consolidated)

| (Rupees in ,000) | 2019 | 2018 | Variation | %age Variation |
|-----------------------|-----------|-----------|-----------|----------------|
| Revenue | 4,896,158 | 3,480,942 | 1,415,216 | 41% |
| Profit before tax | 962,940 | 780,287 | 182,653 | 23% |
| Profit after taxation | 912,176 | 691,645 | 220,531 | 32% |



Operating results (standalone)

| (Rupees in ,000) | 2019 | 2018 | Variation | %age Variation |
|-----------------------|-----------|-----------|-----------|----------------|
| Revenue | 1,420,979 | 1,296,965 | 124,014 | 10% |
| Profit before tax | 691,727 | 571,672 | 120,055 | 21% |
| Profit after taxation | 653,870 | 502,658 | 151,212 | 30% |

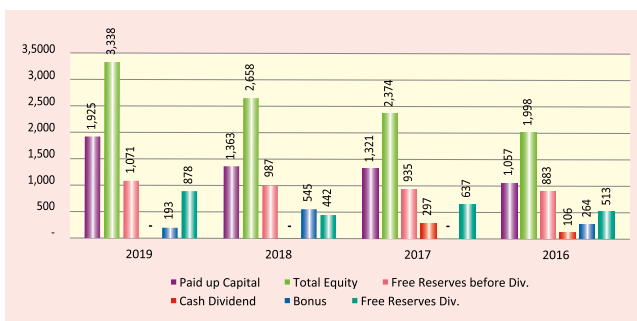


SUBSEQUENT APPROPRIATIONS

The Directors have recommended a cash dividend NIL (2018: NIL) and bonus shares 10% (2018: 40%)

The following appropriations have been made:

| (Rupees in ,000) | 2019 | 2018 |
|---|-----------|---------|
| Reserve available for appropriations (at standalone financials) | 1,070,907 | 987,429 |
| Appropriation: | | |
| Proposed Dividend @ Nil (2018: Nil) | - | - |
| Proposed Bonus @ 10% (2018: 40%) | 192,536 | 545,295 |
| Unappropriated reserve carried forward | 878,371 | 442,134 |



EARNINGS PER SHARE (EPS)

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

Consolidated

The basic earnings per share after tax is Rs. 4.74 (2018: Rs. 3.62).

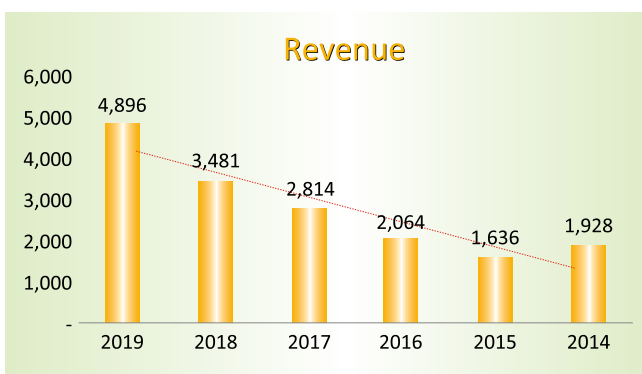
Standalone

The basic earnings per share after tax is Rs. 3.31 (2018: Rs.2.50)

FINANCIAL PERFORMANCE (CONSOLIDATED)

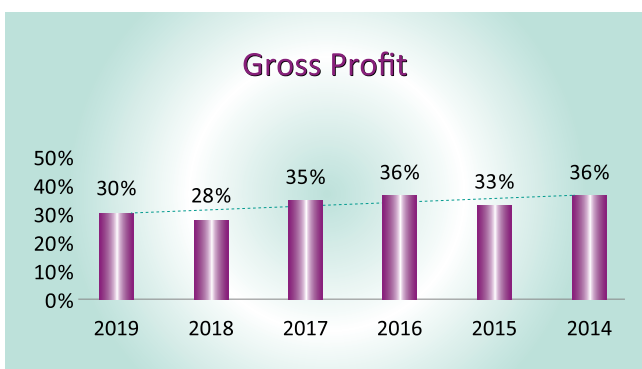
Revenue

The Company revenue of Rs. 4.896 billion has 41% increased as compared to last financial year, we observed very moderate and expected growth of revenues over the financial year 2017 and 2018. However, the order generation in 3rd & 4th Quarter of financial year 2019 and in 1st Quarter of Financial year 2020 is as per the projected figure and achieve the plan and we can forecast a solid growth in the 3rd and 4th Quarters of financial year 2020 as we have seen excellent growth in same quarters of financial year 2019 except some delays in revenue recognition in 1st and 2nd Quarter 2020 due to COVID-19. The Company's revenues maintained a positive trajectory throughout the financial year with growth over financial year 2017 and 2018.

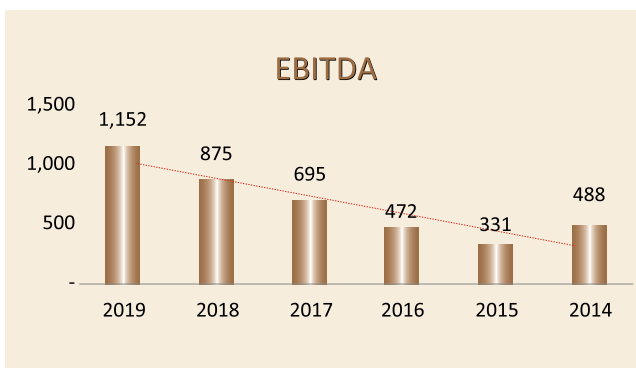


Gross Profits

We observed a 2% increase in gross margins as compared to the last financial year. The management has successfully achieved the target to of 30% GP in current financial year as we achieved in all previous financial years except FY 2018 due to few low margin projects in middle east. Management is too much confident to maintain the current gross margin of 30% in financial year 2020 and 2021.

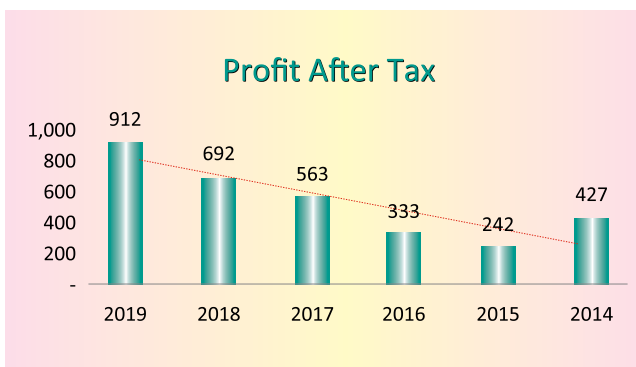


Earnings before Interest, Taxes, depreciation and amortization (EBITDA)



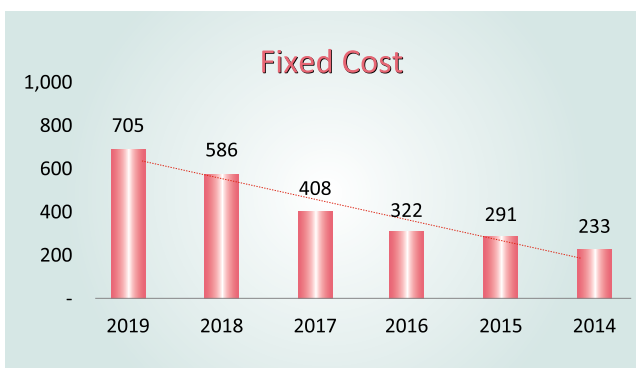
Profit after taxation

A 32% increase in net profit after taxation is very encouraging which include Rs. 257million unrealized exchange gain on translation of foreign receivables. The management is very confident to maintain gross & net profit margins in upcoming FY 2020 and 2021 due to a very strong pipeline of unrecognized business of over USD 59m (calculated) as of March 31, 2020. The management is also very much confident to achieve the targeted revenues in FY 2020.



Fixed Cost

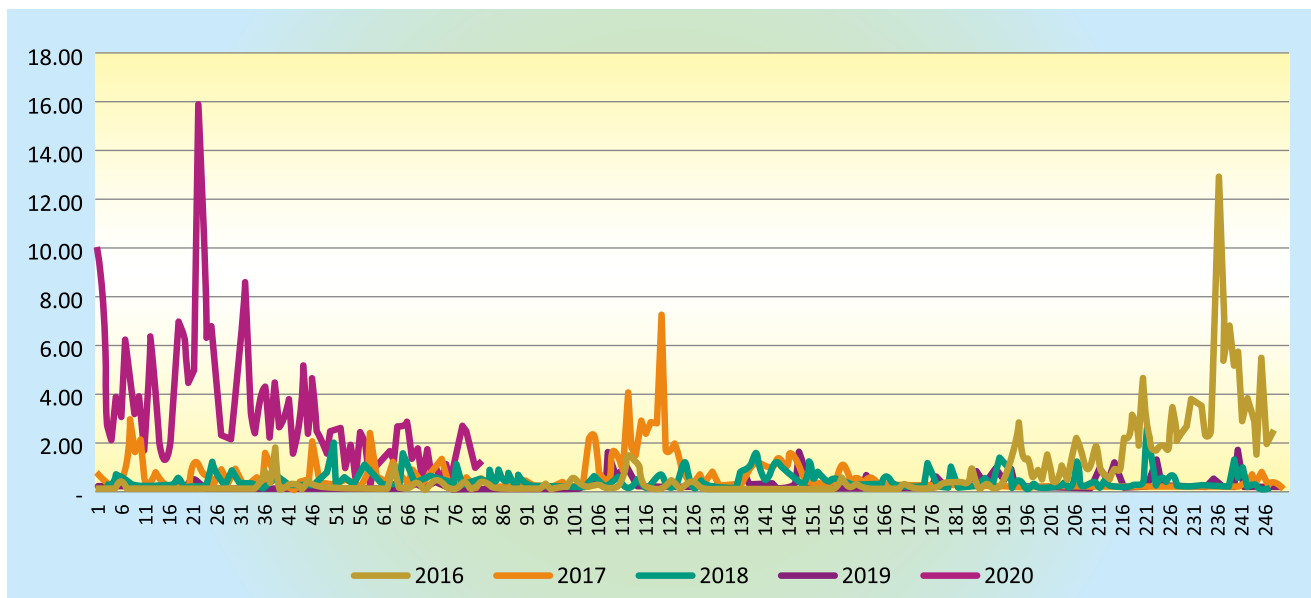
We observed 20% (2018: 44%) net increase in fixed cost mainly due to Rs. 127m provisions for bad debts & ECL impact as per IFRS-9, other increase includes 18% net increase in salaries and other administrative expenses and cost of selling due to inflation and translation impact on subsidiaries balances at consolidation stage. The remaining increase is as align with increase of sales growth. The management is trying to keep the incremental impact below 15% excluding impact of inflation.



Directors' Report

STOCK LIQUIDITY

Finally, AVN stock achieve the liquidity target in FY 2019 which attracted new retail and corporate investors. Now, our ESOS holders can liquidate stock and take further position in market very easily without loss of liquidity opportunity.



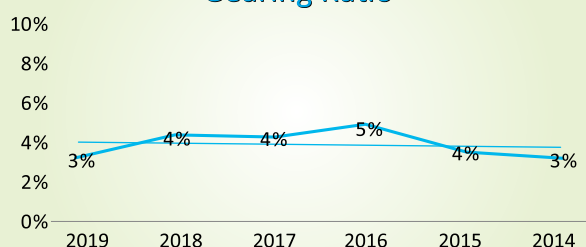
CAPITAL STRUCTURE

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

WORKING CAPITAL MANAGEMENT

Based on current and quick ratios for the last five years, we can see solid liquidity improvement and strong short-term financial working capital position of the Company's operating activities. The company is managing all its working capital needs by negotiating best credit terms with customers by making every order cash positive and collectable within reasonable agreed timeframes. The company effectively managed its working capital requirement through very vigorous & strict financial discipline by maintaining all short-term loans at reasonable levels to avoid financial cost by generating positive cash inflow. In FY 2018, the company took out short term loans to finance two big value orders in Pakistan and UAE respectively; in FY 2019, the management has plans to keep working capital balances at FY 2016 levels. Due to recent decrease in markup rate in Pakistan which will help management to achieve the target.

Gearing Ratio



Financial Expense



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 2018) and the management has made a plan In FY 2019 and FY 2020 to handle and restore the liquidity trend at FY 2014 levels; the management is very confident to achieve till July 31, 2020.

FUTURE PROSPECTS

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

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

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

COVID-19

The company may face delay in revenue recognition in last month of 1st Quarter and first two months of 2nd Quarter because of country wide shutdown due to COVID-19. We faced one-month complete shutdown in last month of 1st Quarter 2020 which impacted our order generation and revenue recognition around 80%. Definitely being a technology company our ability to work remotely is tremendous which enable us to execute projects, deliver revenue even in situation accrued due to COVID-19 Pandemic, this has anyway been the cornerstone of our business plan. But anyhow, may be some of our current projects executions, commercial approvals and also relevant inflows may directly

and indirectly impacted by the COVID-19 Pandemic issue, may face some delays in inflows during specifically last month and first month of 1st and 2nd Quarter respectively. But on the other side, our company is expected to save around Rs. 17m and Rs. 12.5m in fixed cost in Pakistan and Middle East respectively during this period because of working from home. Our company is committed to pay full salaries to all of our regular and contractual staff and no staff to be fired or terminated during this period of COVID-19.

SERVICE TO SOCIETY

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

HEALTH, SAFETY AND ENVIRONMENT

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

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

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

ISSUES RAISED IN THE LAST AGM

During the Annual General Meeting 2018 No Major issues were raised.

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

Agenda # 2: Consider the Audited Accounts for the year ended 31 December 2018 and the Directors' and Auditors' Reports thereon.

Agenda # 3: The Appointment of present auditor "EY Ford Rhodes, Chartered

Accountants" being eligible and have offered themselves for reappointment.

Agenda # 4: To approve as recommended by the Directors, the issue of bonus shares @ 40% for the year ended 31st December 2018.

Agenda # 5: Increase of authorized capital of the company from Rs. 2.00 billion to Rs. 2.50 billion.

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

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

BOARD OF DIRECTORS' REMUNERATION

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

TRANSACTIONS WITH RELATED PARTIES

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

Directors' Report

SHARES TRADED BY EXECUTIVES

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

| Name of Company | Employee Name | Designation | Transaction Type | No. of Shares | Price | Transaction Type | Date of Transaction | Date of Submission |
|-----------------|------------------------|-----------------------|------------------|---------------|-------|------------------|---------------------|--------------------|
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 7,000 | 78.00 | CDC | 13/02/2019 | 18/02/2019 |
| Avanceon Ltd | Hussain Ahmad | Corporate Manager HR | Sale | 10,000 | 42.27 | CDC | 27/11/2019 | 28/11/2019 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sales | Sale | 11,000 | 39.31 | CDC | 26/12/2019 | 03/01/2020 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sales | Sale | 11,000 | 41.05 | CDC | 27/12/2019 | 03/01/2020 |

BOARD OF DIRECTOR'S TRAINING

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

COMPOSITION OF BOARD AUDIT COMMITTEE

The board audit committee consists of three members listed below;

| Sr. No. | Name of Director | |
|---------|----------------------|----------|
| 1. | Mr. Tajammal Hussain | Chairman |
| 2. | Mr. Amir W. Wain | Member |
| 3. | Mr. Naveed Ali Baig | Member |

COMPOSITION OF BOARD OF DIRECTORS

The board consist of seven directors listed below;

| Sr. No. | Name of Director | |
|---------|----------------------|-----------------------------------|
| 1. | Mr. Khalid H. Wain | Non-executive but not independent |
| 2. | Mr. Bakhtiar H. Wain | Executive Director |
| 3. | Mr. Amir W. Wain | Non-executive but not independent |
| 4. | Mr. Tanveer Karamat | Executive Director |
| 5. | Mr. Umer Ahsan Khan | Independent Director |
| 6. | Mr. Tajammal Hussain | Independent Director |
| 7. | Mr. Naveed Ali Baig | Non-executive but not independent |

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

- Male: Seven
- Female: None

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

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 | 3 | 1 |
| 6. | Mr. Tajammal Hussain | 3 | 1 |
| 7. | Mr. Naveed Ali Baig | 4 | 0 |

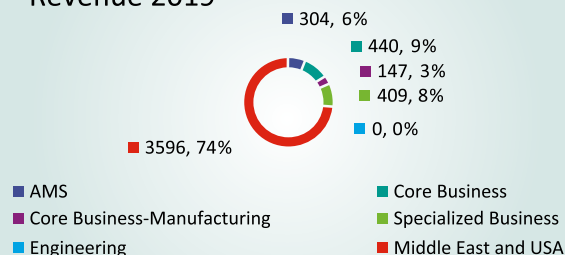
CORPORATE GOVERNANCE PRACTICES

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 No. 37, along with the Statement of Compliance.

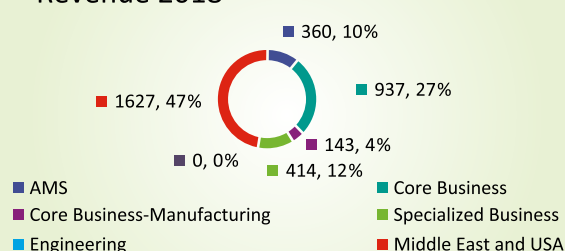
SEGMENTAL BUSINESS PERFORMANCE AND MARKET SHARE INFORMATION

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

Revenue 2019



Revenue 2018



PROCEDURES ADOPTED FOR QUALITY ASSURANCE

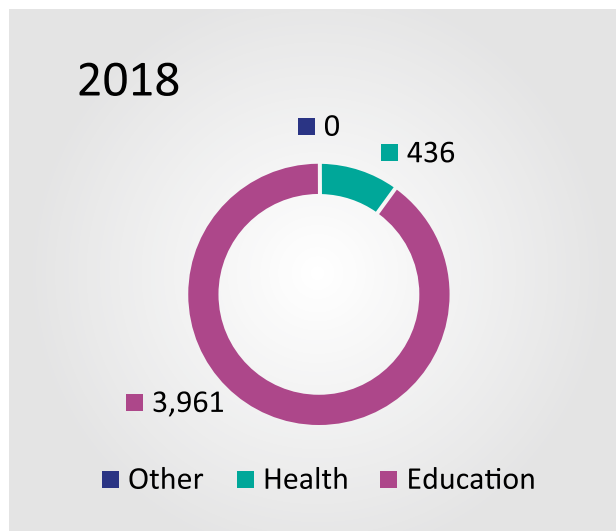
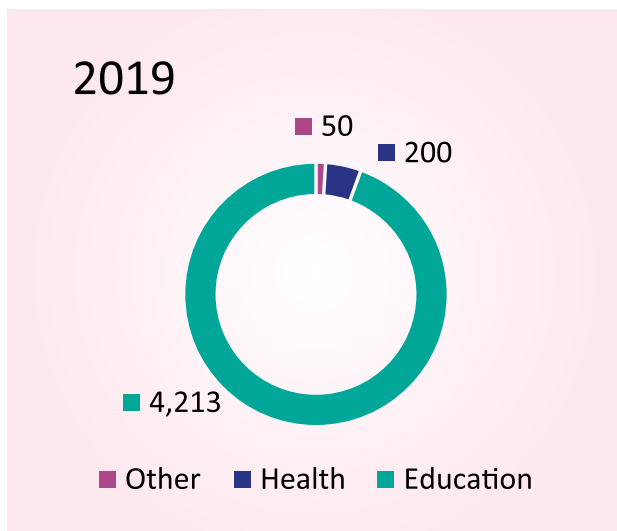
The HSE data management system, data collection process and transparent reporting are essential elements of corporate responsibility at Avanceon. The Company reports its HSE performance in accordance with the SMETA 4 pillar guidelines for sustainability reporting as well as ISO standards.

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

DONATION & CHARITY

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

| (Rupees in '000) | 2019 | 2018 |
|------------------|-------|-------|
| Health | 200 | 436 |
| Education | 4,213 | 3,961 |
| Other | 50 | 0 |
| | 4,463 | 4,397 |



Directors' Report



EMPLOYEES' RETIREMENT BENEFITS

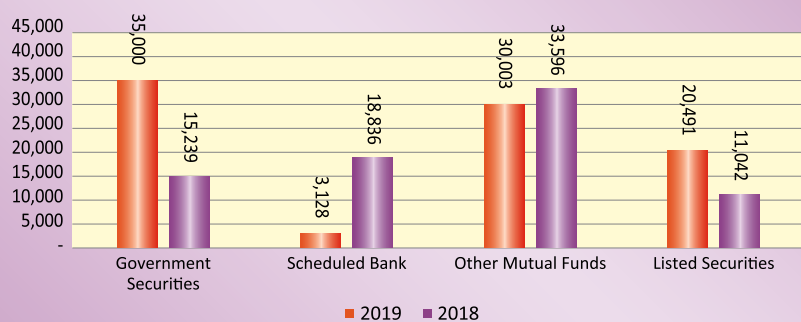
The Company operates a defined contribution plan for its permanent employees through a recognized provident trust fund.

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

| | 2019 | | 2018 | |
|-----------------------|---------------------------------|--|---------------------------------|--|
| | Investments (Rupees in '000) | Investment as % of size of the fund | Investments (Rupees in '000) | Investment as % of size of the fund |
| Government Securities | 35,000 | 34% | 15,239 | 17% |
| Scheduled Banks | 3,128 | 3% | 18,836 | 21% |
| Other Mutual Funds | 30,003 | 29% | 33,596 | 38% |
| Listed Securities | 20,491 | 20% | 11,042 | 12% |
| | <u>88,622</u> | | <u>78,713</u> | |

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

Employee retirement Benfits



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, 2019 is annexed on subsequent Page No. 73 in the Management section of this Report. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year, except those reported in the pattern of shareholding.

STATUTORY AUDITORS OF THE COMPANY

The present Auditors, M/s. EY Ford Rhodes, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Audit Committee of the Company has been recommended their re-appointment as Auditors of the Company for the year ending December 31, 2020.

COMMUNICATIONS

Communication with the shareholders is given a high priority. Financial results including quarterly, half yearly and annual results & reports are distributed

to them within the time specified in the Companies Act, 2017. The company communicates all material information which fall under the material information category under listing regulations to Pakistan Stock Exchange (PSX) and Securities and Exchange Commission of Pakistan (SECP). The Company also has a website, www.avanceon.ae, which contains updated information on the Company's activities and financial reports.

ACKNOWLEDGEMENT

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

For and on behalf of the
Board of Directors

Mr. Bakhtiar H. Wain
Director,
Chief Executive Officer

Lahore:
April 24, 2020



STAKEHOLDER'S INFORMATION

PERFORMANCE INDICATORS

RATIOS FOR 6 YEARS

| Years | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------|-------|-------|-------|-------|-------|
| PROFITABILITY RATIOS | | | | | | |
| Gross Profit ratio | 30% | 28% | 35% | 36% | 33% | 36% |
| Operating Result Ratio | 22% | 24% | 24% | 22% | 19% | 24% |
| Profit Before Tax | 20% | 22% | 21% | 19% | 17% | 23% |
| Profit After Tax | 19% | 20% | 20% | 16% | 15% | 22% |
| Return On Capital Employed | 23% | 23% | 23% | 19% | 14% | 22% |
| Interest Coverage Ratio (Times) | 8.7 | 13.9 | 9.5 | 8.9 | 9.8 | 22.1 |
| EBITDA (Rs. In million) | 1,152 | 875 | 695 | 472 | 331 | 488 |
| EBITDA Margin | 24% | 25% | 25% | 23% | 20% | 25% |
| GROWTH RATIOS | | | | | | |
| Net Sales | 41% | 24% | 36% | 26% | -15% | 6% |
| Operating Results | 29% | 26% | 49% | 48% | -35% | -2% |
| EBITDA | 32% | 26% | 47% | 43% | -32% | -1% |
| Profit After Tax | 32% | 23% | 69% | 38% | -43% | 4% |
| COST RATIOS | | | | | | |
| Cost of Sales (% of Sales) | 70% | 72% | 65% | 64% | 67% | 64% |
| Administrative & selling Cost (% of Sales) | 14% | 17% | 14% | 16% | 18% | 12% |
| Financial Cost (% of Sales) | 3% | 2% | 2% | 2% | 2% | 1% |
| RETURN TO SHAREHOLDERS | | | | | | |
| Return on Equity-Before Tax | 22% | 24% | 23% | 19% | 14% | 23% |
| Return on Equity-After Tax | 21% | 21% | 22% | 16% | 12% | 22% |
| Earning per Share (Basic) (Rs.) | 4.74 | 3.62 | 4.26 | 2.51 | 2.29 | 4.09 |
| Earning per Share (Diluted) (Rs.) | 4.64 | 3.53 | 4.02 | 2.39 | 2.19 | 3.90 |
| Break Up value per share without surplus on revaluation (Rs.) | 22.32 | 23.96 | 19.62 | 19.68 | 18.48 | 18.18 |
| Break Up value per share with surplus on revaluation (Rs.) | 23.41 | 25.19 | 20.73 | 20.74 | 19.52 | 19.04 |

| Years | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------|--------|-------|-------|-------|-------|
| EQUITY RATIOS | | | | | | |
| Price Earning Ratio | 7.92 | 22.84 | 8.12 | 13.88 | 17.82 | 8.28 |
| Dividend Per Share | 0% | 0% | 22.5% | 10% | 20% | 22.5% |
| Dividend Payout Ratio | 0% | 0% | 53% | 40% | 87% | 55% |
| Market Value at the end of The Year | 37.55 | 82.68 | 34.60 | 34.85 | 40.80 | 33.85 |
| Market Value at the start of the Year | 82.68 | 34.60 | 34.85 | 40.80 | 33.85 | 14.00 |
| Highest Value During Year | 84.61 | 100.37 | 59.44 | 40.03 | 45.23 | 39.24 |
| Lowest Value During Year | 29.14 | 35.07 | 32.64 | 28.19 | 30.77 | 14.00 |
| Dividend Yield Ratio | 0.00% | 0.00% | 0.65% | 0.29% | 0.49% | 0.66% |
| Dividend Cover Ratio | 0.00 | 0.00 | 2.67 | 1.57 | 1.14 | 1.02 |
| ASSET UTILIZATION | | | | | | |
| Total Asset turnover (Times) | 0.59 | 0.58 | 0.61 | 0.63 | 0.57 | 0.75 |
| Fixed Asset Turnover (Times) | 11.29 | 10.32 | 10.16 | 8.86 | 7.08 | 9.31 |
| Inventory Turnover (Times) | 21.20 | 29.46 | 19.56 | 13.04 | 18.30 | 24.74 |
| Trade Debts Turnover (Times) | 0.81 | 0.87 | 0.97 | 1.12 | 1.09 | 1.43 |
| Trade Creditors Turnover (Times) | 1.77 | 1.23 | 1.36 | 1.89 | 2.12 | 2.82 |
| Capital Employed Turnover (Times) | 1.05 | 0.97 | 0.98 | 0.90 | 0.77 | 0.93 |
| OPERATING CYCLE | | | | | | |
| Inventory Holding Period (No. of days) | 17 | 12 | 19 | 28 | 20 | 15 |
| Trade Debt collection period (No. of days) | 450 | 418 | 375 | 325 | 334 | 256 |
| Trade Creditors payment period(No. of days) | 206 | 298 | 269 | 193 | 172 | 130 |
| Liquidity/Leverage | | | | | | |
| Current ratio (Times) | 1.89 | 2.03 | 2.12 | 2.49 | 2.81 | 3.62 |
| Quick ratio (Times) | 1.84 | 1.99 | 2.07 | 2.39 | 2.72 | 3.52 |
| Cash to current liabilities (Times) | 0.08 | 0.10 | 0.21 | 0.28 | 0.43 | 0.48 |
| Financial leverage ratio (Times) | 0.03 | 0.05 | 0.05 | 0.05 | 0.04 | 0.03 |
| Total liabilities to equity (Times) | 0.90 | 0.78 | 0.72 | 0.53 | 0.41 | 0.29 |

ANALYSIS OF FINANCIAL STATEMENTS

GROUP BALANCE SHEET

ASSETS

(Rupees in million)

| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Non-Current Assets | | | | | | |
| Property and Equipment | 434 | 337 | 277 | 233 | 231 | 207 |
| Intangible assets | - | 0 | 0 | 0 | - | - |
| Long term investments | 843 | 746 | 599 | 567 | 569 | 546 |
| Long term loans and deposits | 27 | 38 | 33 | 31 | 27 | 23 |
| Deferred tax asset | 74 | - | - | - | - | - |
| Total non-current assets | 1,378 | 1,121 | 909 | 831 | 827 | 775 |
| Current Assets | | | | | | |
| Stock in trade | 161 | 85 | 94 | 101 | 60 | 50 |
| Trade debts | 2,431 | 1,952 | 1,019 | 650 | 752 | 760 |
| Contract assets | 3,602 | 2,030 | 1,874 | 1,188 | 747 | 592 |
| Term deposit with banks | 197 | 189 | 195 | 156 | 181 | 200 |
| Advances, deposits, prepayments and other receivables | 480 | 562 | 337 | 243 | 163 | 157 |
| Short term investments | 1 | 1 | - | - | - | - |
| Cash and bank balances | 105 | 53 | 169 | 116 | 134 | 40 |
| Total Current Assets | 6,979 | 4,872 | 3,688 | 2,454 | 2,037 | 1,799 |
| Total Assets | 8,357 | 5,993 | 4,597 | 3,285 | 2,864 | 2,574 |

GROUP BALANCE SHEET

EQUITY AND LIABILITIES

(Rupees in million)

| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------|-------|-------|-------|-------|-------|
| Share Capital and reserves | | | | | | |
| Issued, subscribed and paid up capital | 1,925 | 1,363 | 1,321 | 1,057 | 1,057 | 1,057 |
| Employees' share compensation reserve | 54 | 115 | 70 | 52 | 45 | 45 |
| Statutory reserve | 3 | 3 | - | - | - | - |
| Exchange revaluation reserve | 610 | 440 | 245 | 209 | 210 | 185 |
| Share Premium | 138 | 62 | 62 | 62 | 62 | 62 |
| Un-appropriated profit | 1,563 | 1,280 | 894 | 700 | 579 | 574 |
| | 4,293 | 3,263 | 2,592 | 2,080 | 1,953 | 1,922 |
| Non controlling interest | 4 | 3 | - | - | - | - |
| | 4,298 | 3,266 | 2,592 | 2,080 | 1,953 | 1,922 |
| Surplus on revaluation of property and equipment | 210 | 168 | 146 | 112 | 110 | 90 |
| Non-Current Liabilities | | | | | | |
| Long term loan | - | 2 | 20 | - | - | - |
| Lease liabilities | 68 | 64 | 52 | 45 | 35 | 34 |
| Deferred liabilities | 81 | 88 | 49 | 65 | 40 | 31 |
| Total Non-Current Liabilities | 149 | 154 | 121 | 109 | 75 | 65 |
| Current Liabilities | | | | | | |
| Current portion of lease liabilities | 46 | 26 | 26 | 22 | 18 | 19 |
| Current portion of long term loan | 2 | 18 | 18 | - | - | - |
| Finances under mark up arrangements and other credit facilities - secured | 599 | 312 | 340 | 266 | 190 | 39 |
| Creditors, accrued and other liabilities | 1,928 | 2,049 | 1,354 | 697 | 518 | 439 |
| Contract liabilities | 1,127 | - | - | - | - | - |
| Total Current Liabilities | 3,701 | 2,406 | 1,738 | 984 | 726 | 497 |
| Total Equity and Liabilities | 8,357 | 5,994 | 4,597 | 3,285 | 2,864 | 2,574 |

Analysis of Financial Statements (Contd...)

GROUP PROFIT AND LOSS

| (Rupees in million) | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Revenue from contracts with customers | 4,896 | 3,481 | 2,814 | 2,064 | 1,636 | 1,928 |
| Cost of revenue | (3,412) | (2,514) | (1,839) | (1,317) | (1,098) | (1,237) |
| Gross Profit | 1,484 | 967 | 975 | 747 | 538 | 691 |
| Administrative and selling expenses | (705) | (586) | (408) | (322) | (291) | (233) |
| Other charges | (4) | (5) | (4) | (10) | (5) | (25) |
| Other operating income | 313 | 465 | 105 | 32 | 61 | 31 |
| | (397) | (126) | (307) | (300) | (235) | (227) |
| Profit/(loss) from operations | 1,087 | 841 | 668 | 447 | 303 | 464 |
| Finance cost | (124) | (61) | (70) | (50) | (31) | (21) |
| Profit/(loss) before tax | 963 | 780 | 598 | 397 | 272 | 443 |
| Taxation | (51) | (89) | (35) | (64) | (31) | (16) |
| Profit/(loss) after Tax | 912 | 692 | 563 | 333 | 242 | 427 |
| Combined earnings/(loss) per Share | | | | | | |
| Basic in Rs. | 4.74 | 3.62 | 4.26 | 2.51 | 2.29 | 4.09 |
| Diluted in Rs. | 4.64 | 3.53 | 4.02 | 2.39 | 2.19 | 3.90 |

CASH FLOW STATEMENT

| (Rupees in million) | | | | | | |
|---|------|-------|------|------|-------|-------|
| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Cash flow from operating activities | (98) | 72 | 135 | (23) | 181 | (76) |
| Cash flow from investing activities | (22) | 1 | (29) | 40 | 27 | (45) |
| Cash flow from financing activities | 172 | (189) | (52) | (34) | (113) | (197) |
| Increase/(decrease) in cash & cash equivalent | 52 | (117) | 54 | (17) | 94 | (318) |

CONSOLIDATED CASH FLOW STATEMENT

| (Rupees in million) | | | | | | |
|---|--------------|--------------|-------------|-------------|--------------|--------------|
| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash generated from operations | 36 | 170 | 255 | 53 | 225 | (41) |
| Finance costs paid | (73) | (38) | (49) | (27) | (16) | (12) |
| Retirement benefits paid | (4) | (2) | (0) | (0) | (2) | (7) |
| Taxes paid | (85) | (59) | (71) | (50) | (27) | (15) |
| Net cash (used in) / generated from operating activities | (127) | 72 | 134 | (23) | 181 | (75) |
| Purchase of property and equipment | (24) | (18) | (7) | (7) | (11) | (5) |
| Purchase of intangible asset | - | - | - | (0) | - | - |
| Proceeds from sale of property and equipment | 7 | 11 | 5 | 11 | 11 | 6 |
| Profit on bank deposit | 13 | 8 | 15 | 13 | 14 | 16 |
| Term deposits | (8) | 6 | (39) | 25 | 19 | (60) |
| Short term investments | - | (2) | - | - | - | - |
| Long term investment | - | - | - | 0 | - | 0 |
| Net increase in long term deposits | 10 | (5) | (3) | (3) | (5) | (2) |
| Net cash (used in) / generated from investing activities | (2) | 1 | (29) | 39 | 27 | (45) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Repayment of long term finances | - | - | - | - | - | (10) |
| Issue of share capital | 15 | 4 | - | - | 0 | 49 |
| Dividend paid | (29) | (98) | (146) | (98) | (238) | (201) |
| Finances under markup arrangements | 287 | (28) | 74 | 75 | 151 | 39 |
| Repayment of loan from directors | - | - | - | - | - | (55) |
| Long term loan received | (18) | (18) | 38 | - | - | - |
| Repayment of finance lease liabilities | (74) | (50) | (18) | (11) | (26) | (19) |
| Net cash (used in) / generated from financing activities | 181 | (189) | (52) | (34) | (113) | (197) |
| Net (decrease) / increase in cash and cash equivalents | 52 | (117) | 54 | (19) | 94 | (317) |
| Cash and cash equivalents at the beginning of the year | 53 | 169 | 116 | 134 | 40 | 358 |
| Effect of cash and Cash equivalents of subsidiary disposed off | | | | | | |
| Cash and cash equivalents at the end of the year | 105 | 53 | 169 | 116 | 134 | 40 |

6 YEARS

VERTICAL AND HORIZONTAL ANALYSIS

BALANCE SHEET

| ASSETS | VERTICAL ANALYSIS | | | | | | HORIZONTAL ANALYSIS | | | | | |
|--|-------------------|------|------|------|------|------|---------------------|------|------|------|------|------|
| | (in %age) | | | | | | (in %age) | | | | | |
| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Non-Current Assets | | | | | | | | | | | | |
| Property and Equipment | 5% | 6% | 6% | 7% | 8% | 8% | 129% | 122% | 119% | 101% | 112% | 106% |
| Intangible assets | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | 0% |
| Long term investments | 10% | 12% | 13% | 17% | 20% | 21% | 113% | 125% | 106% | 100% | 104% | 96% |
| Long term loans and deposits | 0% | 1% | 1% | 1% | 1% | 1% | 72% | 115% | 106% | 115% | 117% | 113% |
| Deferred tax asset | 1% | 0% | 0% | 0% | 0% | 0% | 100% | 0% | 0% | 0% | 0% | 0% |
| Total Non-Current Assets | 16% | 19% | 20% | 25% | 29% | 30% | 123% | 123% | 109% | 100% | 107% | 98% |
| Current Assets | | | | | | | | | | | | |
| Stock in trade | 2% | 1% | 2% | 3% | 2% | 2% | 189% | 91% | 93% | 168% | 120% | 90% |
| Trade debts | 29% | 33% | 22% | 20% | 26% | 30% | 125% | 192% | 157% | 86% | 99% | 137% |
| Contract assets | 43% | 34% | 41% | 36% | 26% | 23% | 177% | 108% | 158% | 159% | 126% | 169% |
| Term deposit with banks | 2% | 3% | 4% | 5% | 6% | 8% | 104% | 97% | 125% | 86% | 91% | 143% |
| Advances, deposits, prepayments and other receivables | 6% | 9% | 7% | 7% | 6% | 6% | 85% | 167% | 139% | 149% | 104% | 127% |
| Short term investments | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Cash and bank balances | 1% | 1% | 4% | 4% | 5% | 2% | 199% | 31% | 146% | 87% | 335% | 10% |
| Total Current Assets | 84% | 81% | 80% | 75% | 71% | 70% | 143% | 132% | 150% | 120% | 113% | 110% |
| Total Assets | 100% | 100% | 100% | 100% | 100% | 100% | 139% | 130% | 140% | 115% | 111% | 106% |

| EQUITIES AND LIABILITIES | VERTICAL ANALYSIS | | | | | | HORIZONTAL ANALYSIS | | | | | |
|---|-------------------|------|------|------|------|------|---------------------|------|------|------|------|------|
| | (in %age) | | | | | | (in %age) | | | | | |
| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Share Capital and reserves | | | | | | | | | | | | |
| Issued, subscribed and paid up capital | 23% | 23% | 29% | 32% | 37% | 41% | 141% | 103% | 125% | 100% | 100% | 140% |
| Employees' share compensation reserve | 1% | 2% | 2% | 2% | 2% | 2% | 47% | 164% | 135% | 116% | 100% | 100% |
| Statutory reserve | 0% | 0% | 0% | 0% | 0% | 0% | 100% | 0% | 0% | 0% | 0% | 0% |
| Exchange revaluation reserve | 7% | 7% | 5% | 6% | 7% | 7% | 139% | 179% | 117% | 100% | 114% | 88% |
| Share Premium | 2% | 1% | 1% | 2% | 2% | 2% | 224% | 100% | 100% | 100% | 100% | - |
| Un-appropriated profit | 19% | 21% | 19% | 21% | 20% | 22% | 122% | 143% | 128% | 121% | 101% | 145% |
| | 51% | 54% | 56% | 63% | 68% | 75% | 132% | 126% | 125% | 107% | 102% | 137% |
| Non controlling interest | 0% | 0% | 0% | 0% | 0% | 0% | 142% | 0% | 0% | 0% | 0% | 0% |
| Surplus on revaluation of property and equipment | 3% | 3% | 3% | 3% | 4% | 3% | 125% | 115% | 130% | 102% | 122% | 137% |
| Non-Current Liabilities | | | | | | | | | | | | |
| Long term loan | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| Lease liabilities | 1% | 1% | 1% | 1% | 1% | 1% | 106% | 123% | 116% | 129% | 103% | 102% |
| Defered liabilities | 1% | 1% | 1% | 2% | 1% | 1% | 92% | 180% | 75% | 163% | 129% | 100% |
| Total Non-Current Liabilities | 2% | 3% | 3% | 3% | 3% | 3% | 97% | 127% | 111% | 145% | 115% | 91% |
| Current Liabilities | | | | | | | | | | | | |
| Current portion of lease liabilities | 1% | 0% | 1% | 1% | 1% | 1% | 172% | 102% | 118% | 122% | 95% | 106% |
| Current portion of long term loan | 0% | 0% | 0% | 0% | 0% | 0% | 8% | 101% | 0% | 0% | 0% | 0% |
| Finances under mark up arrangements and other credit facilities - secured | 7% | 5% | 7% | 8% | 7% | 2% | 192% | 92% | 128% | 140% | 487% | 79% |
| Creditors, accrued and other liabilities | 23% | 34% | 29% | 21% | 18% | 17% | 94% | 151% | 194% | 135% | 118% | 94% |
| Contract liabilities | 13% | 0% | 0% | 0% | 0% | 0% | 100% | 0% | 0% | 0% | 0% | 0% |
| Total Current Liabilities | 44% | 40% | 38% | 30% | 25% | 19% | 154% | 138% | 177% | 136% | 146% | 58% |
| Total Equity and Liabilities | 100% | 100% | 100% | 100% | 100% | 100% | 139% | 130% | 140% | 115% | 111% | 106% |

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

PROFIT AND LOSS STATEMENTS

| Particulars | VERTICAL ANALYSIS | | | | | | HORIZONTAL ANALYSIS | | | | | |
|---|-------------------|-------|-------|-------|-------|-------|---------------------|------|------|------|------|--------|
| | (in %age) | | | | | | (in %age) | | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Revenue from contracts with customers | 100% | 100% | 100% | 100% | 100% | 100% | 141% | 124% | 136% | 126% | 85% | 106% |
| Cost of revenue | -70% | -72% | -65% | -64% | -67% | -64% | 136% | 137% | 140% | 120% | 89% | 110% |
| Gross Profit | 30% | 28% | 35% | 36% | 33% | 36% | 153% | 99% | 131% | 139% | 78% | 100% |
| Administrative and selling expenses | -14% | -17% | -14% | -16% | -18% | -12% | 120% | 144% | 127% | 111% | 125% | 92% |
| Other charges | 0% | 0% | 0% | 0% | 0% | -1% | 94% | 119% | 40% | 200% | 20% | 13855% |
| Other operating income | 6% | 13% | 4% | 2% | 4% | 2% | 67% | 443% | 328% | 52% | 197% | 96% |
| | -8% | -4% | -11% | -15% | -14% | -12% | 314% | 41% | 102% | 128% | 104% | 102% |
| Profit/(loss) from operations | 22% | 24% | 24% | 22% | 19% | 24% | 129% | 126% | 149% | 148% | 65% | 98% |
| Finance cost | -3% | -2% | -2% | -2% | -2% | -1% | 205% | 87% | 140% | 161% | 148% | 60% |
| Profit/(loss) before tax | 20% | 22% | 21% | 19% | 17% | 23% | 123% | 130% | 151% | 146% | 61% | 102% |
| Taxation | -1% | -3% | -1% | -3% | -2% | -1% | 57% | 253% | 55% | 206% | 194% | 64% |
| Profit/(loss) after Tax | 19% | 20% | 20% | 16% | 15% | 22% | 132% | 123% | 169% | 138% | 57% | 104% |
| Combined earnings/(loss) per Share | | | | | | | | | | | | |
| Basic | 0.10% | 0.10% | 0.15% | 0.12% | 0.14% | 0.21% | 131% | 85% | 170% | 110% | 56% | 79% |
| Diluted | 0.09% | 0.10% | 0.14% | 0.12% | 0.13% | 0.21% | 131% | 88% | 168% | 109% | 56% | 75% |

CASH FLOW STATEMENT

| Particulars | VERTICAL ANALYSIS | | | | | | HORIZONTAL ANALYSIS | | | | | |
|---|-------------------|------|------|-------|-------|------|---------------------|-------|-------|------|-------|-------|
| | (in %age) | | | | | | (in %age) | | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Cash flow from operating activities | -186% | -62% | 250% | 135% | 193% | 24% | -136% | 54% | -585% | -13% | -238% | -123% |
| Cash flow from investing activities | -42% | -1% | -53% | -235% | 29% | 14% | -3456% | -2% | -72% | 148% | -60% | 32% |
| Cash flow from financing activities | 328% | 162% | -97% | 200% | -120% | 62% | -91% | 364% | 153% | 30% | 57% | -103% |
| Increase/(decrease) in cash & cash equivalent | 100% | 100% | 100% | 100% | 100% | 100% | -45% | -217% | -316% | -18% | -30% | -281% |

CONSOLIDATED CASH FLOW STATEMENT

| Particulars | VERTICAL ANALYSIS | | | | | | HORIZONTAL ANALYSIS | | | | | |
|--|-------------------|-------|-------|-------|-------|------|---------------------|-------|-------|------|-------|--------|
| | (in %age) | | | | | | (in %age) | | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | | | |
| Cash generated from operations | 69% | -146% | 476% | -283% | 239% | 13% | 21% | 67% | 480% | 24% | -555% | -47% |
| Finance costs paid | -140% | 32% | -91% | 141% | -17% | 4% | 195% | 77% | 183% | 169% | 128% | 61% |
| Retirement benefits paid | -8% | 2% | 0% | 2% | -2% | 2% | 234% | 1035% | 45% | 24% | 22% | 255% |
| Taxes paid | -163% | 51% | -134% | 264% | -29% | 5% | 145% | 82% | 144% | 185% | 176% | 1520% |
| Net cash (used in) / generated from operating activities | -241% | -62% | 251% | 124% | 192% | 24% | -176% | 54% | -578% | -13% | -240% | -122% |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | | |
| Purchase of property and equipment | -45% | 15% | -14% | 35% | -12% | 1% | 132% | 239% | 113% | 58% | 248% | 61% |
| Purchase of intangible asset | 0% | 0% | 0% | 1% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A |
| Proceeds from sale of property and equipment | 14% | -9% | 10% | -58% | 12% | -2% | 66% | 206% | 48% | 99% | 196% | 77% |
| Profit on bank deposit | 25% | -7% | 29% | -67% | 14% | -5% | 154% | 55% | 121% | 94% | 85% | 12344% |
| Term deposits | -16% | -5% | -73% | -135% | 20% | 19% | -143% | -15% | -155% | 137% | -31% | 44% |
| Short term investments | 0% | 2% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A |
| Long Term investment | 0% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A |
| Net increase in long term deposits | 19% | 4% | -5% | 18% | -5% | 1% | -215% | 176% | 80% | 67% | 223% | 63% |
| Net cash (used in) / generated from investing activities | -4% | -1% | -54% | -207% | 28% | 14% | -314% | -2% | -74% | 145% | -59% | 32% |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | | |
| Repayment of long term finances | 0% | 0% | 0% | 0% | 0% | 3% | 0% | 0% | 0% | 0% | 0% | 16% |
| Issue of share capital | 29% | -4% | 0% | 0% | 0% | -16% | 0% | 0% | 0% | 0% | 0% | 19% |
| Dividend paid | -56% | 84% | -273% | 524% | -253% | 63% | 30% | 67% | 149% | 41% | 118% | N/A |
| Finances under markup arrangements | 547% | 24% | 138% | -400% | 161% | -12% | -1044% | -37% | 99% | 50% | 387% | N/A |
| Repayment of loan from directors | 0% | 0% | 0% | 0% | 0% | 17% | 0% | 0% | 0% | 0% | 0% | -818% |
| Long term loan received | -35% | 16% | 71% | 0% | 0% | 0% | 100% | -48% | N/A | N/A | N/A | N/A |
| Repayment of finance lease liabilities | -140% | 43% | -34% | 59% | -28% | 6% | 147% | 278% | 164% | 42% | 140% | 120% |
| Net cash used in financing activities | 345% | 162% | -98% | 183% | -121% | 62% | -96% | 363% | 152% | 30% | 58% | -103% |
| Net (decrease) / increase in cash and cash equivalents | 100% | 100% | 100% | 100% | 100% | 100% | -45% | -218% | -285% | -20% | -30% | -282% |

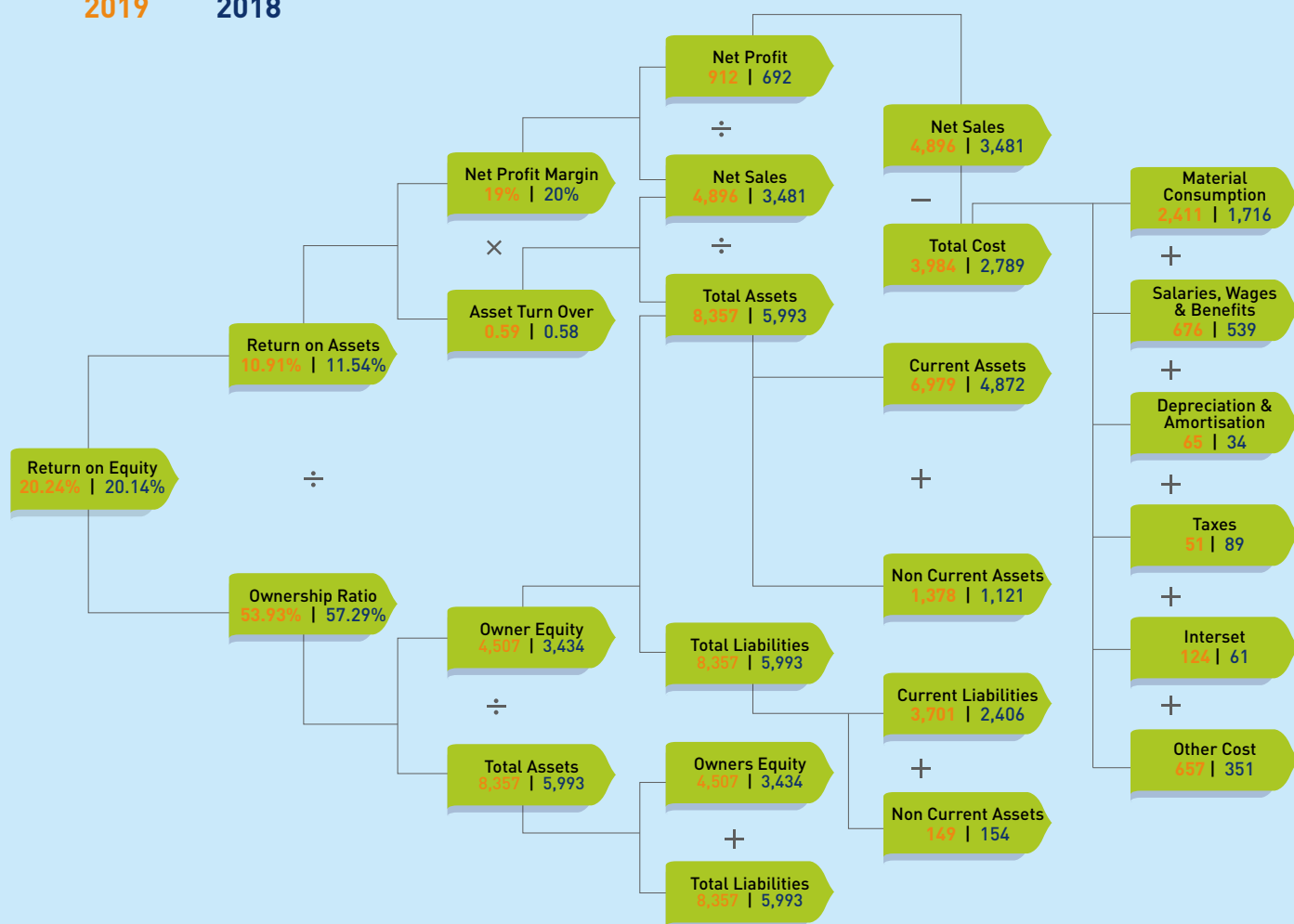
CONSOLIDATED CASH FLOW STATEMENT BY INDIRECT METHOD

(Rupees in million)

| Particulars | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|-------------|-------------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash flows from Customers | (2,260) | (736) | (1,078) | (342) | (168) | (449) |
| Cash flows from Creditors | 420 | 486 | 696 | 65 | 76 | (25) |
| Cash flows from Stocks | (76) | 8 | 8 | (42) | (9) | 5 |
| Other cash flows from operations | 1,952 | 412 | 629 | 372 | 326 | 429 |
| Net cash (used in) / generated from continuing operations | 36 | 170 | 255 | 53 | 225 | (41) |
| Finance costs paid | (73) | (38) | (49) | (27) | (16) | (12) |
| Retirement benefits paid | (4) | (2) | (0) | (0) | (2) | (7) |
| Taxes paid | (85) | (59) | (71) | (50) | (27) | (15) |
| Net cash (used in) / generated from operating activities | (127) | 72 | 134 | (23) | 181 | (75) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of property and equipment | (24) | (18) | (7) | (7) | (11) | (5) |
| Purchase of intangible asset | - | - | - | (0) | - | - |
| Proceeds from sale of property and equipment | 7 | 11 | 5 | 11 | 11 | 6 |
| Profit on bank deposit | 13 | 8 | 15 | 13 | 14 | 16 |
| Term deposits | (8) | 6 | (39) | 25 | 19 | (60) |
| Short term investments | - | (2) | - | - | - | - |
| Long Term investment | - | - | - | 0 | - | 0 |
| Net increase in long term deposits | 10 | (5) | (3) | (3) | (5) | (2) |
| Net cash (used in) / generated from investing activities | (2) | 1 | (29) | 39 | 27 | (45) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Repayment of long term finances | - | - | - | - | - | (10) |
| Issue of share capital | 15 | 4 | - | - | 0 | 49 |
| Dividend paid | (29) | (98) | (146) | (98) | (238) | (201) |
| Finances under markup arrangements | 287 | (28) | 74 | 75 | 151 | 39 |
| Repayment of loan from directors | - | - | - | - | - | (55) |
| Long term loan received | (18) | (18) | 38 | - | - | - |
| Repayment of finance lease liabilities | (74) | (50) | (18) | (11) | (26) | (19) |
| Net cash (used in) / generated from financing activities | 181 | (189) | (52) | (34) | (113) | (197) |
| Net (decrease) / increase in cash and cash equivalents | 52 | (117) | 54 | (19) | 94 | (317) |
| Cash and cash equivalents at the beginning of the year | 53 | 169 | 116 | 134 | 40 | 358 |
| Effect of cash and Cash equivalents of subsidiary disposed off | - | - | - | - | - | - |
| Cash and cash equivalents at the end of the year | 105 | 53 | 169 | 116 | 134 | 40 |

DUPONT ANALYSIS

2019 2018



Avanceon showed excellent all-round performance in terms of PO generation, year on year growth of revenues, gross profits, other income and net profits in financial year 2019. Avanceon stock performed exceptionally well in terms of capital gains, distribution of profits/dividends or bonuses since financial year 2014 with satisfactory stock liquidity. We are confident of our current business plan in financial year 2020. Well done team and thank you for your confidence in our capabilities.

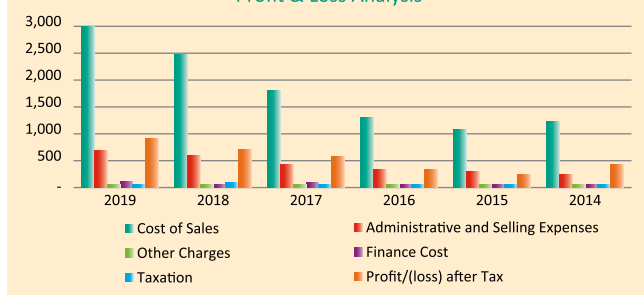
Saeed Ullah Khan Niazi
Chief Financial Officer

GRAPHIC REPRESENTATION

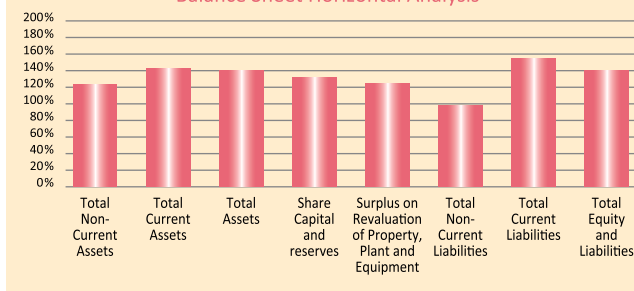
2014-2019



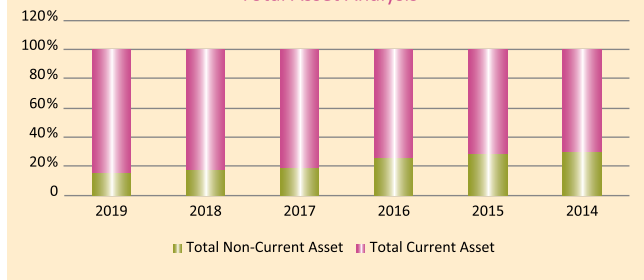
Profit & Loss Analysis



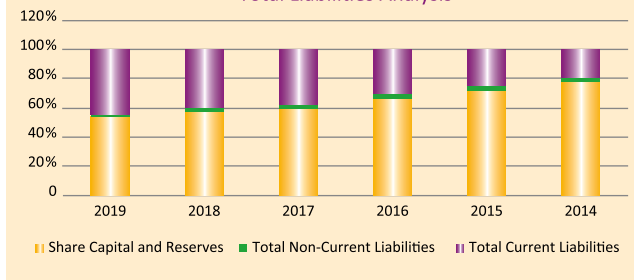
Balance Sheet Horizontal Analysis

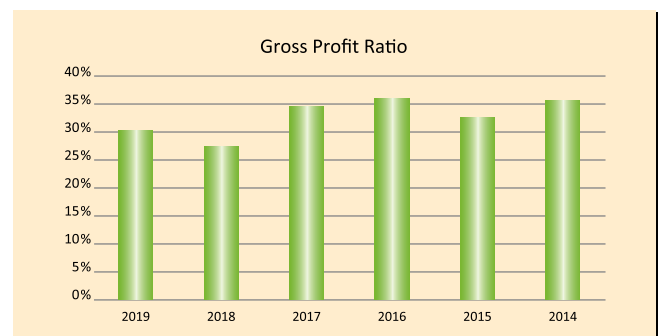
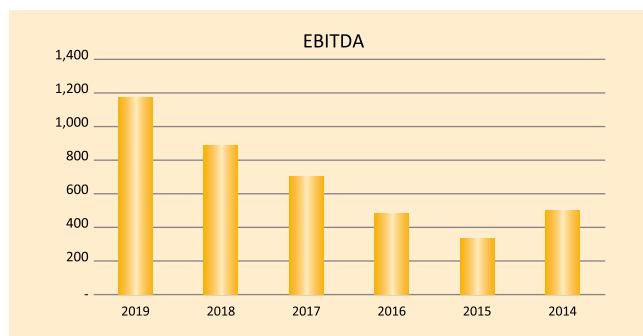
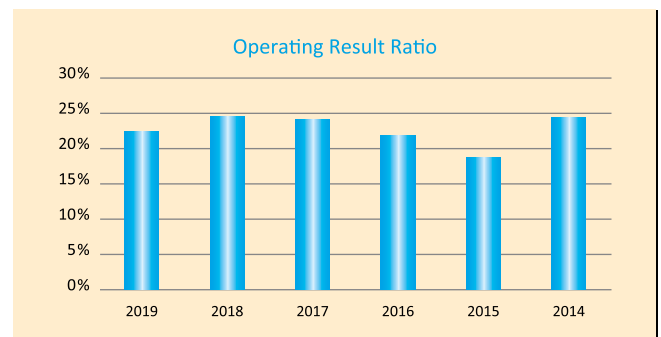
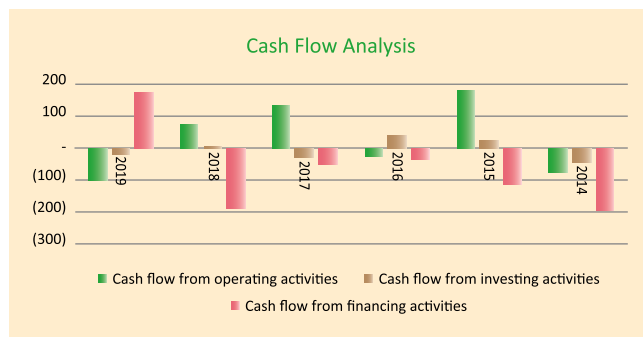


Total Asset Analysis

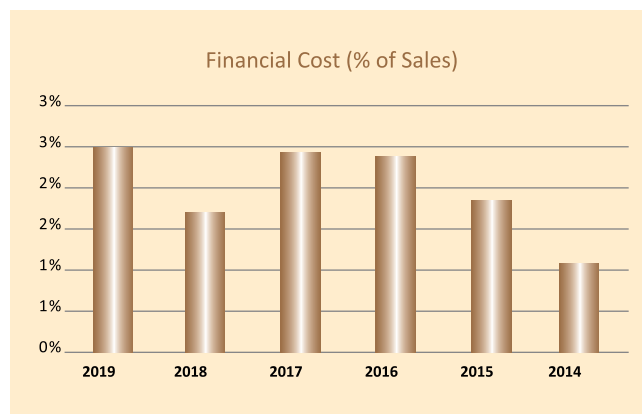
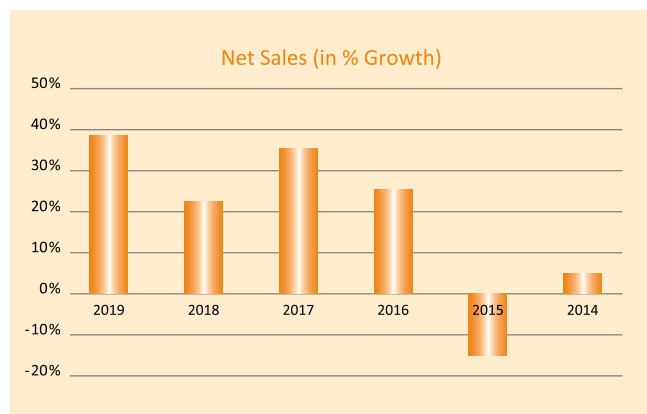
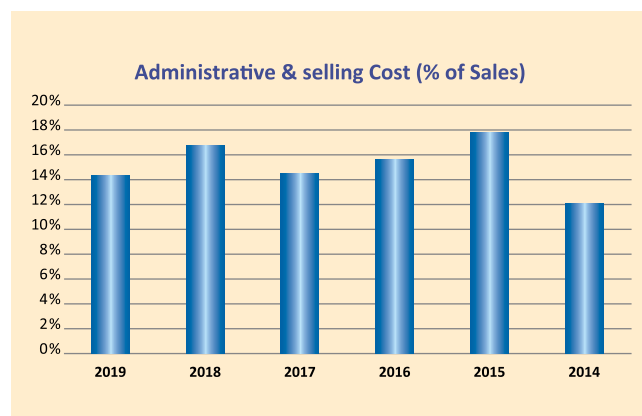
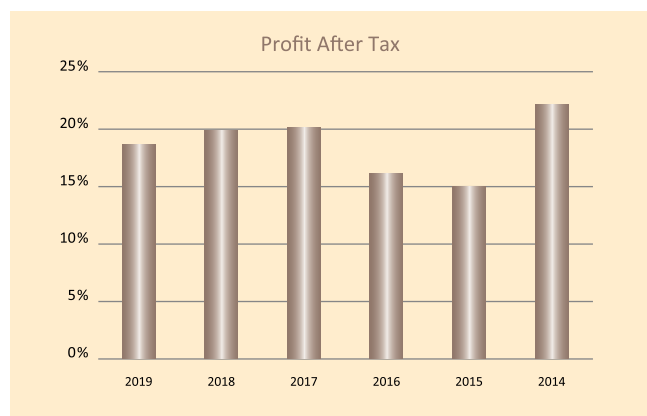
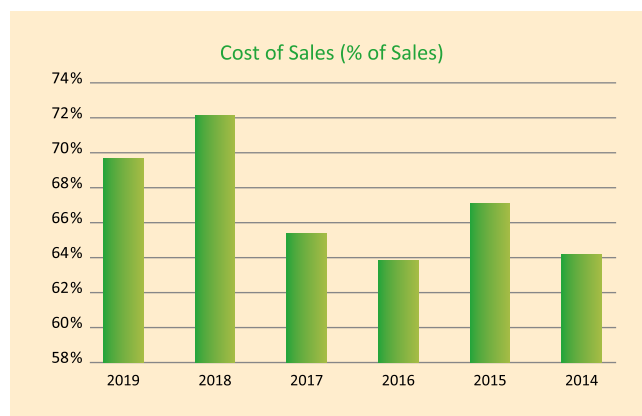
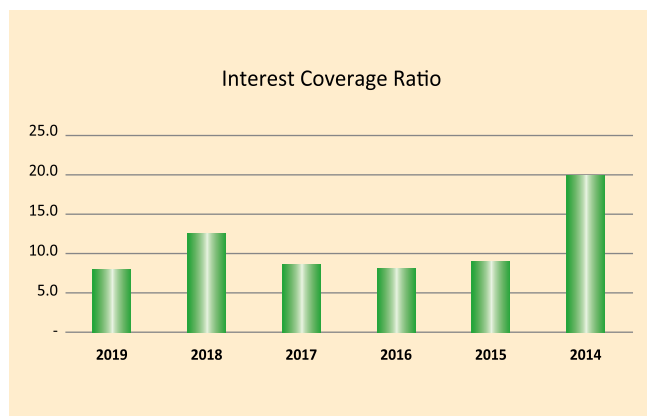


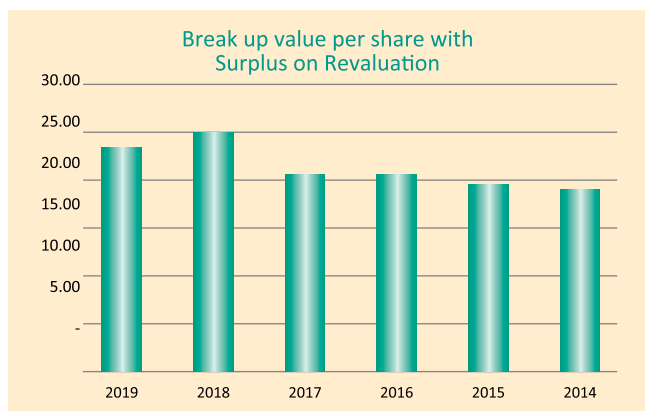
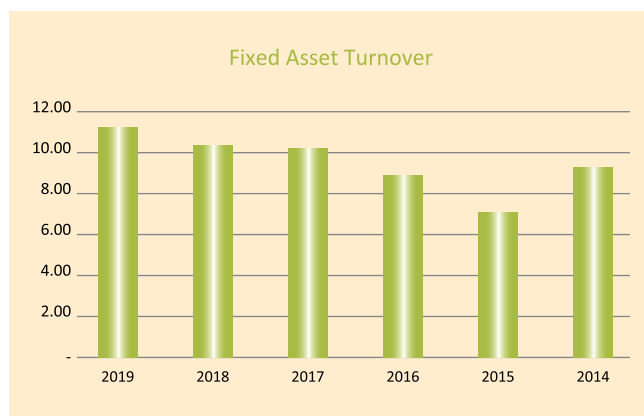
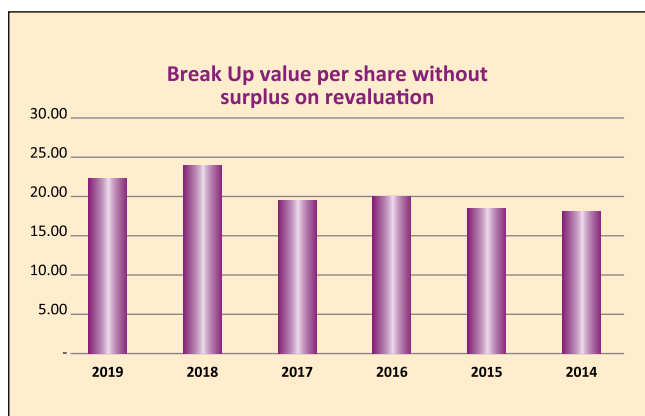
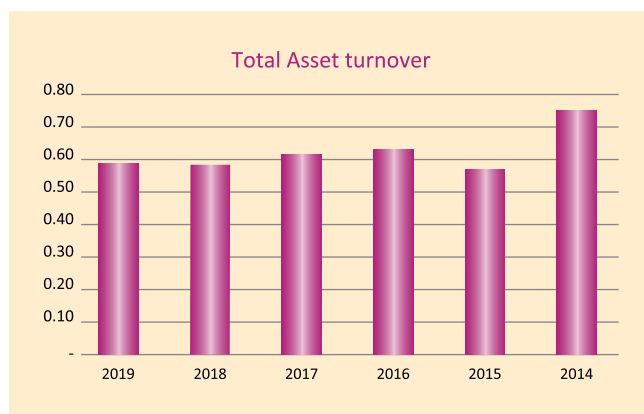
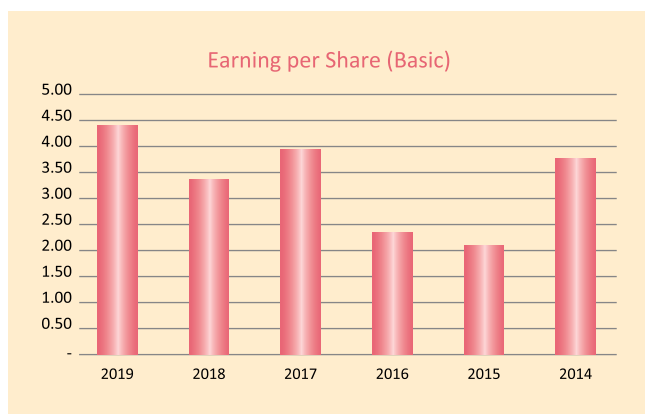
Total Liabilities Analysis



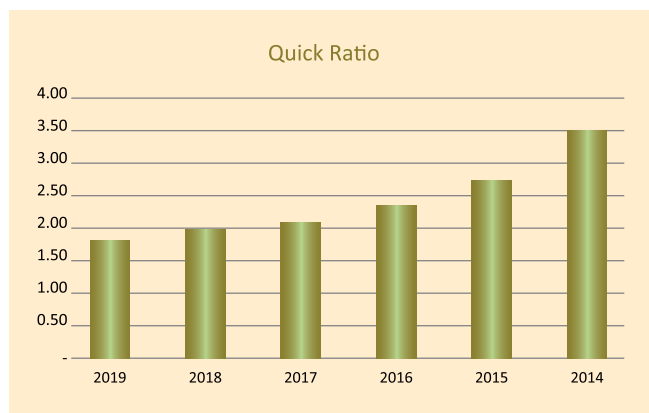
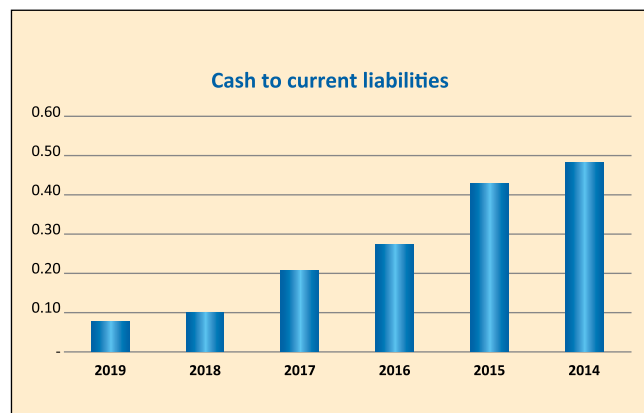
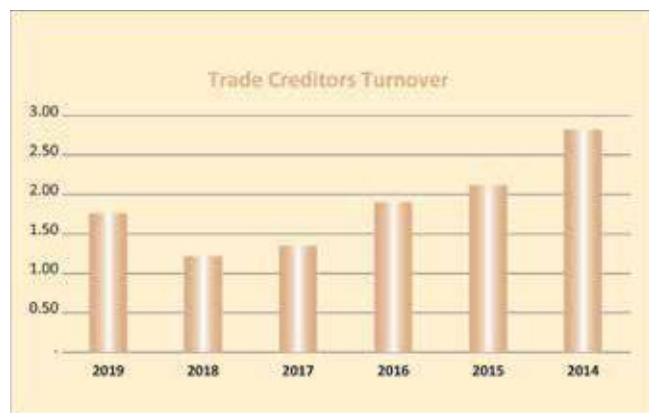
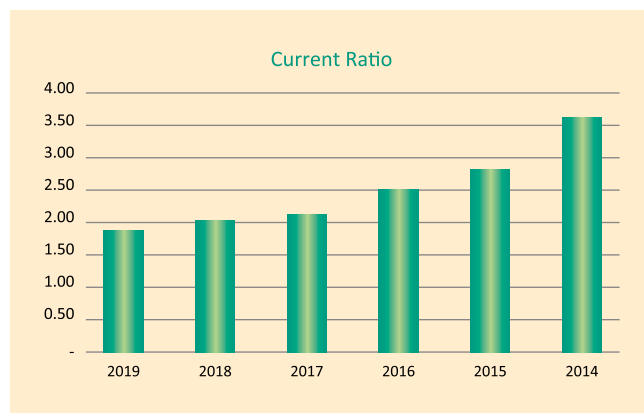
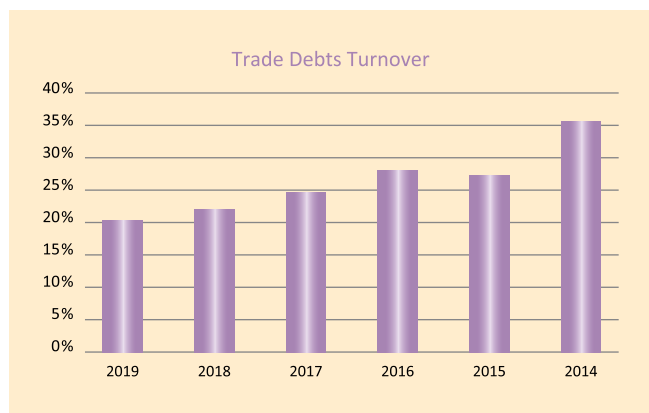


Graphic Representation 2014-2019 (Contd...)





Graphic Representation 2014-2019 (Contd...)



PATTERN OF SHAREHOLDING

PATTERN

| No. of Shareholders | Having Shares | | Shares Held |
|---------------------|---------------|-------------|-------------|
| | From | To | |
| 639 | 1 | 100 | 24,303 |
| 638 | 101 | 500 | 246,592 |
| 959 | 501 | 1,000 | 864,691 |
| 1,403 | 1,001 | 5,000 | 3,730,756 |
| 374 | 5,001 | 10,000 | 2,919,881 |
| 107 | 10,001 | 15,000 | 1,395,416 |
| 61 | 15,001 | 20,000 | 1,121,371 |
| 46 | 20,001 | 25,000 | 1,099,827 |
| 23 | 25,001 | 30,000 | 664,000 |
| 17 | 30,001 | 35,000 | 567,015 |
| 10 | 35,001 | 40,000 | 389,000 |
| 7 | 40,001 | 45,000 | 304,880 |
| 18 | 45,001 | 50,000 | 880,436 |
| 7 | 50,001 | 55,000 | 375,842 |
| 7 | 55,001 | 60,000 | 413,500 |
| 2 | 60,001 | 65,000 | 125,400 |
| 6 | 65,001 | 70,000 | 401,070 |
| 7 | 70,001 | 75,000 | 519,520 |
| 3 | 75,001 | 80,000 | 231,185 |
| 2 | 80,001 | 85,000 | 165,550 |
| 6 | 85,001 | 90,000 | 530,575 |
| 1 | 90,001 | 95,000 | 91,500 |
| 6 | 95,001 | 100,000 | 600,000 |
| 4 | 100,001 | 105,000 | 409,399 |
| 2 | 105,001 | 110,000 | 216,213 |
| 4 | 110,001 | 115,000 | 447,500 |
| 4 | 125,001 | 130,000 | 508,461 |
| 2 | 130,001 | 135,000 | 261,005 |
| 3 | 135,001 | 140,000 | 420,000 |
| 1 | 140,001 | 145,000 | 143,904 |
| 4 | 145,001 | 150,000 | 596,500 |
| 2 | 150,001 | 155,000 | 306,425 |
| 1 | 155,001 | 160,000 | 160,000 |
| 3 | 160,001 | 165,000 | 486,414 |
| 1 | 170,001 | 175,000 | 174,400 |
| 2 | 175,001 | 180,000 | 352,575 |
| 1 | 180,001 | 185,000 | 184,500 |
| 2 | 185,001 | 190,000 | 376,023 |
| 1 | 195,001 | 200,000 | 196,872 |
| 2 | 200,001 | 205,000 | 405,300 |
| 1 | 210,001 | 215,000 | 212,800 |
| 2 | 215,001 | 220,000 | 436,801 |
| 1 | 235,001 | 240,000 | 235,792 |
| 1 | 245,001 | 250,000 | 250,000 |
| 3 | 250,001 | 255,000 | 763,385 |
| 1 | 270,001 | 275,000 | 275,000 |
| 1 | 275,001 | 280,000 | 278,500 |
| 1 | 285,001 | 290,000 | 285,600 |
| 1 | 305,001 | 310,000 | 309,565 |
| 1 | 315,001 | 320,000 | 317,000 |
| 1 | 330,001 | 335,000 | 335,000 |
| 1 | 355,001 | 360,000 | 359,651 |
| 1 | 360,001 | 365,000 | 364,000 |
| 1 | 450,001 | 455,000 | 450,200 |
| 1 | 455,001 | 460,000 | 460,000 |
| 1 | 515,001 | 520,000 | 515,803 |
| 1 | 565,001 | 570,000 | 568,169 |
| 1 | 655,001 | 660,000 | 658,000 |
| 1 | 760,001 | 765,000 | 760,577 |
| 1 | 1,080,001 | 1,085,000 | 1,081,300 |
| 1 | 3,240,001 | 3,245,000 | 3,244,900 |
| 1 | 3,270,001 | 3,275,000 | 3,273,500 |
| 1 | 3,995,001 | 4,000,000 | 4,000,000 |
| 1 | 10,795,001 | 10,800,000 | 10,800,000 |
| 1 | 20,805,001 | 20,810,000 | 20,809,852 |
| 1 | 117,920,001 | 117,925,000 | 118,183,174 |
| 4,417 | | | 192,536,370 |

CATEGORY WISE SHAREHOLDING

| Sr. No. | Particulars | No. of Folio | No. of Shares | Percentage |
|---------|---|--------------|---------------|------------|
| 1 | Directors, Chief Executive Officer, and their spouse and minor children | 7 | 139,753,611 | 72.59 |
| 2 | Associated Companies, Undertakings and related Parties | 1 | 254,800 | 0.13 |
| 3 | NIT and ICP | | | - |
| 4 | Banks, Development Financial Institutions, Non Banking Financial Institutions | 1 | 658,000 | 0.34 |
| 5 | Insurance Companies | 1 | 100,000 | 0.05 |
| 6 | Modarabas and Mutual Funds | 5 | 1,124,000 | 0.58 |
| 7 | Share holders holding 10% | 2 | 138,993,026 | 72.19 |
| 8 | General Public : | | | - |
| | a. local | 4,331 | 45,879,756 | 23.83 |
| | b .Foreign | | | - |
| 9 | Others | 71 | 4,766,203 | 2.48 |
| | Total (excluding : share holders holding 10%) | 4,417 | 192,536,370 | 100.00 |

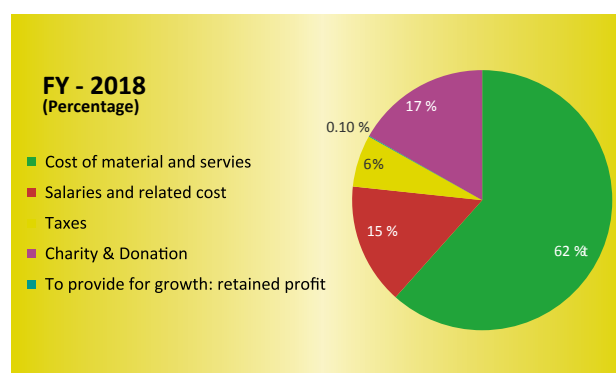
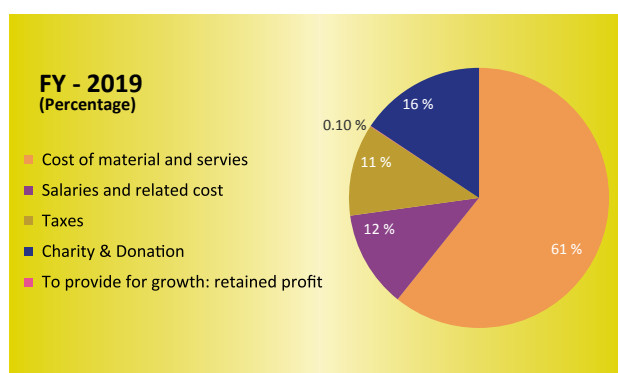
INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

| | Number of Shareholders | Number of Shares Held |
|--|------------------------|-----------------------|
| Associated Companies, Undertaking and Related Parties (name wise details) | | |
| TRUSTEE AVANCEON LTD. Employees Provident Fund | 1 | 254,800 |
| TOTAL | 1 | 254,800 |
| Mutual Funds (name wise details) | | |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 1,081,300 |
| CDC - TRUSTEE MEEZAN BALANCED FUND | 1 | 40,800 |
| CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II | 1 | 1,000 |
| CDC - TRUSTEE MEEZAN TAHAFUZZ PENSION FUND - EQUITY SUB FUND | 1 | 500 |
| CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 1 | 400 |
| TOTAL | 5 | 1,124,000 |
| Directors and their spouse | | |
| MR. BAKHTIAR HAMEED WAIN | 1 | 118,183,174 |
| MR. AMIR WAIN | 1 | 20,809,852 |
| MR. TANVEER KARAMAT | 1 | 760,577 |
| MR. KHALID WAIN | 1 | 2 |
| MR. UMAR AHSAN KHAN | 1 | 2 |
| MR. NAVEED A BAIG | 1 | 2 |
| MR. TAJAMMAL HUSSAIN | 1 | 2 |
| TOTAL | 7 | 139,753,611 |
| Executives | | |
| SARMAD MAHMOOD QURESHI | 1 | 568,169 |
| JUNAID MUSHTAQ PARACHA | 1 | 450,200 |
| OMER BIN ABDUL AZIZ | 1 | 359,651 |
| ARIF SHUJA | 1 | 309,565 |
| MUHAMMAD AKMAL | 1 | 253,585 |
| HUSSAIN AHMAD | 1 | 176,875 |
| MASOOD KAREEM | 1 | 162,964 |
| SYED ADEEL HAIDER ZAIDI | 1 | 125,475 |
| MUHAMMAD SAQIB RAUF CHAUDHARY | 1 | 106,213 |
| ASMAR AHMED ATIF | 1 | 66,760 |
| NASIR ALI | 1 | 66,087 |
| AHSAN KHALIL | 1 | 46,011 |
| SAEED ULLAH KHAN NIAZI | 1 | 44,580 |
| IMRAN ASHRAF | 1 | 31,479 |
| NAEEMA HALIM | 1 | 2,563 |
| ADEEL KHALID | 1 | 25 |
| TOTAL | 16 | 2,770,202 |
| Public Sector Companies and Corporations | | |
| TOTAL | 1 | 219,801 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds | | |
| TOTAL | 4 | 978,005 |
| Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details) | | |
| MR. BAKHTIAR HAMEED WAIN | 1 | 118,183,174 |
| MR. AMIR WAIN | 1 | 20,809,852 |
| MUNAF IBRAHIM | 1 | 10,800,000 |
| TOTAL | 3 | 149,793,026 |

STATEMENT OF VALUE ADDITION



| | FOR THE YEAR ENDED | | | |
|--|--------------------|-------|-------------------|-------|
| | 31 December, 2019 | | 31 December, 2018 | |
| | (Rs. in '000) | %age | (Rs. in '000) | %age |
| Wealth generated | | | | |
| Sales included sales tax | 2,967,189 | 97% | 2,144,419 | 99% |
| Sales included sales tax | 5,512,330 | 95% | 3,657,922 | 89% |
| Other operating income | 313,051 | 5% | 464,754 | 11% |
| | 5,825,381 | | 4,122,676 | |
| Wealth Distributed | | | | |
| Cost of material and services | 3,539,787 | 61% | 2,539,678 | 62% |
| To Employees | | | | |
| Salaries and related cost | 702,019 | 12% | 621,770 | 15% |
| To Government | | | | |
| Taxes | 666,936 | 11% | 265,622 | 6% |
| To Society | | | | |
| Charity & Donation | 4,463 | 0.08% | 3,961 | 0.10% |
| Retain in the business | | | | |
| To provide for growth: retained profit | 912,176 | 16% | 691,645 | 17% |
| | 5,825,381 | | 4,122,676 | |





FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT

To the members of Avanceon Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the annexed separate financial statements of Avanceon Limited (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'separate financial statements') and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

| Key audit matters | How our audit addressed the key audit matter |
|--|---|
| 1. Revenue Recognition The Company's revenue is derived from sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases leads to revenue being recognized over multiple accounting periods. As referred in Note 5.15 to the accompanying separate financial statements, project revenue is recognized using the cost to cost method under which the entity's progress towards satisfaction of performance obligations is based on cost incurred to date as a proportion of total cost of the contract. As disclosed in Note 28, project revenue amounts to Rs. 562.169 Million. Application of the aforementioned method requires significant management estimates in relation to budgeting | Our audit procedures included, amongst others, understanding and evaluating the appropriateness of the Company's revenue recognition policies, in particular with regard to adoption of IFRS 15, including those relating to the stage of completion method and related management assessments based on the Company's operating model and its system of recording revenue related transactions. We obtained the management's assessment of impact of IFRS 15 on its revenue recognition policy. We analyzed a sample of the contracts with customers in order to identify the distinct performance obligations along-with their transaction prices and reviewed the appropriateness of Company's accounting policy for revenue recognition in light of these. |

| Key audit matters | How our audit addressed the key audit matter |
|---|--|
| <p>the cost to complete and assessing specifications of work performed to date. These estimates take into account, amongst others, the prices of materials and services as applicable, forecast escalations, time spent and expected completion date at the time of such estimation.</p> <p>Further, as disclosed in Note 2.2.1 and Note 4 (f) to the separate financial statements, IFRS 15, Revenue from Contracts with customers has been adopted for the first time for the annual period ended 31 December 2019.</p> <p>Due to an inherent risk associated with the recognition of revenue based on estimates for end-to-end projects and the adoption of new accounting standard for revenue recognition, we consider this as a key audit matter.</p> | <p>We tested operating effectiveness of internal controls relating to the Company's revenue recognition process including budgetary control, appropriate review and approval practices and recognition in the books of accounts.</p> <p>We performed substantive analytical procedures including, amongst others, developing an expectation of project revenue for the year based on contracts entered to date and analyzing the amounts recognized against the same, month-wise and project wise revenue and margin analysis. We compared the actual cost of projects completed during the year with their forecast cost.</p> <p>We performed other substantive procedures including examination of a sample of underlying contracts, review of the contractual terms and conditions and evaluating appropriate accounting thereof.</p> <p>We also reviewed sales transactions and events taking place after year-end to ensure revenue was recognized in the appropriate period and assessed, if any adjustments were required.</p> <p>We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</p> |
| 2. Adoption of IFRS 9, Financial Instruments | |
| <p>As referred to in Note 2.2.1 to the accompanying financial statements, IFRS 9, Financial Instruments became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 31 December 2019.</p> <p>The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.</p> <p>Upon assessment of impact of the standard on its financial instruments, the Company concluded that it had a material impact on the carrying values of the amounts due from related parties as these are long-outstanding and show a slow pattern of recovery. While estimating the expected credit loss of these balances, the Company has assumed zero default rate on the balances due from wholly owned subsidiaries. However, the impact of accounting for the time value of money was considered to be material and recognized based on the estimated</p> | <p>We obtained the management's assessment of the impact of adoption of IFRS 9 on the financial statements of the Company.</p> <p>We reviewed the accounting policies adopted by management for the recognition and measurement of the Company's financial instruments on adoption of IFRS 9 as well as the transition method adopted and assessed their compliance with the principles of the new standard.</p> <p>In particular, we assessed the amounts due from related parties in view of their ageing and reviewed the financial statements of the respective subsidiaries to assess their financial strength. We assessed the external environment in which subsidiaries operate and management's assessment of credit loss in various scenarios.</p> <p>We obtained financial projections of the timing of recovery of amounts due from subsidiaries approved by the Board of Directors.</p> |

| Key audit matters | How our audit addressed the key audit matter |
|--|---|
| <p>timing of future recovery of these balances as disclosed in Notes 24.1 and 24.2 of the accompanying separate financial statements.</p> <p>The above adoption of IFRS 9 in the financial statements is considered a key audit matter because of the significance of the changes in the financial statements resulting from the transition to the new accounting standard.</p> | <p>We reviewed the computation of the present value of the balances based on the financial projections.</p> <p>We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</p> |
| 3. Related party transactions | |
| <p>The Company is the parent entity in a Group of companies including a Dubai-based subsidiary Avanceon FZE (100% shareholding) and USA- based sub-subsidiary Innovative Automation Inc. (100% shareholding). Further, the Company has an investment in a Qatar-based entity, Avanceon Automation and Control (AVAC) which is treated as a subsidiary based on exercise of control. The Company has formed a Pakistan based subsidiary, Octopus Digital (Private) Limited during the year.</p> <p>Nature of transactions with related parties includes sale and purchase of equipment, agency commission, management fee, back office support, fee for technical services and dividend (as disclosed in note 37 to the accompanying separate financial statements) leading to a significant amount of investments and receivable balances of Rs. 2,673.87 million and Rs. 998.17 million as disclosed in Notes 20 and 24 respectively which in aggregate contribute to 78% of total assets.</p> <p>The inter-company transactions and balances require significant auditor attention as the amounts are material to the separate financial statements as a whole and are hence considered as Key Audit Matter.</p> | <p>We obtained a list of related parties and transactions entered into with them during the year from management.</p> <p>We performed substantive procedures on related party transactions and balances including review of contract terms, underlying invoices, analytical procedures, balance confirmations and assessment of recoverability of receivable balances vis-à-vis financial position of respective Group entities.</p> <p>We reviewed the approval process for related party transactions including approval by those charged with governance.</p> <p>We performed procedures using substantive analytical procedures as well as review of documentation such as minutes of Board meetings and forms submitted with regulatory authorities for ensuring completeness of related party transactions.</p> <p>We assessed whether appropriate disclosures have been made in separate financial statements regarding related party transactions and balances in accordance with IAS 24 and requirements under the fourth schedule to the Companies Act, 2017.</p> |

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the separate financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of separate financial statements

that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditors' report is Sajjad Hussain Gill.



EY Ford Rhodes
Chartered Accountants
Lahore: 05 May 2020

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-----------|-----------|
| EQUITY AND LIABILITIES | | | |
| Share Capital and Reserves | | | |
| Authorized capital | | | |
| 250,000,000 (2018: 200,000,000) ordinary shares of Rs.10 each | | 2,500,000 | 2,000,000 |
| Issued, subscribed and paid up capital | | | |
| 192,536,370 (2018: 136,323,754) ordinary shares of Rs. 10 each | 6 | 1,925,364 | 1,363,238 |
| CAPITAL RESERVES | | | |
| Share premium | 7 | 138,384 | 61,906 |
| Employees' share compensation reserve | 8 | 53,862 | 115,051 |
| Surplus on revaluation of property and equipment | 9 | 209,721 | 167,915 |
| | | 401,967 | 344,872 |
| REVENUE RESERVE | | | |
| Unappropriated profit | | 1,220,393 | 1,117,594 |
| | | 3,547,724 | 2,825,704 |
| NON CURRENT LIABILITIES | | | |
| Lease liabilities | 10 | 28,726 | 59,275 |
| Long term loan | 11 | - | 1,515 |
| Deferred taxation | 12 | - | 24,427 |
| | | 28,726 | 85,217 |
| CURRENT LIABILITIES | | | |
| Current portion of lease liabilities | 10 | 23,364 | 24,546 |
| Current portion of long term loan | 11 | 1,515 | 18,182 |
| Finances under mark up arrangements and other credit facilities - secured | 13 | 383,294 | 248,866 |
| Creditors, accrued and other liabilities | 14 | 421,531 | 209,131 |
| Contract liabilities | 15 | 73,858 | - |
| Unclaimed dividend | 16 | 253,669 | 283,074 |
| | | 1,157,231 | 783,799 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 17 | | |
| | | 4,733,681 | 3,694,721 |

The annexed notes from 1 to 45 form an integral part of these separate financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-----------|-----------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property and equipment | 18 | 364,620 | 325,904 |
| Intangible assets | 19 | - | 32 |
| Long term investments | 20 | 2,673,870 | 482,117 |
| Deferred taxation | 12 | 72,582 | - |
| Long term loans, deposits and other receivables | 21 | 203,817 | 19,103 |
| | | 3,314,889 | 827,156 |
| CURRENT ASSETS | | | |
| Stock in trade | | 52,733 | 48,871 |
| Trade debts | 22 | 300,205 | 1,763,595 |
| Contract assets | 23 | 148,183 | - |
| Advances, deposits, prepayments and other receivables | 24 | 898,552 | 1,036,451 |
| Short term investments | 25 | 1,444 | 1,257 |
| Cash and bank balances | 26 | 17,675 | 17,391 |
| | | 1,418,792 | 2,867,565 |
| | | 4,733,681 | 3,694,721 |



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|-----------|-----------|
| Continuing operations | | | |
| Revenue from contracts with customers | 28 | 1,340,450 | 1,230,328 |
| Cost of revenue | 29 | (800,983) | (845,064) |
| Gross profit | | 539,467 | 385,264 |
| Administrative and selling expenses | 30 | (275,881) | (257,950) |
| Other operating expenses | 31 | (4,463) | (4,694) |
| Other operating income | 32 | 471,377 | 447,729 |
| | | 191,033 | 185,085 |
| Profit from operations | | 730,500 | 570,349 |
| Finance costs | 33 | (61,874) | (33,384) |
| Profit before tax from continuing operations | | 668,626 | 536,965 |
| Taxation | 34 | (31,158) | (58,949) |
| Profit for the year from continuing operations | | 637,468 | 478,016 |
| Discontinued operations | | | |
| Profit after tax for the year from discontinued operations | 27.1 | 16,402 | 24,642 |
| Profit for the year | | 653,870 | 502,658 |
| Earnings per share from continuing operations - Basic | 35.1 | 3.31 | 2.50 |
| Earnings per share from continuing operations - Diluted | 35.2 | 3.24 | 2.44 |

The annexed notes from 1 to 45 form an integral part of these separate financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|---------|---------|
| Profit for the year | | 653,870 | 502,658 |
| Other comprehensive income | | | |
| <i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i> | | | |
| - Revaluation surplus of land and building - net of tax | 9 | 42,419 | 22,596 |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i> | | - | - |
| Total comprehensive income for the year | | 696,289 | 525,254 |

The annexed notes from 1 to 45 form an integral part of these separate financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Capital Reserves | | Employee's share compensation reserve | Surplus on revaluation of property and equipment | Revenue Reserve | TOTAL |
|--|------------------|---------------|---------------------------------------|--|---------------------------------|-----------|
| | Share capital | Share premium | | | Un-appropriated profit / (loss) | |
| Balance as on 01 January 2018 | 1,321,211 | 61,894 | 69,825 | 146,115 | 920,870 | 2,519,915 |
| Profit for the year ended 31 December 2018 | - | - | - | - | 502,658 | 502,658 |
| Other comprehensive income | - | - | - | 22,596 | - | 22,596 |
| Transfer from revaluation surplus on account of incremental depreciation | - | - | - | (796) | 796 | - |
| Total comprehensive income for the year | - | - | - | 21,800 | 503,454 | 525,254 |
| Employees' Share Option Scheme-I issued, 4,199,629 shares @ Rs. 10 | 41,997 | - | (37,797) | - | - | 4,200 |
| Post ballot shares issued 2,997 @ Rs. 14 | 30 | 12 | - | - | - | 42 |
| Employees share option reserve | - | - | 83,023 | - | - | 83,023 |
| Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share | - | - | - | - | (306,730) | (306,730) |
| | 42,027 | 12 | 45,226 | - | (306,730) | (219,465) |
| Balance as on 31 December 2018 - As reported | 1,363,238 | 61,906 | 115,051 | 167,915 | 1,117,594 | 2,825,704 |
| Effect of adoption of IFRS-9 - Note 2.2.1 | - | - | - | - | (6,389) | (6,389) |
| Balance as on 01 January 2019 - Restated | 1,363,238 | 61,906 | 115,051 | 167,915 | 1,111,205 | 2,819,315 |
| Profit for the year ended 31 December 2019 | - | - | - | - | 653,870 | 653,870 |
| Other comprehensive income | - | - | - | 42,419 | - | 42,419 |
| Transfer from revaluation surplus on account of incremental depreciation | - | - | - | (613) | 613 | - |
| | - | - | - | 41,806 | 654,483 | 696,289 |
| Bonus shares for the year ended 31 December 2018 at the rate of 40% | 545,295 | - | - | - | (545,295) | - |
| ESOS-I issued, 200,000 shares @ Rs. 10 | 2,000 | 6,237 | (7,997) | - | - | 240 |
| ESOS-III issued, 1,483,115 shares @ Rs. 10 | 14,831 | 70,241 | (70,241) | - | - | 14,831 |
| Employees share option reserves | - | - | 17,049 | - | - | 17,049 |
| | 562,126 | 76,478 | (61,189) | - | (545,295) | 32,120 |
| Balance as on 31 December 2019 | 1,925,364 | 138,384 | 53,862 | 209,721 | 1,220,393 | 3,547,724 |

The annexed notes from 1 to 45 form an integral part of these separate financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|--|-----------|-----------|-----------|
| Cash flows from operating activities | | | Restated |
| Cash generated from operations | 36 | 344,560 | 194,814 |
| Finance cost paid | | (43,087) | (30,954) |
| Taxes paid | | (133,503) | (61,237) |
| Long term loans and deposits received | | (196,017) | - |
| Net cash (used in) / generated from operating activities | A | (28,047) | 102,623 |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | 18 | (17,198) | (14,941) |
| Proceeds from sale of property and equipment | 18 | 7,093 | 9,863 |
| Profit on bank deposits | 32 | 385 | 240 |
| Short term investments | | - | (1,990) |
| Increase in long term deposits - net | | - | (987) |
| Acquisition of subsidiary | | (10,000) | - |
| Net cash used in investing activities | B | (19,720) | (7,815) |
| Cash flows from financing activities | | | |
| Dividend paid | 16 | (29,405) | (97,653) |
| Issuance of shares | | 15,071 | 4,242 |
| Finances under mark up arrangements and other credit facilities obtained | | 134,429 | 27,556 |
| Long term loan repaid | | (18,182) | (18,182) |
| Repayment of lease liabilities | | (53,862) | (48,225) |
| Net cash generated from / (used in) financing activities | C | 48,051 | (132,262) |
| Net increase / (decrease) in cash and cash equivalents | A + B + C | 284 | (37,455) |
| Cash and cash equivalents at the beginning of the year | | 17,391 | 54,846 |
| Cash and cash equivalents at the end of the year | 26 | 17,675 | 17,391 |

The annexed notes from 1 to 45 form an integral part of these separate financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

| BUSINESS UNIT | LOCATION |
|-------------------------|---|
| HEAD OFFICE | 19 km, Multan Road, Lahore 54500. |
| REGIONAL OFFICES | |
| Karachi | MA Tabba Foundation Building, First Floor, Gizri Road Block 9, Clifton Karachi, Sindh 75600 |
| Islamabad | Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000 |

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 New and amended standards and interpretations, and improvements

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective for the current year:

Standard or Interpretation

| | |
|----------|--|
| IAS 40 | - Transfers to Investment Property (Amendments) |
| IFRS 4 | - Insurance Contracts: Applying IFRS 9 with IFRS 4 Insurance Contracts (Amendments) |
| IFRS 2 | - Share based Payments — Classification and Measurement (Amendments) |
| IFRIC 22 | - Foreign Currency Transactions and Advance Consideration |
| IFRS 9 | - Financial Instruments: Classification and measurement |
| IFRS 9 | - Prepayment Features with Negative Compensation (Amendments) |
| IFRS 15 | - Revenue from Contracts with Customers |
| IFRS 11 | - Joint Arrangements - Previously held Interests in a Joint operation |
| IFRS 16 | - Leases |
| IAS 12 | - Income Taxes - Income tax consequences of payments on financial instruments classified as equity |
| IAS 19 | - Plan Amendment, Curtailment or Settlement (Amendments) |
| IAS 28 | - Long-term Interests in Associates and Joint Ventures (Amendments) |
| IFRIC 23 | - Uncertainty over Income Tax Treatments |

Adoption of the above standards / interpretations did not have a material impact on these unconsolidated separate financial statements except for IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The nature and effect of these changes are disclosed below:

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of retrospective application is recognized by adjusting opening retained earnings whereas comparative amounts are not adjusted.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognized in the statement of financial position as at 01 January 2019:

| Statement of financial Position | Carrying Amount as previously | Reclassification | IFRS 15 Carrying Amount |
|--|----------------------------------|------------------|----------------------------|
| | As at 01 January 2019 | | |
| (Rupees in '000) | | | |
| Trade debts | 1,763,595 | (56,198) | 1,707,397 |
| Contract assets | - | 56,198 | 56,198 |
| Creditors, accrued and other liabilities | 209,131 | (4,218) | 204,913 |
| Contract liabilities | - | 4,218 | 4,218 |
| | 1,554,464 | - | 1,554,464 |

| | Carrying Amount as previously | Reclassification | IFRS 15 Carrying Amount |
|--|----------------------------------|------------------|----------------------------|
| | As at 31 December 2019 | | |
| (Rupees in '000) | | | |
| Trade debts | 448,388 | (148,183) | 300,205 |
| Contract assets | - | 148,183 | 148,183 |
| Creditors, accrued and other liabilities | 495,389 | (73,858) | 421,531 |
| Contract liabilities | - | 73,858 | 73,858 |
| | 943,777 | - | 943,777 |

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

The adoption of revenue recognition standard did not have a material impact on amounts in statement of profit or loss, statement of other comprehensive income, or earnings per share for the prior period as the Company already recognizes revenue against sale of goods upon of transfer of control as required by IFRS 15. Revenue against services are already accounted for as satisfaction of performance obligation over time as required by IFRS 15 and in respect of project revenue requirements of IAS 11, Construction Contracts were being followed which requires revenue recognition on percentage of completion basis, which is similar to input method of measurement of progress towards satisfaction of performance obligation.

The impact on the statement of cash flows for the year ended 31 December 2019 only relates to the changes in profit before tax from continuing operations, certain adjustments to reconcile profit before tax to net cash flows from operating activities, and working capital adjustments. However, there was no impact on the net cash flows from

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

operating activities. The cash flows from investing and financing activities were not affected.

a) Sale of Goods

The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customers, generally on delivery of products to customers. Therefore, the adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

b) Rendering of services

Maintenance and service income comprises of revenue earned from service level agreements, where the customer enters into a contract with the Company for a fixed period of time and fee amount, both pre-defined in the contract, for various technical and engineering services. Revenue is recognized on the basis of percentage of rendering of services, i.e. on the number of days of services performed out of the total contracted days for service level agreements. Due to recognition of revenue over time as performance obligation satisfies over time, there is no material impact of IFRS 15 adoption.

c) Project revenue

These comprise of projects such as Hardware and Software Automation, Efficiency Solutions etc. Revenue from these projects is accounted for as per percentage of completion basis. Percentage completion is determined by dividing actual cost incurred on the project to date by total forecasted cost, which is calculated by a team of engineers on the inception of the project. This approach of revenue recognition under IAS 11, is consistent with IFRS 15, therefore resulting in no material impact.

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2019. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as follows:

| Assets | Adjustments | 01 January 2019 |
|------------------------------------|--------------------|------------------------|
| (Rupees in '000) | | |
| Trade debts | | 4,824 |
| Contract assets | | 1,565 |
| Total assets | (b) | 6,389 |
| Liabilities | | - |
| Total adjustment on equity: | | |
| Retained earnings | | (6,389) |
| Total | | (6,389) |

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Company's financial assets:

- Trade receivables, deposits, loans and other receivables classified as "loans and receivables" as at 31 December

2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as “debt instruments” at amortized cost beginning 1 January 2019.

- Listed equity investments classified as “held for trading” financial assets as at 31 December 2018 are classified and measured as “financial assets at fair value through profit or loss” beginning 1 January 2019.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company’s financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following reclassifications as at 01 January 2019:

| As at 01 January 2019 | | IFRS 9 measurement category | | |
|---|------------------|------------------------------------|-----------------------|--------------|
| (Rupees in ‘000) | | FVPL | Amortized Cost | FVOCI |
| IAS 39 measurement category | | | | |
| Deposits, loans, debts and receivables | | | | |
| Long term loans, deposits and other receivables | 19,103 | - | 19,103 | - |
| Trade debts | 1,763,595 | - | 1,757,206 | - |
| Deposits and other receivables | 933,800 | - | 933,800 | - |
| Held for trading | | | | |
| Listed equity Investments | 1,257 | 1,257 | - | - |
| | 2,717,755 | 1,257 | 2,710,109 | - |

b) **Impairment**

The adoption of IFRS 9 has fundamentally changed the Company’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Company recognized additional impairment on the Company’s trade receivables Rs. 6.389 million which resulted in a corresponding decrease in retained earnings as at 1 January 2019. At the year-end, the Company has reassessed its estimate of ECL relating to 01 January 2019 (i.e., the transition date), owing to the reassessment of financial assets of the Company and availability of more information / facts. Consequently, revised / updated ECL has been recorded at the transition date to reflect the impact of implementation of IFRS 9.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

| (Rupees in ‘000) | | Allowance for impairment under IAS 39 as at 31 December 2018 | Remeasurement | ECL under IFRS 9 as at 01 January 2019 |
|-------------------------|--|---|----------------------|---|
| Trade debts | | 1,188 | 4,824 | 6,012 |
| Contract assets | | 36,306 | 1,565 | 37,871 |
| | | 37,494 | 6,389 | 43,883 |

- Impact of adoption of IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Company does not have any lease agreements where it is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17, if any). However, there are terminology changes under the new standard. The Company's assets subject to finance lease under IAS 17 have now been presented as Right of Use (ROU) assets.

Leases previously accounted for as operating leases

The adoption of IFRS 16 did not have material impact on the amounts recognized in the statement of financial position, statement of profit or loss, statement of cash flows or earnings per share as the Company does not have any operating lease contract which is not short term or of immaterial value.

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

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

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|----------------------------|---|--|
| IFRS 3 | Definition of Business (Amendments)01 | 01 January 2020 |
| IAS 1 | Presentation of Financial Statements — (Amendments) | 01 January 2020 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments) | 01 January 2020 |
| IAS 1 / IAS 8 | Definition of Material (Amendments) | 01 January 2020 |
| IAS 23 | Borrowing Costs - Borrowing costs eligible for capitalization | 01 January 2020 |
| IFRS 14 | Regulatory Deferral Accounts | 01 July 2019 |

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

| Standard or Interpretation | | IASB effective date (annual periods beginning on or after) |
|----------------------------|-----------------------------|---|
| IFRS 17 | Insurance Contracts | 01 January 2021 |
| IFRS 1 | First-time Adoption of IFRS | 01 July 2009 |

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

3 BASIS OF MEASUREMENT

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

3.2 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's significant accounting policies are stated in Note 5. Not all of these significant policies require the

management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for taxation

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

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

b) Provisions and contingencies

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

c) Provision for expected credit losses

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. 5.9.1.

d) Impairment of non-financial assets

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

e) Recoverable amount of Property and equipment

The Company bases its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair market value as mentioned in Note 18.

f) Cost to complete the projects and related revenue

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

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

g) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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% (2018:10%) of the basic salary.

5.2 Taxation

Current

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

Deferred

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

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

5.3 Property and equipment

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

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

Depreciation is charged to profit or loss using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in Note 18.1 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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

period in which they are incurred.

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

5.4 Intangible assets

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

Amortization is charged to profit or loss on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as specified in Note 19.

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

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

5.5 Capital work in progress

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

5.6 Investments

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

Investments in equity instruments of subsidiaries

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

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IFRS 10 "Consolidated Financial Statements" and Companies Act, 2017.

5.7 Leases

Company as a Lessee

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

a) Right-of-use assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

b) Lease liabilities

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

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

c) Determining the lease term of contracts

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

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

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

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

5.8 Stock in trade

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

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

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

5.9 Financial instruments

5.9.1 Financial assets

a) Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 as explained in Note 2.2.1 Revenue from Contracts with Customers.

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

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

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

b) Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

The Company's financial assets at amortized cost includes long term loans and deposits, trade debts, deposits, and other receivables as disclosed in Note 2.2.1.

Financial assets at fair value through profit or loss

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

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

Based on business model of the Company, it elected to classify its equity investments under this category.

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

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

c) Derecognition

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

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

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

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

d) Impairment of financial assets

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

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

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

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

5.9.2 Offsetting of financial assets and liabilities

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

5.9.3 Financial liabilities

a) Initial recognition and measurement

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

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

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

b) Subsequent measurement

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

Financial liabilities at amortized cost

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

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

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

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

Financial liabilities at fair value through profit or loss

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

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

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

5.9.4 Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5.9.5 Financial income

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

5.10 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in Note 5.9.1.

5.11 Cash and cash equivalents

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

5.12 Borrowings

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

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

5.13 Creditors, accruals and provisions

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

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

5.14 Foreign currencies

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

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

5.15 Revenue recognition

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

Sale of goods

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

Rendering of services

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

Project revenue

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

5.16 Share based payment transactions

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

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

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

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

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

5.17 Operating segments disclosure

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

5.18 Related party transactions

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

5.19 Earnings per share - basic and diluted

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

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| | 2019 (Number of Shares) | 2018 (Number of Shares) | | 2019 (Rupees in '000) | 2018 (Rupees in '000) |
|--|----------------------------|----------------------------|--|----------------------------|----------------------------|
| | 57,166,850 | 57,166,850 | Ordinary shares of Rs. 10 each fully paid in cash | 571,669 | 571,669 |
| | 129,486,776 | 74,957,275 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 1,294,868 | 749,573 |
| | 4,399,629 | 4,199,629 | Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I | 43,996 | 41,996 |
| | 1,483,115 | - | Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III | 14,831 | - |
| | 192,536,370 | 136,323,754 | | 1,925,364 | 1,363,238 |
| | | | | 2019 (Number of Shares) | 2018 (Number of Shares) |
| 6.1 Movement during the year is as follows: | | | | | |
| Balance as at 01 January | | | | 136,323,754 | 132,121,128 |
| Shares issued under Employees' Share Options Schemes during the year | | | | 1,683,115 | 4,202,626 |
| Bonus shares issued during the year | | | | 54,529,501 | - |
| Balance as at 31 December | | | | 192,536,370 | 136,323,754 |

6.2 Chief Executive Officer holds 61% (2018: 62%) share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

7 SHARE PREMIUM

| (Rupees in '000) | 2019 | 2018 |
|---|----------|----------|
| Initial Public Offering of 25,166,850 shares at the rate of Rs. 4 per share | 100,667 | 100,667 |
| Employees Share Option Scheme I | 6,237 | - |
| Employees Share Option Scheme III | 70,241 | - |
| Less: Costs incurred on Initial Public Offering | (38,761) | (38,761) |
| | 138,384 | 61,906 |

8 EMPLOYEES' SHARE COMPENSATION RESERVE

| (Rupees in '000) | Note | 2019 | 2018 |
|--------------------------|------|--------|----------|
| | | | Restated |
| Share options scheme I | 8.1 | 6,457 | 21,293 |
| Share options scheme II | 8.2 | 43,205 | 18,655 |
| Share options scheme III | 8.3 | 1,775 | 75,103 |
| Share options scheme IV | 8.4 | 2,425 | - |
| | | 53,862 | 115,051 |

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

| (Rupees in '000) | 2019 | 2018 |
|---|----------|----------|
| 8.1.1 Movement in the amount of options granted against the reserve is as follows: | | |
| Balance as at 01 January | 21,293 | 52,700 |
| Options issued during the year recognized at offer value | 3,340 | 6,390 |
| Adjustment of reserve for option holders resigning during the year | (10,179) | - |
| Transfer to share capital on issuance of shares during the period | (7,997) | (37,797) |
| Balance as at 31 December | 6,457 | 21,293 |

| (Number of Options) | 2019 | 2018 |
|--|-----------|-------------|
| 8.1.2 Movement in share options outstanding at end of the year is as follows: | | |
| Balance as at 01 January | 796,000 | 4,995,629 |
| Options issued during the year | - | - |
| Lapsed during the period | (336,266) | - |
| Share issued during the period | (200,000) | (4,199,629) |
| Balance as at 31 December | 259,734 | 796,000 |

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

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

| (Rupees in '000) | 2019 | 2018 |
|---|--------|--------|
| 8.2.1 Movement in the amount of options granted against the reserve is as follows: | | |
| Balance as at 01 January | 18,655 | 17,125 |
| Options issued during the year recognized at offer value | 24,840 | 2,020 |
| Adjustment of reserve for option holders resigning during the year | (290) | (490) |
| Balance as at 31 December | 43,205 | 18,655 |

| (Number of Options) | 2019 | 2018 |
|--|-----------|-----------|
| 8.2.2 Movement in share options outstanding at end of the year is as follows: | | |
| Balance as at 01 January | 2,820,122 | 2,964,862 |
| Options issued during the year | - | - |
| Lapsed during the period | (738,057) | (144,740) |
| Balance as at 31 December | 2,082,065 | 2,820,122 |

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

- 8.3** Employee Stock Option Scheme, 2018 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 23 July 2018 which comprised of an entitlement pool of 1.75 million shares. Under the scheme, share options of the Company are granted to employees of level MT-1 and 2 (with minimum seven years regular service) and MT-3 and above. The share options were exercised within one year after the one year vesting period and therefore, the contractual term of each option granted was two years. The exercise price of the share options is Rs. 10 for options issued in 2018, Rs. 10.5 in 2019, Rs. 11.03 in 2020, Rs. 11.58 in 2021 and Rs. 12.15 in 2022.

| (Rupees in '000) | 2019 | 2018 |
|---|----------|----------|
| 8.3.1 Movement in the amount of options granted against the reserve is as follows: | | Restated |
| Balance as at 01 January - Restated (Note 8.3.3) | 75,103 | - |
| Options issued during the year recognized at offer value | 1,776 | 75,103 |
| Adjustment of reserve for option holders resigning during the year | (4,863) | - |
| Share capital issued | (70,241) | - |
| Balance as at 31 December | 1,775 | 75,103 |

| (Number of Options) | 2019 | 2018 |
|---|-------------|-----------|
| 8.3.2 Movement in share options outstanding at end of the year is as follows | | Restated |
| Balance as at 01 January - Restated (Note 8.3.3) | 1,550,000 | - |
| Options issued during the year | 64,500 | 1,550,000 |
| Lapsed during the period | (66,885) | - |
| Shares issued during the period | (1,483,115) | - |
| Balance as at 31 December | 64,500 | 1,550,000 |

The fair value of options granted during the year was Rs. 17.05 (2018: Rs. 72.68).

- 8.3.3** During the year, management carried out a reconciliation of outstanding share options under employee stock option schemes and as a result of this process, identified that Employees Share Option Scheme III (ESOS III) was approved during prior year 2018, however, its financial effect was not erroneously accounted for in the financial statements for the year ended 31 December, 2018. The error has been corrected in these financial statements by restating the corresponding figures. As a result thereof, the profit for the year ended 31 December 2018 has been reduced by Rs. 75,102,667 with corresponding increase in Employees' Share Compensation Reserve. The basic and diluted EPS for the year ended 31 December 2018, has also decreased by Rs. 0.55 and Rs. 0.58 per share respectively.

- 8.4** Employee Stock Option Scheme, 2019 was approved by the Securities and Exchange Commission of Pakistan (SECP)

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FOR THE YEAR ENDED DECEMBER 31, 2019

on 19 November 2019 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT 1 & 2 (who have completed minimum of 7 years of service period with the Company), MT3 and above. The share options can be exercised up to one year after the one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2019, Rs. 10.5 in 2020, Rs. 11.03 in 2021, Rs. 11.58 in 2022 and Rs. 12.15 in 2023.

| (Rupees in '000) | 2019 | 2018 |
|---|---------|------|
| 8.4.1 Movement in the amount of options granted against the reserve is as follows: | | |
| Balance as at 01 January | - | - |
| Options issued during the year recognized at offer value | 3,804 | - |
| Adjustment of reserve for option holders resigning during the year | (1,379) | - |
| Balance as at 31 December | 2,425 | - |

| (Number of Options) | 2019 | 2018 |
|--|----------|------|
| 8.4.2 Movement in share options outstanding at end of the year is as follows: | | |
| Balance as at 01 January | - | - |
| Options issued during the year | 138,082 | - |
| Lapsed during the period | (50,067) | - |
| Shares issued during the period | - | - |
| Balance as at 31 December | 88,015 | - |

The fair value of options granted during the year was Rs. 17.55 [2018: no options granted].

9 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

| (Rupees in '000) | 2019 | 2018 |
|---|---------|---------|
| Opening balance of surplus on revaluation of property and equipment | 167,915 | 146,115 |
| Revaluation surplus arising during the year - net of tax | 42,419 | 22,596 |
| Surplus transferred to unappropriated profit on account of incremental depreciation | (613) | (796) |
| Closing balance of surplus on revaluation of property and equipment - net of tax | 209,721 | 167,915 |

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

10 LEASE LIABILITIES

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 9.09% to 16.12% [2018: 8.45% to 9.59%] per annum and lease period 3 to 4 years [2018: 3 to 4 years]. The amount of future payments and the period during which they will become due are:

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|----------|----------|
| Year ended 31 December | | | |
| Due not later than 1 year | | 29,805 | 42,214 |
| Due later than 1 year but not later than 5 years | | 34,166 | 53,251 |
| Lease payments | 10.1 | 63,971 | 95,465 |
| Less: Future finance charges | | (11,881) | (11,644) |
| | | 52,090 | 83,821 |
| Current portion | | (23,364) | (24,546) |
| | | 28,726 | 59,275 |

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

| (Rupees in '000) | 2019 | | 2018 | |
|---|--------|----------|--------|----------|
| | LP | PV of LP | LP | PV of LP |
| Due not later than 1 year | 29,805 | 23,364 | 42,214 | 24,546 |
| Due later than 1 year but not later than 5 years | 34,166 | 28,726 | 53,251 | 59,275 |
| | 63,971 | 52,090 | 95,465 | 83,821 |

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

| (Rupees in '000) | 2019 | 2018 |
|---|----------|----------|
| As at 01 January | 83,821 | 78,125 |
| Additions | 24,019 | 38,960 |
| Accretion of interest | 9,415 | 6,382 |
| Payments | (53,862) | (39,646) |
| Security deposit adjusted against lease liability | (11,303) | - |
| As at 31 December | 52,090 | 83,821 |
| 11 LONG TERM LOAN | | |
| Long term loan | 1,515 | 19,697 |
| Less: current portion of long term loan | (1,515) | (18,182) |
| | - | 1,515 |

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

12 DEFERRED TAXATION

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-----------|----------|
| The net (asset) / liability for deferred taxation comprises temporary differences relating to: | | | |
| Accelerated tax depreciation / amortization | | 20,425 | 3,795 |
| Provision for doubtful debts / earnings | | (20,308) | (3,517) |
| Unused depreciation and / or tax losses | | - | (7,360) |
| Tax credit under Second Schedule | | (107,905) | - |
| Alternative Corporate Tax (expiry 10 years) | | - | (13,844) |
| Surplus on revaluation of Property and equipment | | 2,111 | 100 |
| Deferred tax on incremental depreciation | | 3,071 | 2,823 |
| Income taxable on receipt basis | | 30,024 | 42,430 |
| | | (72,582) | 24,427 |

13 FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES-SECURED

| | | | |
|----------------------|------|---------|---------|
| Running finance | 13.1 | 158,444 | 90,866 |
| Inland bill purchase | 13.2 | 224,850 | 158,000 |
| | | 383,294 | 248,866 |

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13.1 The Company has obtained running finance facility from a commercial bank with a limit of Rs.170 million (2018: Rs.120 million) bearing mark-up at the rate of 1 month KIBOR plus 2.25% (2018: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs. 165 million (2018: Rs.165 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land & building) of the Company, ranking hypothecation charge of Rs. 300 million (2018: Rs. 300 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Company, covering total security package.

13.2 This includes facility from Habib Bank Limited has a limit of Rs.125 million (2018 Rs.158 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2018: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2018: invoices / bills receivable from customers), charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

This also includes facility from JS Bank Limited has a limit of Rs.100 million (2018: Rs. Nil) bearing mark-up at the rate of 1 month KIBOR plus 2% (2018: nil). The facility is secured against invoices / bills receivable from customers, charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

14 CREDITORS, ACCRUED AND OTHER LIABILITIES

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|---------|---------|
| Trade creditors | 14.1 | 209,594 | 131,079 |
| Accrued expenses | | 58,237 | 24,035 |
| Advances from customers | | - | 4,218 |
| Payable to provident fund | | 23,696 | 11,931 |
| Employee Share Portion - Vehicle | | 19,364 | 18,241 |
| Tax payable: | | | |
| - Withholding tax | | 20,305 | - |
| - Income tax | | 61,356 | - |
| Mark up accrued on: | | | |
| - Long term finances | | 304 | 303 |
| - Finances under mark up arrangements and other credit facilities - secured | | 11,795 | 4,531 |
| Other liabilities | | 16,880 | 14,793 |
| | | 421,531 | 209,131 |

14.1 This includes amount due to following related parties which are non-interest bearing.

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|--------|------|
| Octopus Digital (Private) Limited (formerly "Avanceon Digital (Private) Limited") | | 17,561 | - |

15 CONTRACT LIABILITIES

| | | | |
|--------------------------------|------|--------|---|
| Advances from customers | | 46,117 | - |
| Billings in excess of earnings | 15.1 | 27,741 | - |
| | | 73,858 | - |

15.1 Movement of billings in excess of earnings:

| | | | |
|---------------------------------------|--|----------|---|
| As at 01 January | | 34,761 | - |
| Addition during the year | | 73,804 | - |
| Recognized as revenue during the year | | (34,707) | - |
| As at 31 December | | 73,858 | - |

16 UNCLAIMED DIVIDEND

| (Rupees in '000) | Note | 2019 | 2018 |
|--------------------------|------|----------|----------|
| As at 01 January | | 283,074 | 73,999 |
| Declared during the year | | - | 306,728 |
| Paid during the year | | (29,405) | (97,653) |
| As at 31 December | 16.1 | 253,669 | 283,074 |

16.1 This includes dividend payable to the Chief Executive Officer, Mr. Bakhtiyar H Wain and Director, Mr. Aamir Wain amounting to Rs. 235.683 million (2018: Rs. 235.683) and 15.751 million (2018: Rs. 33.444) respectively.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

There are no contingencies to report as at year end (2018: Rs. 60,085,283)

17.2 Commitments

- (i) Bank guarantees issued amounting to Rs. 36.06 million (2018: Rs. 47.06 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs. 53.34 million (2018: 23.08 million) which relates to import acceptance bills.

18 PROPERTY AND EQUIPMENT

| (Rupees in '000) | Note | 2019 | 2018 |
|------------------------|------|---------|---------|
| Operating fixed assets | 18.1 | 364,620 | 325,904 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

18.1 Operating fixed assets

2019

| (Rupees in '000) | Cost / Revalued Amount as at 01 January 2019 | Additions/ Transfers | Deletions | Effect of Revaluation as at 31 December 2019 | Cost/revalued amount as at 31 December 2019 | Accumulated depreciation as at 01 January 2019 | Depreciation charge for the year / (Deletions) | Effect of revaluation / transfers | Accumulated depreciation as at 31 December 2019 | Net book value as at 31 December 2019 | Rate % |
|---------------------------------|--|----------------------|-----------|--|---|--|--|-----------------------------------|---|---------------------------------------|--------|
| Owned Assets | | | | | | | | | | | |
| Freehold land | 149,000 | - | - | 37,250 | 186,250 | - | - | - | - | 186,250 | - |
| Buildings on freehold land | 72,579 | 1,275 | - | 5,057 | 78,911 | - | 2,223 | [2,223] | - | 78,911 | 5 |
| Tools and equipment | - | 3,719 | - | - | 3,719 | - | 436 | - | 436 | 3,283 | 20 |
| Furniture and fixture | 14,413 | 143 | [311] | - | 14,245 | 11,813 | 802 | - | 12,310 | 1,935 | 20 |
| Office equipment and appliances | 35,327 | 1,098 | [3,843] | - | 32,582 | 29,723 | 22,251 | - | 28,252 | 4,330 | 20 |
| Computers | 27,387 | 8,852 | [8,871] | - | 27,368 | 17,719 | 6,778 | - | 15,626 | 11,742 | 33.33 |
| Vehicles | 10,015 | - | [15,289] | - | 9,959 | 8,976 | 364 | - | 9,159 | 800 | 20 |
| | | 15,233 | | | | | [11,011] | 10,829 | | | |
| | 298,706 | 15,087 | [28,314] | 42,307 | 353,034 | 68,231 | 12,854 | [2,223] | 65,783 | 287,251 | |
| | | 15,233* | | | | | [23,908] | 10,829 | | | |
| Right of use assets | | | | | | | | | | | |
| Leased vehicles | 132,495 | 24,019 | - | - | 141,281 | 47,081 | 27,660 | - | 63,912 | 77,369 | 20 |
| | | [15,233] | | | | | | [10,829] | | | |
| | 132,495 | 24,019 | - | - | 141,281 | 47,081 | 27,660 | - | 63,912 | 77,369 | |
| | | [15,233] * | | | | | | [10,829] | | | |
| | 431,201 | 39,106 | [28,314] | 42,307 | 494,315 | 115,312 | 40,514 | [2,223] | 129,695 | 364,620 | |
| | | | | | | | [23,908] | | | | |

2018

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

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* This represents transfer of vehicles from lease to owned vehicle after the completion of lease term.

18.1.1 The depreciation charge has been allocated as follows:

| (Rupees in '000) | Note | 2019 | 2018 |
|-------------------------------------|------|--------|--------|
| Cost of revenue | 29.1 | 20,257 | 15,768 |
| Administrative and selling expenses | 30 | 20,257 | 15,768 |
| | | 40,514 | 31,536 |

18.1.2 Fair value of the land and building was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for assets of similar nature, location and condition. As at the date of revaluation on 31 December 2019, the fair values of land and building are based on valuations performed by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. This revaluation resulted in Rs. 37.25 million surplus (2018: Rs. 22.35 million) on land and Rs. 7.28 million surplus (2018: Rs. 0.347 million) in respect of building. Detailed particulars are as follows:

| (Rupees in '000) | Note | 2019 | 2018 |
|----------------------------|------|---------|---------|
| Freehold land | | 149,000 | 186,250 |
| Buildings on freehold land | | 71,631 | 78,911 |
| | | 220,631 | 265,161 |

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

| (Rupees in '000) | Note | 2019 | 2018 |
|----------------------------|------|--------|--------|
| Freehold land | | 8,647 | 8,647 |
| Buildings on freehold land | | 34,490 | 36,299 |
| | | 43,137 | 44,946 |

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

18.1.4 Disposal of Property and equipment

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

| (Rupees in '000) | | 2019 | | | | | |
|--|------------------------------|--------|--------------------------|------------|---------------|--------------|------------------|
| Particulars of assets | Sold to | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain/ (Loss) | Mode of Disposal |
| Owned Vehicles | | | | | | | |
| ` Suzuki Swift DLX 13 LEE-14-5308 | Employee (Yasir Maqsood) | 1,309 | 1,266 | 43 | 286 | 243 | As per policy |
| Suzuki Swift DX 1.3 LEE-14-4932 | Employee (Mehran Hassan) | 1,248 | 1,207 | 41 | 305 | 264 | As per policy |
| Honda City MT 1.3 BBX-874 | Employee (Muhammad Saad) | 1,560 | 1,455 | 105 | 471 | 366 | As per policy |
| Honda Civic Oriel 1.8 CF-127 | Employee (Tauqir Karamat) | 2,577 | 2,405 | 172 | 1,236 | 1,064 | As per policy |
| Suzuki Swift DLX 1.3 LE-16-6474 | Employee (Mir Usman Amjad) | 1,362 | 567 | 795 | 706 | (89) | As per policy |
| Corolla GLI 1.6 Altis LEF-15-5788 | Employee (Syed Adeel Haider) | 2,020 | 1,414 | 606 | 859 | 253 | As per policy |
| COROLLA GLI 1.3 MT LE-17-5890 | Employee (Nasir Ali) | 1,922 | 737 | 1,185 | 1,115 | (70) | As per policy |
| COROLLA GLI 1.3 MT LE-17-4721 | Employee (Imran Ashraf) | 1,923 | 641 | 1,282 | 1,281 | (1) | As per policy |
| | | 15,230 | 10,958 | 4,272 | 6,582 | 2,310 | |
| Other assets with book value less than Rs. 500,000 | | 13,084 | 12,950 | 134 | 511 | 377 | Negotiation |
| | | 28,314 | 23,908 | 4,406 | 7,093 | 2,687 | |

(Rupees in '000)

2018

| Particulars of assets | Sold to | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain/ (Loss) | Mode of Disposal |
|--|--|--------|--------------------------|------------|---------------|--------------|------------------|
| Owned Vehicles | | | | | | | |
| Swift LED -13-5257 | Employee (Muhammad Nauman Ahsan) | 1,197 | 1,117 | 80 | 175 | 95 | As per policy |
| Swift LED -13-5258 | Employee (Hassan Goraya) | 1,346 | 1,240 | 106 | 218 | 112 | As per policy |
| Honda Civic LEF -13 2639 | Employee (Arif Shuja) | 2,240 | 2,163 | 77 | 457 | 380 | As per policy |
| Corolla GLi LE-15-6342 | Employee (Muhammad Saqib Rauf) | 1,885 | 1,131 | 754 | 715 | (39) | As per policy |
| Corolla GLi LE-17-5893 | Employee (Masood Kareem) | 1,922 | 384 | 1,538 | 1,403 | (135) | As per policy |
| Honda Civic LEF -13 2639 | Employee (Saeed Ullah Khan Niazi - CFO)* | 2,665 | 666 | 1,999 | 1,967 | (32) | As per policy |
| Swift LEF -15-4931 | Employee (Usman Ahmed Nasir) | 1,318 | 659 | 659 | 721 | 62 | As per policy |
| Honda Civic LEF -14-258 | Employee (Adeel Khalid) | 2,497 | 1,457 | 1,040 | 1,520 | 480 | As per policy |
| Honda City LE-17-6593 | Employee (Ahsan Khalil - Company Secretary)* | 1,921 | 320 | 1,601 | 1,561 | (40) | As per policy |
| | | 16,991 | 9,137 | 7,854 | 8,737 | 883 | |
| Leased Vehicle | | | | | | | |
| Suzuki Swift BEE-454 | IGI General Insurance | 1,313 | 853 | 460 | 1,100 | 640 | Insurance Claim |
| Other assets with book value less than Rs. 500,000 | | 252 | 245 | 8 | 26 | 18 | Negotiation |
| | | 18,556 | 10,235 | 8,322 | 9,863 | 1,541 | |

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

(Rupees in '000)

Note

2019

2018

19 INTANGIBLE ASSETS

| | | | |
|--|--------|----------|----------|
| Cost | 19.1 | 17,677 | 17,677 |
| Less: Accumulated amortization | 19.2 | (17,677) | (17,645) |
| Net book value as at 31 December | | - | 32 |
| Amortization rate | | 33.33% | 3.33% |
| 19.1 Cost | | | |
| As at 01 January | | 17,677 | 17,677 |
| Additions during the year | | - | - |
| As at 31 December | | 17,677 | 17,677 |
| 19.2 Amortization | | | |
| As at 01 January | | 17,645 | 17,599 |
| For the year | 19.2.1 | 32 | 46 |
| As at 31 December | | 17,677 | 17,645 |
| 19.2.1 The amortization charge has been allocated as follows: | | | |
| Cost of revenue | 29.1 | 16 | 23 |
| Administrative and selling expenses | 30 | 16 | 23 |
| | | 32 | 46 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

20 LONG TERM INVESTMENTS

| (Rupees in '000) | Note | 2019 | | 2018 | |
|--|--------|---------------|--------------------|---------------|--------------------|
| | | Equity % held | Investment at cost | Equity % held | Investment at cost |
| Investment in subsidiaries - at cost | | | | | |
| Avanceon FZE Dubai | | | | | |
| - 26 (2018 : 26) fully paid ordinary shares of AED 1 million each | 20.1 | 100 | 473,671 | 100 | 473,671 |
| - Long term interest free receivables | 20.1.1 | | 1,722,936 | | - |
| | | | 2,196,607 | | 473,671 |
| Avanceon Automation and Control W.L.L, Qatar | | | | | |
| - 98 (2018 : 98) fully paid ordinary shares of QAR 1,000 each | 20.2 | 49 | 8,446 | 49 | 8,446 |
| - Long term interest free receivables | 20.2.1 | | 458,817 | | - |
| | | | 467,263 | | 8,446 |
| Octopus Digital (Private) Limited (formerly Avanceon Digital (Private) Limited) | | | | | |
| - 1,000,000 (2018 : Nil) fully paid ordinary shares of Rs. 10 each | 20.3 | 100 | 10,000 | - | - |
| | | | 2,673,870 | | 482,117 |

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

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

(Rupees in '000)

| | |
|---------------------|-----------|
| Trade debts | 1,450,797 |
| Dividend receivable | 272,139 |
| | 1,722,936 |

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

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

20.3 Octopus Digital (Private) Limited (formerly "Avanceon Digital (Private) Limited") was an associated undertaking owing to common directorship of two of the Directors of the Company, who held 1 share each in it. The Company has acquired 100% shareholding in the said subsidiary by acquiring 1 million ordinary shares of Rs. 10 each.

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

21 LONG TERM LOANS, DEPOSITS AND RECEIVABLES

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|----------|---------|
| Security deposits | 21.1 | 3,329 | 16,609 |
| Loan to employees | 21.3 | 1,861 | 4,044 |
| Avanceon FZE | 21.2 | 228,546 | - |
| Less: Provision for expected credit loss | | (28,925) | - |
| | | 204,811 | 20,653 |
| Less: Current portion of loan to employees | | (994) | (1,550) |
| | | 203,817 | 19,103 |

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

21.2 This represents amount due from a related party in respect of expenses incurred by the Company on its behalf.

21.3 Reconciliation of carrying amount of loans to employees:

| (Rupees in '000) | 2019 | 2018 |
|------------------------------------|---------|---------|
| Opening balance | 4,044 | 4,128 |
| Add: Disbursements during the year | 1,000 | 2,000 |
| Less: Repayments during the year | (3,183) | (2,084) |
| Closing balance | 1,861 | 4,044 |

These represent interest free loans (as per Company policy) provided to executives for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives on resignation / retirement. These are recoverable in equal monthly installments. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

22 TRADE DEBTS

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|---------|-----------|
| Due from related parties | 22.1 | - | 1,380,806 |
| Less: Provision for expected credit loss | | - | - |
| | | - | 1,380,806 |
| Due from others | 22.2 | 308,124 | 327,779 |
| Less: Provision for expected credit loss | 22.3 | (7,919) | (1,188) |
| | | 300,205 | 326,591 |
| Earnings in excess of billings | | - | 56,198 |
| | | 300,205 | 1,763,595 |

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

22.1 Due from related parties

| | | | |
|--|--------|-------------|-----------|
| Avanceon Free Zone Establishment, UAE | 22.1.1 | 1,450,797 | 1,190,204 |
| Less: Amount converted to long term interest free receivable | 20.1.1 | (1,450,797) | - |
| | | - | 1,190,204 |
| Avanceon Automation & Control WLL, Qatar | 22.1.2 | 458,817 | 190,602 |
| Less: Amount converted to long term interest free receivable | 20.2.1 | (458,817) | - |
| | | - | 190,602 |
| | | - | 1,380,806 |

The amounts due from related parties were long-outstanding, interest free and payable at discretion of the subsidiaries. During the year, the balances have been converted into long term interest free receivable as shown in Note 20.

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| (Rupees in '000) | 2019 | 2018 |
|---|---------|-----------|
| 22.1.1 Ageing of Avanceon Free Zone Establishment | | |
| Less than one year | - | 436,889 |
| One to two years | - | 467,865 |
| Two to three years | - | 175,384 |
| More than three years | - | 110,066 |
| | - | 1,190,204 |
| 22.1.2 Ageing of Avanceon Automation and Control WLL | | |
| Less than one year | - | 190,602 |
| 22.2 Ageing of due from others | | |
| Less than one year | 302,731 | 307,829 |
| One to two years | 3,755 | 15,376 |
| Two to three years | 1,638 | 3,763 |
| More than three years | - | 811 |
| | 308,124 | 327,779 |
| 22.3 Provision for expected credit loss - Others | | |
| Balance as at 01 January - Reported | 1,188 | 764 |
| Impact of restatement - IFRS 9 | 4,824 | - |
| Balance as at 01 January - Restated | 6,012 | 764 |
| Add: Allowance for the year | 3,095 | 1,188 |
| Less: Write off during the year | (1,188) | (764) |
| Balance as at 31 December | 7,919 | 1,188 |

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

| (Rupees in '000) | Note | 2019 | 2018 |
|-----------------------------------|------|-----------|-----------|
| Avanceon Free Zone Establishment | | 1,450,798 | 1,190,204 |
| Avanceon Automation & Control WLL | | 458,817 | 227,065 |

23 CONTRACT ASSETS

| | | | |
|--|------|---------|---|
| Earnings in excess of billings | 23.1 | 97,531 | - |
| Project deferred revenue | | 54,027 | - |
| Less: Provision for expected credit loss | 23.2 | (3,375) | - |
| | | 148,183 | - |

23.1 Ageing of Earnings In Excess of Billings

| | | |
|--------------------|--------|---|
| Less than one year | 90,032 | - |
| One to two years | 7,185 | - |
| Two to three years | 314 | - |
| | 97,531 | - |

23.2 Provision for expected credit loss

| | | |
|-------------------------------------|----------|---|
| Balance as at 01 January - Reported | 36,306 | - |
| Impact of restatement - IFRS 9 | 1,565 | - |
| Balance as at 01 January - Restated | 37,871 | - |
| Add: Allowance for the year | 1,810 | - |
| Less: Write off during the year | (36,306) | - |
| Balance as at 31 December | 3,375 | - |

24 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|---------|-----------|
| Advances - considered good | | | |
| - To employees | | 7,585 | 10,043 |
| - To suppliers | | 25,981 | 15,173 |
| | | 33,566 | 25,216 |
| Prepayments | | 3,114 | 16,180 |
| Margin paid against bank guarantees / letters of credit | | 26,900 | 40,653 |
| Tax refunds due from government - considered good | | | |
| - Income tax | | - | 35,373 |
| - Sales tax | | 34,010 | 25,882 |
| | | 34,010 | 61,255 |
| Retention money - considered good | | 1,277 | 1,277 |
| Earnest money - considered good | | 408 | 408 |
| Due from subsidiaries - unsecured | | | |
| - Dividend receivable | 24.1 | 187,050 | 243,548 |
| - Others | 24.2 | 610,841 | 647,597 |
| | | 797,891 | 891,145 |
| Due from subsidiary- Octopus Digital (Private) Limited (Formerly "Avanceon Digital (Private) Limited") | | - | 275 |
| Other receivables - considered good | | 1,386 | 42 |
| | | 898,552 | 1,036,451 |

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

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|-----------|---------|
| Avanceon FZE | | 372,211 | 243,548 |
| Less: Amount converted to long term interest free receivable | 20.1.1 | (272,139) | - |
| | | 100,072 | 243,548 |
| Avanceon Automation and Control WLL | | 100,072 | - |
| Total dividend receivable | | 200,144 | 243,548 |
| Less: Provision for expected credit loss | 24.1.1 | (13,094) | - |
| | | 187,050 | 243,548 |

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

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|----------|---------|
| Avanceon FZE | | 228,546 | 308,221 |
| Innovative Automation Inc., USA | | 368,093 | 329,422 |
| Avanceon Automation and Control W.L.L | | 31,341 | 9,954 |
| Less: Provision for expected credit loss | 24.2.2 | (17,139) | - |
| | | 610,841 | 647,597 |

24.2.1 This includes an amount of Rs. 8.446 million (2018: Rs. 8.446 million) on account of deposit against investment in Avanceon Automation and Control W.L.L (AVAC) for which the legal approvals are in process.

25 SHORT TERM INVESTMENTS

| 2019 (Number of Shares) | 2018 (Number of Shares) | | 2019 (Rupees in '000) | 2018 (Rupees in '000) |
|----------------------------|----------------------------|---|--------------------------|--------------------------|
| 11,424 | 5,600 | General Tyre & Rubber Company Pakistan Ltd. | 637 | 453 |
| 2,100 | 2,100 | Honda Atlas Cars (Pakistan) Limited | 460 | 758 |
| 4,000 | 4,000 | Pak Electron Limited | 108 | 95 |
| 1,265 | 1,100 | The Searle Company Limited | 239 | 259 |
| | | | 1,444 | 1,565 |
| | | Revaluation loss on short term investments | - | - |
| | | Impairment of short term investments | - | (308) |
| | | | 1,444 | 1,257 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|----------------------------------|------|--------|--------|
| 26 CASH AND BANK BALANCES | | | |
| Cash in hand | | 31 | 343 |
| Cash with banks: | | | |
| Current accounts | | | |
| Local currency | | 5,138 | 12,188 |
| Foreign currency | | 98 | 88 |
| Savings accounts | | | |
| Local currency | 26.1 | 12,408 | 4,772 |
| | | 17,644 | 17,048 |
| | | 17,675 | 17,391 |

26.1 Profit on balances in saving accounts ranges from 8% to 11.3% (2018: 6% to 7%) per annum.

27 DISCONTINUED OPERATIONS

During the year, the Board of Directors of the Company approved the disposal of its after-market engineering and technical services related business segment which was approved by members of the Company in their extra ordinary general meeting held on 08 August 2019. The after-market engineering and technical services related business segment constituted 6.2% of the Company's total revenue as per latest audited financial statements for the year ended 31 December 2018. The said segment will be sold to wholly owned subsidiary of the Company Octopus Digital (Private) Limited (formerly "Avanceon Digital (Private) Limited"). The objective of this transaction is to integrate alike business operations to benefit from synergy.

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|----------|----------|
| 27.1 Profit after tax for the year from discontinued operations | | | |
| Revenue from contracts with customers | | 90,737 | 75,464 |
| Less: Sales tax | | (10,208) | (8,827) |
| | | 80,529 | 66,637 |
| Expenses | 27.2 | (57,428) | (31,930) |
| Profit before tax from discontinued operations | | 23,101 | 34,707 |
| Taxation | | (6,699) | (10,065) |
| Profit for the year from discontinued operations | | 16,402 | 24,642 |
| 27.2 Expenses | | | |
| Cost of revenue | 27.3 | 48,194 | 25,144 |
| Administrative and Selling expenses | 27.4 | 9,234 | 6,786 |
| | | 57,428 | 31,930 |
| 27.3 Cost of revenue | | | |
| Materials consumed | | 20,954 | 12,891 |
| Salaries, wages, allowances and other benefits | | 18,799 | 9,721 |
| Telephone, postage and telex | | 8 | 2 |
| Travelling and conveyance relating to engineering services | | 4,316 | 1,838 |
| Installation charges relating to engineering services | | 2,330 | 181 |
| Entertainment relating to engineering services | | 11 | 18 |
| Other expenses | | 1,776 | 493 |
| | | 48,194 | 25,144 |
| 27.4 Administrative and selling expenses | | | |
| Salaries, wages, allowances and other benefits | | 5,982 | 2,270 |
| Telephone, postage and telex | | 78 | 94 |
| Entertainment | | 37 | 37 |
| Repairs and maintenance | | 7 | 10 |
| Printing, stationery and periodicals | | 11 | - |
| Travelling and conveyance | | 1,314 | 683 |
| Legal and professional charges | | 1 | 1 |
| Fee and subscription | | 1,021 | 1 |
| Late delivery charges | | 258 | - |
| Trade debts written-off - specific | | - | 3,688 |
| Contract assets written off - specific | | 525 | - |
| Sales promotion expenses | | - | 2 |
| | | 9,234 | 6,786 |

27.5 Earnings per share

| | | 2019 | 2018 |
|---|---------------------|---------|---------|
| 27.5.1 Basic earnings per share from discontinued operations | | | |
| Net profit for the year | Rupees in thousand | 16,402 | 24,642 |
| Weighted average number of ordinary shares | Numbers in thousand | 192,536 | 190,854 |
| Earnings per share | Rupees | 0.09 | 0.13 |

27.5.2 Diluted earnings per share from discontinued operations

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

| | | 2019 | 2018 |
|---|---------------------|---------|---------|
| Net profit for the year | Rupees in thousand | 16,402 | 24,642 |
| Weighted average number of ordinary shares | Numbers in thousand | 192,536 | 190,854 |
| Adjustment for share options | Numbers in thousand | 4,205 | 5,166 |
| Weighted average number of ordinary shares for diluted earnings per share | Numbers in thousand | 196,741 | 196,020 |
| Diluted earnings per share | Rupees | 0.08 | 0.13 |

28 REVENUE FROM CONTRACTS WITH CUSTOMERS OF CONTINUING OPERATIONS

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|-----------|-----------|
| 28.1 Disaggregation of revenue | | | |
| Local sales and services | 28.1.1 | 779,367 | 823,891 |
| Export sales and services | 28.2 | 561,083 | 406,437 |
| | | 1,340,450 | 1,230,328 |
| Timing of revenue recognition | | | |
| At a point in time | | 743,461 | 482,263 |
| Over the time | | 596,989 | 748,065 |
| | | 1,340,450 | 1,230,328 |
| 28.1.1 Local sales and services | | | |
| Sale of goods | | 775,526 | 846,394 |
| Less: Sales tax | | (92,441) | (142,366) |
| | | 683,085 | 704,028 |
| Services rendered | | 107,899 | 145,650 |
| Less: Sales tax | | (11,617) | (25,787) |
| | | 96,282 | 119,863 |
| Net sales | 28.1.2 | 779,367 | 823,891 |
| 28.1.2 Local sales and services | | | |
| Project revenue | | 323,541 | 587,876 |
| Product sales | | 429,346 | 213,311 |
| Service income | | 26,480 | 22,704 |
| | | 779,367 | 823,891 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | 2019 | 2018 |
|---|---------|-----------|
| 28.2 Export sales and services | | |
| Agency commission | 8,340 | 32,257 |
| Project revenue - export | 238,628 | 105,228 |
| IT enabled back office support | 117,119 | 120,679 |
| IT enabled engineering / support services | 196,996 | 148,273 |
| | 561,083 | 406,437 |
| 28.3 Contract balances | | |
| Trade receivables | 300,205 | 1,707,397 |
| Contract assets | 148,183 | 56,198 |
| Contract liabilities | 73,858 | 4,218 |

In 2019, Rs. 3.95 million (2018: Rs. 37.49 million) was recognised as provision for expected credit losses on trade debts whereas Rs. 1.19 million (2018: Rs. 0.76 million) of trade debts were written off. The Company's trade debts decreased due to transfer of related parties' balances to capital contribution in form of interest free financing as disclosed in Note 20.

Contract assets relate to revenue earned from ongoing projects which has not been billed yet. As such, the balances of this account vary and depend on the number of ongoing projects at the end of the year.

In 2019, the contract balances increased significantly due to major on going projects which have not yet approached their billing milestones at the year end as per the contract terms.

Contract liabilities include billings in excess of earnings. This results from projects where the billing milestones are reached in advance of the Company's progress towards satisfaction of performance obligations. The outstanding balances of these accounts increased in 2019 due to significant projects undertaken for which the Company has reached billing milestones as per terms agreed in the contracts.

28.4 Performance Obligation

Sale of goods

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

Services

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

Project revenue

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

As at year end, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) amounted to Rs. 653.88 million and the Company expects to recognize this as revenue when the milestones are achieved in future or when the services are rendered, mostly within one to two years.

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

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|----------|----------|
| 29 COST OF REVENUE OF CONTINUING OPERATIONS | | | |
| Opening stock | | 48,871 | 47,953 |
| Purchases and direct expenses | | 804,845 | 845,982 |
| Closing stock | | [52,733] | [48,871] |
| | 29.1 | 800,983 | 845,064 |

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|----------------|----------------|
| 29.1 Cost of revenue | | | |
| Materials consumed | | 485,818 | 531,372 |
| Salaries, wages, allowances and other benefits | 29.2 | 160,277 | 133,706 |
| Employees' share option expense | | 10,473 | 48,230 |
| Telephone, postage and telex | | 5,717 | 6,082 |
| Utilities | | 2,573 | 2,235 |
| Travelling and conveyance relating to engineering services | | 34,884 | 36,915 |
| Installation charges relating to engineering services | | 38,275 | 41,580 |
| Agency commission | | 20,391 | - |
| Entertainment relating to engineering services | | 6,825 | 11,512 |
| Repairs and maintenance | | 1,041 | 1,283 |
| Printing and stationery | | 765 | 525 |
| Insurance | | 5,717 | 2,950 |
| Office rent | | 3,530 | 2,379 |
| Training | | 726 | 565 |
| Fee and subscription | | 1,018 | 480 |
| Depreciation on Property and equipment | 18.1.1 | 20,257 | 15,768 |
| Amortization on intangible assets | 19.2.1 | 16 | 23 |
| Other expenses | | 2,680 | 9,459 |
| | | 800,983 | 845,064 |

29.2 Salaries, wages and benefits include Rs. 8.167 million (2018: Rs. 7.12 million) and Rs. 0.57 million (2018: Rs. 0.22 million) representing provident fund contribution by the Company and accumulating compensated absences respectively. Amount of Rs. 123.4 million (2018: Rs. 136 million) relates to project services revenue.

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

30 ADMINISTRATIVE AND SELLING EXPENSES OF CONTINUING OPERATIONS

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|----------------|----------------|
| Salaries, wages, allowances and other benefits | 30.1 | 84,762 | 85,091 |
| Employees' share option expense | | 15,710 | 34,793 |
| Telephone, postage and telex | | 4,839 | 4,866 |
| Utilities | | 2,573 | 2,235 |
| Entertainment | | 6,319 | 9,715 |
| Repairs and maintenance | | 3,117 | 3,752 |
| Sales promotion expenses | | 187 | 31 |
| Printing, stationery and periodicals | | 722 | 525 |
| Vehicle running and maintenance | | 2,014 | 2,043 |
| Travelling and conveyance | | 15,772 | 13,937 |
| Office rent | | 3,530 | 12,379 |
| Training | | 423 | 2,417 |
| Insurance | | 4,509 | 2,419 |
| Legal and professional charges | | 4,691 | 3,342 |
| Auditors' remuneration | 30.2 | 2,780 | 1,724 |
| Fee and subscription | | 5,977 | 2,842 |
| Corporate expenses | | 5,593 | 4,803 |
| Late delivery charges | | 258 | 249 |
| Depreciation on Property and equipment | 18.1.1 | 20,257 | 15,768 |
| Amortization of intangible assets | 19.2.1 | 16 | 23 |
| Bad debts write-off (specific) | | 14 | 3,030 |
| Contract assets written off - specific | | 23,779 | 4,444 |
| Provision for expected credit losses - trade debts | | 3,095 | 1,188 |
| Provision for expected credit losses - contract assets | | 1,810 | 36,306 |
| Provision for expected credit losses - related parties | | 59,158 | - |
| Other expenses | | 3,976 | 10,028 |
| | | 275,881 | 257,950 |

NOTES TO THE FINANCIAL STATEMENTS

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- 30.1** Salaries, wages and benefits include Rs. 3.927 million (2018: Rs. 3.31 million) and Rs. 0.383 million (2018: Rs. 0.14 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-------|-------|
| 30.2 Auditors' remuneration | | | |
| Statutory audit | | 1,890 | 990 |
| Half yearly review | | 640 | 400 |
| Code of corporate governance | | 100 | 100 |
| Other charges and out of pocket expenses | | 150 | 234 |
| | | 2,780 | 1,724 |
| 31 OTHER OPERATING EXPENSES | | | |
| Donations | 31.1 | 4,463 | 3,961 |
| Revaluation loss on short term investments | | - | 425 |
| Impairment of short term investments | | - | 308 |
| | | 4,463 | 4,694 |

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

32 OTHER OPERATING INCOME

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|---------|---------|
| Income from financial assets | 32.1 | 267,805 | 442,471 |
| Income from non-financial assets | 32.2 | 203,572 | 5,258 |
| | | 471,377 | 447,729 |
| 32.1 Income from financial assets | | | |
| Profit on bank deposits | | 385 | 240 |
| Capital gain on short term investment | | 78 | - |
| Exchange gain | | 267,233 | 442,231 |
| Fair value gain on short term investments | | 109 | - |
| | | 267,805 | 442,471 |
| 32.2 Income from non-financial assets | | | |
| Gain on disposal of Property and equipment | 18.1.4 | 2,687 | 1,541 |
| Dividend income on short term investment | | - | 39 |
| Dividend income from subsidiaries | | 200,144 | - |
| Insurance claim received | 32.2.1 | 400 | 700 |
| Others | | 341 | 2,978 |
| | | 203,572 | 5,258 |

- 32.2.1** This represents amount received from Jubilee General Insurance Company Limited against damage of consignment of Harmonic Filter.

33 FINANCE COSTS

| (Rupees in '000) | 2019 | 2018 |
|---|--------|--------|
| Mark-up and interest on: | | |
| - Long term loan | 1,404 | 2,263 |
| - Finances under mark up arrangements and other credit facilities - secured | 47,261 | 21,552 |
| - Finance lease | 9,415 | 6,382 |
| - Provident fund | 1,687 | 589 |
| Bank charges | 984 | 1,248 |
| Guarantee commission | 1,123 | 1,350 |
| | 61,874 | 33,384 |

34 TAXATION

| (Rupees in '000) | 2019 | 2018 |
|-------------------------------------|----------|----------|
| Current | | |
| - for the year | 128,424 | 56,684 |
| - for prior years | 8,553 | - |
| Deferred | | |
| - for the year | (99,120) | 12,330 |
| Taxation of discontinued operations | (6,699) | (10,065) |
| | 31,158 | 58,949 |

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

| (Rupees in '000) | 2019 | 2018 |
|--|-----------|------|
| Accounting profit before tax from continuing operations | 668,626 | |
| Accounting profit before tax from discontinued operations | 23,101 | |
| | 691,727 | |
| Tax at the applicable rate (29%) | 200,601 | |
| Add: Effect of inadmissible / admissible expenses - net | (118,306) | |
| Less: Effect of income chargeable to tax at Final Tax Regime | 52,285 | |
| Less: Tax credits | (1,424) | |
| Less: Income chargeable to tax on receipt basis | (7,043) | |
| Others | 2,312 | |
| Tax expense | 128,424 | |

For the prior year, reconciliation of tax expense and accounting profit is not meaningful due to minimum tax being applicable.

35 EARNINGS PER SHARE

| | | 2019 | 2018 |
|---|---------------------|---------|-----------------|
| 35.1 Basic earnings per share from continuing operations | | | Restated |
| Net profit for the year | Rupees in thousand | 637,468 | 478,016 |
| Weighted average number of ordinary shares | Numbers in thousand | 192,536 | 190,854 |
| Earnings per share | Rupees | 3.31 | 2.50 |

35.2 Diluted earnings per share from continuing operations

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

| | | 2019 | 2018 |
|---|---------------------|---------|---------|
| Net profit for the year | Rupees in thousand | 637,468 | 478,016 |
| Weighted average number of ordinary shares | Numbers in thousand | 192,536 | 190,854 |
| Adjustment for share options | Numbers in thousand | 4,205 | 5,166 |
| Weighted average number of ordinary shares for diluted earnings per share | Numbers in thousand | 196,741 | 196,020 |
| Diluted earnings per share | Rupees | 3.24 | 2.44 |

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

35.3 The weighted average number of ordinary shares of 2018 has been restated in accordance with the requirements of IAS 33 due to issuance of 54,529,501 bonus shares in 2019 and restatement of employees share option scheme as explained in Note 8.3.3.

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| (Rupees in '000) | 2019 | 2018 |
|---|-----------|-----------|
| 36 CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | | |
| Continuing operations | 668,626 | 536,965 |
| Discontinued operations | 23,101 | 34,707 |
| | 691,727 | 571,672 |
| Adjustments for: | | |
| Depreciation on Property and equipment | 12,854 | 9,732 |
| Depreciation on assets subject to finance lease | 27,660 | 21,804 |
| Provision for doubtful debts and earnings | - | 37,494 |
| Employees' share option expense | 17,049 | 83,023 |
| Trade debts written off - specific | 14 | 6,718 |
| Contract assets written off - specific | 23,779 | 4,444 |
| Provision for expected credit losses - trade debts | 3,095 | - |
| Provision for expected credit losses - contract assets | 1,810 | - |
| Provision for expected credit losses - related parties | 59,158 | - |
| Revaluation loss on short term investments | - | 308 |
| Impairment of short term investments | - | 425 |
| Capital gain on short term investment | (78) | - |
| Fair value gain on short term investments | (109) | - |
| Amortization of intangible assets | 32 | 46 |
| Exchange gain | (267,233) | (442,231) |
| Gain on disposal of property and equipment | (2,687) | (1,541) |
| Finance cost | 59,767 | 30,786 |
| Profit on bank deposits | (385) | (240) |
| Dividend income | (200,144) | - |
| | (265,418) | (249,232) |
| Profit before working capital changes | 426,309 | 322,440 |
| Effect on cash flow due to working capital changes: | | |
| (Increase) / decrease in current assets | | |
| - Stock in trade | (3,862) | (918) |
| - Trade debts | (10,560) | 292,922 |
| - Contract assets | (151,558) | - |
| - Advances, deposits, prepayments and other receivables | (194,761) | (148,965) |
| Increase / (decrease) in current liabilities | | |
| - Creditors, accrued and other liabilities | 205,134 | (270,665) |
| - Contract liabilities | 73,858 | - |
| | (81,749) | (127,626) |
| Cash generated from operations | 344,560 | 194,814 |

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiaries, shareholders, directors of the Company, employees benefit funds and key management personnel. The Company carries out transactions with its related parties in the normal course of business. Significant related party transactions, other than remuneration of directors which is disclosed in Note 40, are as follows:

| (Rupees in '000) | | | | 2019 | 2018 |
|---|-------------------------------|--|---|-----------|---------|
| Name of related party | Relationship with the Company | Basis of Relationship | Nature of transactions | | |
| Avanceon FZE- UAE (AFZE) - Trade debts | Subsidiary | 100% shareholding | Agency commission | 8,340 | 32,257 |
| | | | Other engineering / support services | 67,964 | 14,633 |
| | | | Back office support | 75,063 | 53,860 |
| | | | Revenue recognized on the projects based on the stage of completion | 139,082 | 74,932 |
| | | | Dividend income | 100,072 | - |
| | | | Purchase of Subsidiary (AVAC) | - | 8,446 |
| | | | Net payment to suppliers by AFZE | 7,707 | 158,157 |
| | | | Net payment to employees by AVL | 20,129 | 27,526 |
| | | | Net payment to suppliers by AVL | 71,455 | - |
| | | | Interest free financing converted into equity | 1,722,936 | - |
| | | | | | |
| Avanceon Automation and Control- AVAC (Trade debts) | Subsidiary | 49% shareholding and control over financial and operating decision making. | Other engineering / support services | 129,032 | - |
| | | | Back office support | 39,556 | 66,819 |
| | | | Revenue recognized on the projects | 99,546 | 30,296 |
| | | | Dividend income | 100,072 | - |
| | | | Net payment to suppliers by AVAC | 28,280 | 32,697 |
| | | | Net payment to employees by AVL | 15,269 | 13,634 |
| | | | Net payment to suppliers by AVL | 387 | - |
| | | | Interest free financing converted into equity | 458,817 | - |
| Innovative Travels (Private) Limited | Associated Company | Common directorship | Services rendered during the year | - | 13,615 |
| | | | Payment during the year | 138 | 12,647 |
| Octopus Digital (Private) Limited (formerly "Avanceon Digital (Private) Limited") | Subsidiary | Common directorship | Reimbursement of expenses | 2,077 | 275 |
| | | | Salaries payment to ODL employees | 7,049 | - |
| | | | Investment in shares | 10,000 | - |
| | | | Back office support Income | 2,500 | - |
| | | | Agency commission expense | 18,456 | - |
| | | | Payment received | 10,000 | - |
| Saeed Ullah Khan Niazi | Key Management Personnel | Chief Financial Officer | Sale of vehicle | - | 1,967 |
| Ahsan Khalil | Key Management Personnel | Company Secretary | Sale of vehicle | - | 1,561 |
| Contribution to staff provident fund | Provident fund | Provident fund | Expense charged in respect of retirements benefit plans | 12,094 | 10,431 |

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

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37.1 PARTICULARS OF RELATED PARTIES INCORPORATED OUTSIDE PAKISTAN

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

| (Rupees in '000) | 2019 | 2018 |
|--------------------------------|---------|--------|
| 38 PROVIDENT FUND | | |
| Size of fund | 102,156 | 88,922 |
| Fair value of investments made | 88,622 | 78,713 |
| Cost of investment made | 85,723 | 84,988 |
| Percentage of investments made | 87% | 89% |

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

| | 2019 (Un-audited) | | 2018 (Audited) | |
|-----------------------|---------------------------------|--------------------------|---------------------------------|--------------------------|
| | Investment as | | Investment as | |
| | Investments (Rupees in '000) | % of size of the fund | Investments (Rupees in '000) | % of size of the fund |
| Government Securities | 35,000 | 34% | 15,239 | 17% |
| Scheduled Banks | 3,128 | 3% | 18,836 | 21% |
| Other Mutual Funds | 30,003 | 29% | 33,596 | 38% |
| Listed Securities | 20,491 | 20% | 11,042 | 12% |
| | 88,622 | | 78,713 | |

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

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

| 2019 | | | | | |
|--|-----------|-----|-----|--------|--------|
| (Amounts in '000) | Rupees | EUR | USD | AED | QAR |
| Investment in subsidiaries | | | | | |
| - Avanceon FZE Dubai | 2,196,607 | - | - | 52,015 | - |
| - Avanceon Automation and Control W.L.L, Qatar | 467,263 | - | - | - | 10,971 |
| Bank balances | 98 | - | 1 | - | - |
| | 2,663,968 | - | 1 | 52,015 | 10,971 |
| Trade Payables | | | | | |
| - Avanceon FZE Dubai | 664 | - | - | 16 | - |
| - Others | | | | | |
| AED | 924 | - | - | 22 | - |
| EUR | 11,834 | 68 | - | - | - |
| USD | 44,255 | - | 285 | - | - |
| Net Exposures | 2,721,645 | 68 | 286 | 52,053 | 10,971 |

| 2018 | | | | | |
|--|-----------|-----|-----|--------|-------|
| (Amounts in '000) | Rupees | EUR | USD | AED | QAR |
| Trade debts | | | | | |
| - Avanceon FZE Dubai | 1,190,204 | - | - | 31,487 | - |
| - Avanceon Automation and Control W.L.L, Qatar | 190,602 | - | - | - | 4,999 |
| Investment in subsidiaries | | | | | |
| - Avanceon FZE Dubai | 473,671 | - | - | 12,531 | - |
| - Avanceon Automation and Control W.L.L, Qatar | 8,446 | - | - | - | 222 |
| Bank balances | 88 | - | 1 | - | - |
| | 1,863,011 | - | 1 | 44,018 | 5,221 |
| Trade Payables | | | | | |
| AED | 2,150 | - | - | 51 | - |
| EUR | 3,582 | 21 | - | - | - |
| USD | 57,972 | - | 374 | - | - |
| Net Exposures | 1,926,715 | 21 | 375 | 44,069 | 5,221 |

The following significant exchange rates were applied during the year:

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| | 2019 | 2018 |
|------------------------|--------|--------|
| Rupees per USD | | |
| Average rate | 146.98 | 121.72 |
| Reporting date rate | 155.10 | 138.85 |
| Rupees per Euro | | |
| Average rate | 166.19 | 144.37 |
| Reporting date rate | 173.74 | 158.63 |
| Rupees per AED | | |
| Average rate | 40.02 | 33.14 |
| Reporting date rate | 42.23 | 37.8 |
| Rupees per QAR | | |
| Average rate | 40.36 | 34.225 |
| Reporting date rate | 42.59 | 38.13 |

At 31 December 2019, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar or AED with all other variables held constant, post tax profit / for the year would have been higher / (lower) as under:

Foreign currency sensitivity analysis

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

| (Rupees in '000) | Change in Exchange rate | EUR Effect on Profit/(loss) before tax | Effect on equity |
|------------------|-------------------------|--|------------------|
| 2019 | 5% | 591 | 420 |
| | -5% | (591) | (420) |
| 2018 | 5% | 167 | 119 |
| | -5% | (167) | (119) |
| (Rupees in '000) | | USD | |
| 2019 | 5% | 2,218 | 1,575 |
| | -5% | (2,218) | (1,575) |
| 2018 | 5% | 2,603 | 1,848 |
| | -5% | (2,603) | (1,848) |
| (Rupees in '000) | | QAR | |
| 2019 | 5% | 23,363 | 16,588 |
| | -5% | (23,363) | (16,588) |
| 2018 | 5% | 9,954 | 7,067 |
| | -5% | (9,954) | (7,067) |

| (Rupees in '000) | Change in Exchange rate | AED Effect on Profit/(loss) before tax | Effect on equity |
|------------------|-------------------------------|---|---------------------|
| 2019 | 5% | 109,910 | 78,036 |
| | -5% | (109,910) | (78,036) |
| 2018 | 5% | 83,290 | 59,136 |
| | -5% | (83,290) | (59,136) |

(ii) Interest rate risk

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

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

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

| (Rupees in '000) | 2019 | 2018 |
|--|----------------|----------------|
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances | 12,408 | 4,772 |
| Financial liabilities | | |
| Long term loan | 1,515 | 19,697 |
| Lease liabilities | 63,971 | 95,465 |
| Finances under markup arrangements and other credit facilities - secured | 383,294 | 248,866 |
| Total exposure | 436,372 | 359,256 |

Interest rate sensitivity analysis

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

| (Rupees in '000) | Increase/ Decrease in basis points | Effect on Profit/(loss) before tax | Effect on equity |
|------------------|--|--|---------------------|
| 2019 | +100% | (4,364) | (3,098) |
| | -100% | 4,364 | 3,098 |
| 2018 | +100% | (3,593) | (2,551) |
| | -100% | 3,593 | 2,551 |

(iii) Other price risk

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

(b) Credit risk

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

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

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

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

| (Rupees in '000) | 2019 | 2018 |
|--------------------------------|-----------|-----------|
| Long term loans and deposits | 203,817 | 19,103 |
| Trade debts | 300,205 | 1,763,595 |
| Deposits and other receivables | 827,862 | 933,800 |
| Bank balances | 17,644 | 17,048 |
| | 1,349,528 | 2,733,546 |

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

| (Rupees in '000) | 2019 | 2018 |
|------------------|---------|-----------|
| Domestic | 300,205 | 382,789 |
| Export | - | 1,380,806 |

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

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

| (Rupees in '000) | 2019 | | | | | | | | | |
|---------------------------|-----------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| | 0-90 days | 90-180 days | 180-270 days | 270-360 days | 360-450 days | 450-540 days | 540-630 days | 630-720 days | 720-810 days | Total |
| Receivable balance | 264,064 | 22,428 | 9,227 | 7,013 | 1,733 | 834 | 1,070 | 117 | 1,638 | 308,124 |
| Expected credit loss rate | 1% | 1% | 4% | 12% | 21% | 40% | 55% | 100% | 100% | |
| Expected credit Loss | 3,366 | 286 | 384 | 842 | 366 | 330 | 590 | 117 | 1,638 | 7,919 |

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

As at 31 December 2019, the Company has 28 (2018: 33) customers owing more than Rs. 1 million (2018: Rs. 1 million) each which account for 94.7% (2018: 95%) of total debtors.

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

| | Rating Short Term | Rating Long Term | Rating Agency | Balances at banks | |
|---------------------------|-------------------|------------------|---------------|--------------------------|--------|
| | | | | 2019 (Rupees in '000) | 2018 |
| Faysal Bank limited | A1+ | AA | PACRA | 662 | 702 |
| Habib Bank limited | A-1+ | AAA | JCR-VIS | 2,042 | 3,922 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 760 | 235 |
| MCB Bank Limited | A1+ | AAA | PACRA | 93 | 93 |
| United Bank Limited | A-1+ | AAA | JCR-VIS | 684 | 273 |
| JS Bank Limited | A1+ | AA- | PACRA | 573 | 4,605 |
| Standard Chartered | A1+ | AAA | PACRA | 12,830 | 7,217 |
| | | | | 17,644 | 17,048 |

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

The Company has not recognised an impairment allowance on financial assets held with banking companies during the year ended 31 December 2019, as the impact was immaterial. There was no impact of transition to IFRS 9 ECL model on financial assets held with banking companies as at 01 January 2019.

(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 | Contractual cashflow | Less than one year | Between one to five years | More than five years |
|--|-----------------|----------------------|--------------------|---------------------------|----------------------|
| 2019 | | | | | |
| Long term loan | 1,515 | 1,515 | 1,515 | - | - |
| Finances under mark up arrangements | 383,294 | 383,294 | 383,294 | - | - |
| Lease liabilities | 52,090 | 63,971 | 29,805 | 34,166 | - |
| Creditors, accrued and other liabilities | 381,862 | 381,862 | 381,862 | - | - |
| Unclaimed dividend | 253,669 | 253,669 | 253,669 | - | - |
| | 1,072,430 | 1,084,311 | 1,050,145 | 34,166 | - |
| 2018 | | | | | |
| Long term loan | 19,697 | 19,697 | 18,182 | 1,515 | - |
| Finances under mark up arrangements | 248,866 | 248,866 | 248,866 | - | - |
| Lease liabilities | 95,465 | 95,465 | 42,214 | 53,251 | - |
| Creditors, accrued and other liabilities | 190,890 | 190,890 | 190,890 | - | - |
| Unclaimed dividend | 283,074 | 283,074 | 283,074 | - | - |
| | 837,992 | 837,992 | 783,226 | 54,766 | - |

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| (Rupees in '000) | 2019 | | | Total |
|---|------------------------------|--|----------------------|-----------|
| | At fair value through OCI | At fair value through profit or loss | At amortized cost | |
| 39.2 Financial instruments by categories | | | | |
| Financial assets | | | | |
| Debt instruments | | | | |
| Long term loans and deposits | - | - | 203,817 | 203,817 |
| Trade debts | - | - | 300,205 | 300,205 |
| Deposits and other receivables | | | | |
| - Bank guarantee margin | - | - | 26,900 | 26,900 |
| - Earnest money | - | - | 408 | 408 |
| - Retention money | - | - | 1,277 | 1,277 |
| - Due from associated companies | - | - | 797,891 | 797,891 |
| - Others | - | - | 1,386 | 1,386 |
| Cash and bank balances | - | - | 17,675 | 17,675 |
| Equity instruments | | | | |
| Short term investment | - | 1,444 | - | 1,444 |
| | - | 1,444 | 1,349,559 | 1,351,003 |

| Financial liabilities at amortized cost | | 2019 |
|---|--|-----------|
| (Rupees in '000) | | |
| Financial liabilities | | |
| Long term loan | | 1,515 |
| Lease liabilities | | 52,090 |
| Finances under mark up arrangements and other credit facilities - secured | | 383,294 |
| Creditors, accrued and other liabilities | | 381,862 |
| Unclaimed dividend | | 253,669 |
| | | 1,072,430 |

| (Rupees in '000) | 2018 | | | Total |
|--|------------------------------|--|----------------------|-----------|
| | At fair value through OCI | At fair value through profit or loss | At amortized cost | |
| Financial instruments by categories | | | | |
| Financial assets | | | | |
| Debt instruments | | | | |
| Long term loans and deposits | - | - | 19,103 | 19,103 |
| Trade debts | - | - | 1,763,595 | 1,763,595 |
| Deposits and other receivables | | | | |
| - Bank guarantee margin | - | - | 40,653 | 40,653 |
| - Earnest money | - | - | 408 | 408 |
| - Retention money | - | - | 1,277 | 1,277 |
| - Due from associated companies | - | - | 891,420 | 891,420 |
| - Others | - | - | 42 | 42 |
| Cash and bank balances | - | - | 17,391 | 17,391 |
| Equity instruments | | | | |
| Short term investment | - | 1,257 | - | 1,257 |
| | - | 1,257 | 2,733,889 | 2,735,146 |

| (Rupees in '000) | | Financial liabilities at amortized cost |
|---|--|---|
| | | 2018 |
| Financial liabilities | | |
| Long term loan | | 19,697 |
| Lease liabilities | | 83,821 |
| Finances under mark up arrangements and other credit facilities - secured | | 248,866 |
| Creditors, accrued and other liabilities | | 190,890 |
| Unclaimed dividend | | 283,074 |
| | | 826,348 |

39.3 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

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

39.4 Fair value hierarchy

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

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

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

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

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

Recurring fair value measurements of following items of operating fixed assets:

| (Rupees in '000) | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------|---------|---------|---------|
| 31 December 2019 | | | | |
| Freehold land | - | 186,250 | - | 186,250 |
| Buildings on freehold land | - | - | 78,911 | 78,911 |
| Short term investment | 1,444 | - | - | 1,444 |
| | 1,444 | 186,250 | 78,911 | 266,605 |
| 31 December 2018 | | | | |
| Freehold land | - | 149,000 | - | 149,000 |
| Buildings on freehold land | - | - | 72,579 | 72,579 |
| Short term investment | 1,257 | - | - | 1,257 |
| | 1,257 | 149,000 | 72,579 | 222,836 |

40 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at year ended 31 December 2019 and 2018 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | 2019 | 2018 |
|---|-----------|-----------|
| Borrowings | 436,899 | 352,384 |
| Less: Cash and bank balances | (17,675) | (17,391) |
| Net debt | 419,224 | 334,993 |
| Total equity - excluding surplus on revaluation | 3,338,003 | 2,657,790 |
| Total capital | 3,757,227 | 2,992,783 |
| Gearing ratio | 11.16% | 11.19% |

41 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 | |
|--------------------------------|----------|-------|------------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| Managerial remuneration | 4,493 | 4,627 | 58,832 | 42,767 |
| House rent | 1,797 | 1,851 | 23,533 | 17,107 |
| Utilities | 449 | 463 | 5,883 | 4,277 |
| Contribution to provident fund | 449 | 463 | 5,883 | 4,277 |
| Others | 34 | 121 | 2,705 | 2,035 |
| | 7,222 | 7,525 | 96,836 | 70,463 |
| Number of persons | 1 | 1 | 28 | 21 |

41.1 The Company also provides Director and certain executives with Company maintained cars. No remuneration has been paid to Chief Executive Officer and Non-Executive Directors of the Company.

42 NUMBER OF EMPLOYEES

| | 2019 | 2018 |
|-----------------------------|------|------|
| Average number of employees | 191 | 166 |
| Closing number of employees | 196 | 185 |

43 CORRESPONDING FIGURES

Corresponding figures have been rearranged / reclassified where considered necessary for the purpose of better presentation, however, no significant rearrangement / reclassification has been made

44 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 24 April 2020 has proposed bonus shares issue at the rate of 10% (2018: 40%). 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.

The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's revenues are materially contributed by the Middle East region and are expected to bear an impact in the given situation. The extent and duration of such impact remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of COVID-19 and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these separate financial statements.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 24-April-2020.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

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CONSOLIDATED **FINANCIAL STATEMENTS** FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the members of Avanceon Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Avanceon Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

| Key audit matters | How our audit addressed the key audit matter |
|--|--|
| 1. Revenue Recognition | |
| <p>The Group's revenue is derived from sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases leads to revenue being recognized over multiple accounting periods.</p> <p>As referred in Note 5.15 to the accompanying consolidated financial statements, project revenue is recognized using the percentage of completion method based on cost incurred to date as a proportion of total cost of the contract. As disclosed in Note 30, project revenue amounts to Rs. 3,643 Million.</p> <p>Application of the percentage completion method requires significant management estimates in relation to budgeting the cost to complete and assessing specifica-</p> | <p>Our audit procedures included amongst others understanding and evaluating the appropriateness of the Group's revenue recognition policies, in particular with regard to adoption of IFRS 15, including those relating to the percentage of completion method and related management assessments based on the Group's operating model and its system of recording revenue related transactions.</p> <p>We obtained the management's assessment of impact of IFRS 15 on its revenue recognition policy.</p> <p>We analyzed a sample of contracts with customers in order to identify the distinct performance obligations along with their transaction prices and reviewed the appropriateness of Company's accounting policy for revenue</p> |

| Key audit matters | How our audit addressed the key audit matter |
|---|--|
| <p>tions of work performed to date. These estimates take into account, amongst others, the prices of materials and services as applicable, forecast escalations, time spent and expected completion date at the time of such estimation.</p> <p>Further, as disclosed in Note 2.2.1 and Note 4 (f) to the consolidated financial statements, IFRS 15, Revenue from Contracts with customers has been adopted for the first time for the annual period ended 31 December 2019.</p> <p>Due to an inherent risk associated with the recognition of revenue based on estimates for end-to-end projects and the adoption of new accounting standard for revenue recognition, we consider this as a key audit matter.</p> | <p>recognition in light of these.</p> <p>We tested operating effectiveness of internal controls relating to the Group's revenue recognition process including budgetary control, appropriate review and approval practices and recognition in the books of accounts.</p> <p>We performed substantive analytical procedures including, amongst others, developing an expectation of project revenue for the year based on contracts entered to date and analyzing the amounts recognized against the same, month-wise and project wise revenue and margin analysis.</p> <p>We performed other substantive procedures including examination of a sample of underlying contracts, review of the contractual terms and conditions and evaluating appropriate accounting thereof.</p> <p>We compared the actual cost of projects completed during the year with their forecast cost.</p> <p>We also reviewed sales transactions and events taking place after year-end to ensure revenue was recognized in the appropriate period and assessed, if any adjustments were required.</p> |
| 2. Adoption of IFRS 9, Financial Instruments | |
| <p>As referred to in Note 2.2.1 to the accompanying financial statements, IFRS 9, Financial Instruments became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 31 December 2019.</p> <p>As disclosed in Note 42.2, the Group has significant amount of financial assets and liabilities classified under different categories i.e.; debt instruments at amortized cost, debt and equity instruments at fair value through other comprehensive income and financial liabilities at amortized cost. These instruments are subject to different initial recognition, subsequent measurement and disclosure requirements based on their respective categorization.</p> <p>Upon adoption of IFRS 9, the categorization of the Group's financial instruments and their measurement principles did not change significantly except for the investment in Avanceon LP, USA held by one of the subsidiaries of the Group (Innovative Automation Inc., USA).</p> <p>Adoption of IFRS 9 required significant audit attention as this involved assessment of the fair value of the Group's investment in Avanceon LP which comprises 10% of the total assets of the Group and is therefore significant to the consolidated financial statements as a whole.</p> | <p>We obtained management's assessment of the impact of adoption of IFRS 9 on the financial statements of the Group.</p> <p>We reviewed the accounting policies adopted by management for the recognition and measurement of the Company's financial instruments on adoption of IFRS 9 as well as the transition method adopted and assessed their compliance with the principles of the new standard.</p> <p>We reviewed the categorization of the Group's financial instruments under the principles of IFRS 9.</p> <p>In respect of the Group's investment in Avanceon LP, we reviewed the assessment of its fair value performed by the component auditor which was carried out by an external valuer engaged by management.</p> <p>We involved EY valuation expert in order to assess appropriateness of the fair valuation.</p> <p>We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements</p> |

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Sajjad Hussain Gill.



EY Ford Rhodes
Chartered Accountants
Lahore: 05 May 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|-----------|-----------|
| EQUITY AND LIABILITIES | | | Restated |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| 250,000,000 (2018: 200,000,000) ordinary shares of Rs. 10 each | | 2,500,000 | 2,000,000 |
| Issued, subscribed and paid up capital | | | |
| 192,536,370 (2018: 136,323,754) ordinary shares of Rs 10. each | 6 | 1,925,364 | 1,363,238 |
| CAPITAL RESERVES | | | |
| Share premium | 7 | 138,384 | 61,906 |
| Statutory reserve | 8 | 3,002 | 3,002 |
| Employees' share compensation reserve | 9 | 53,862 | 115,051 |
| Surplus on revaluation of property and equipment | 10 | 209,721 | 167,915 |
| Exchange revaluation reserve | | 610,100 | 439,705 |
| | | 1,015,069 | 787,579 |
| REVENUE RESERVE | | | |
| Unappropriated profit | | 1,562,534 | 1,279,977 |
| | | 4,502,967 | 3,430,794 |
| Non-controlling interest | | 4,346 | 3,062 |
| | | 4,507,313 | 3,433,856 |
| NON CURRENT LIABILITIES | | | |
| Lease liabilities | 11 | 67,637 | 63,958 |
| Long term loan | 12 | - | 1,515 |
| Employees' end of service benefits | 13 | 80,901 | 63,749 |
| Deferred taxation | 14 | - | 24,427 |
| | | 148,538 | 153,649 |
| CURRENT LIABILITIES | | | |
| Current portion of lease liabilities | 11 | 45,554 | 26,420 |
| Current portion of long term loan | 12 | 1,515 | 18,182 |
| Finances under markup arrangements and other credit facilities - secured | 15 | 599,339 | 312,079 |
| Creditors, accrued and other liabilities | 16 | 1,670,783 | 1,766,230 |
| Contract liabilities | 17 | 1,127,342 | - |
| Unclaimed dividend | 18 | 256,763 | 283,074 |
| | | 3,701,296 | 2,405,985 |
| CONTINGENCIES AND COMMITMENTS | 19 | | |
| | | 8,357,147 | 5,993,490 |



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-----------|-----------------|
| ASSETS | | | Restated |
| NON CURRENT ASSETS | | | |
| Property and equipment | 20 | 433,829 | 337,141 |
| Intangible assets | 21 | - | 32 |
| Long term investments | 22 | 843,129 | 746,059 |
| Deferred tax asset | 14 | 73,815 | - |
| Long term loans and deposits | 23 | 27,480 | 37,908 |
| | | 1,378,253 | 1,121,140 |
| CURRENT ASSETS | | | |
| Stock in trade | | 160,929 | 85,333 |
| Trade debts | 24 | 2,431,404 | 3,981,886 |
| Contract assets | 25 | 3,602,180 | - |
| Advances, deposits, prepayments and other receivables | 26 | 480,427 | 562,254 |
| Short term investments | 27 | 1,444 | 1,257 |
| Term deposits with banks | 28 | 197,284 | 188,857 |
| Cash and bank balances | 29 | 105,226 | 52,763 |
| | | 6,978,894 | 4,872,350 |
| | | 8,357,147 | 5,993,490 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.


 Chief Executive
Bakhtiar Hameed Wain

 Chief Financial Officer
Saeed Ullah Khan Niazi

 Director
Tanveer Karamat

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-------------|-------------|
| | | | Restated |
| Revenue from contracts with customers | 30 | 4,896,158 | 3,480,942 |
| Cost of revenue | 31 | (3,412,208) | (2,513,661) |
| Gross profit | | 1,483,950 | 967,281 |
| Administrative and selling expenses | 32 | (705,256) | (586,444) |
| Other operating expenses | 33 | (4,463) | (4,737) |
| Other operating income | 34 | 313,051 | 464,754 |
| | | (396,668) | (126,427) |
| Profit from operations | | 1,087,282 | 840,854 |
| Finance costs | 35 | (124,342) | (60,567) |
| Profit before tax | | 962,940 | 780,287 |
| Taxation | 36 | (50,764) | (88,642) |
| Profit for the year | | 912,176 | 691,645 |
| Earnings per share - basic (Rupees) | 37 | 4.74 | 3.62 |
| Earnings per share - diluted (Rupees) | 37 | 4.64 | 3.53 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|---|------|------------------|---------------------|
| Profit for the year | | 912,176 | Restated 691,645 |
| Other comprehensive income | | | |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i> | | | |
| - Exchange difference on translating foreign operations | | 170,395 | 200,930 |
| <i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i> | | | |
| - Revaluation surplus arising during the year - net of tax | 10 | 42,419 | 22,596 |
| Total comprehensive income for the year | | 1,124,990 | 915,171 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | Note | 2019 | 2018 |
|---|--------------|-----------------|------------------|
| Cashflows from operating activities | | | Restated |
| Cash generated from operations | 38 | 13,972 | 170,389 |
| Finance costs paid | | (45,527) | (37,566) |
| Retirement benefits paid | | (4,195) | (1,790) |
| Taxes paid | | (62,043) | (58,901) |
| Net cash (used in) / generated from operating activities | A | (97,793) | 72,132 |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (21,582) | (17,915) |
| Proceeds from sale of property and equipment | | 7,092 | 10,801 |
| Profit on bank deposit | | 13,043 | 8,476 |
| Term deposits | | (8,427) | 5,912 |
| Short term investments | | - | (1,990) |
| Increase in long term deposits - net | | (12,178) | (4,646) |
| Net cash (used in) / generated from investing activities | B | (22,052) | 638 |
| Cashflows from financing activities | | | |
| Dividend paid | | (29,405) | (97,652) |
| Long term loan (repaid) / received | | (18,182) | (18,182) |
| Finances under mark up arrangements and other credit facilities | | 284,009 | (27,525) |
| Issuance of shares | | 15,071 | 4,241 |
| Repayment of finance lease liabilities | | (79,185) | (50,219) |
| Net cash generated from / (used in) financing activities | C | 172,308 | (189,337) |
| Net increase / (decrease) in cash and cash equivalents | A+B+C | 52,463 | (116,567) |
| Cash and cash equivalents at the beginning of the year | | 52,763 | 169,330 |
| Cash and cash equivalents at the end of the year | 29 | 105,226 | 52,763 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Capital Reserves | | | | | Revenue Reserve | | | | Non-Controlling Interest | Total |
|--|--|---------------|-------------------|---------------------------------------|--|------------------------------|------------------------|-----------|-------|--------------------------|-------|
| | Issued, Subscribed and Paid up capital | Share Premium | Statutory Reserve | Employees' Share compensation Reserve | Surplus on Revaluation of Property and equipment | Exchange revaluation reserve | Un-appropriated Profit | Sub-Total | | | |
| (Rupees in '000) | | | | | | | | | | | |
| Balance as on 01 January 2018 - As restated | 1,321,211 | 61,894 | 3,002 | 69,825 | 146,115 | 238,775 | 894,265 | 2,735,087 | 3,062 | 2,738,149 | |
| Net profit for the year ended 31 December 2018 | - | - | - | - | - | - | 691,645 | 691,645 | - | 691,645 | |
| Other comprehensive income- net of tax | - | - | - | - | 22,596 | 200,930 | - | 223,526 | - | 223,526 | |
| Transfer from revaluation surplus on account of incremental depreciation | - | - | - | - | (796) | - | 796 | - | - | - | |
| Total comprehensive income for the year | - | - | - | - | 21,800 | 200,930 | 692,441 | 915,171 | - | 915,171 | |
| Employees' Share Option Scheme-I issued, 4,199,629 shares @ Rs.10 | 41,997 | - | - | (37,797) | - | - | - | 4,200 | - | 4,200 | |
| Post ballot shares issued 2,997 @ Rs. 14 | 30 | 12 | - | - | - | - | - | 42 | - | 42 | |
| Employee share option reserve - restated | - | - | - | 83,023 | - | - | - | 83,023 | - | 83,023 | |
| Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share | - | - | - | - | - | - | (306,729) | (306,729) | - | (306,729) | |
| | 42,027 | 12 | - | 45,226 | - | - | (306,729) | (219,464) | - | (219,464) | |
| Balance as on 31 December 2018 - As restated | 1,363,238 | 61,906 | 3,002 | 115,051 | 167,915 | 439,705 | 1,279,977 | 3,430,794 | 3,062 | 3,433,856 | |
| Effect of adoption of IFRS-9 | - | - | - | - | - | - | (81,843) | (81,843) | - | (81,843) | |
| Balance as on 01 January 2019 - As restated | 1,363,238 | 61,906 | 3,002 | 115,051 | 167,915 | 439,705 | 1,198,134 | 3,348,951 | 3,062 | 3,352,013 | |
| Net profit for the year ended 31 December 2019 | - | - | - | - | - | - | 912,176 | 912,176 | - | 912,176 | |
| Other comprehensive income | - | - | - | - | 42,419 | 170,395 | - | 212,814 | 1,284 | 214,098 | |
| Transfer from revaluation surplus on account of incremental depreciation | - | - | - | - | (613) | - | 613 | - | - | - | |
| | - | - | - | - | 41,806 | 170,395 | 912,789 | 1,124,990 | 1,284 | 1,126,274 | |
| Bonus shares for the year ended 31 December 2018 at the rate of 40% | 545,295 | - | - | - | - | - | (545,295) | - | - | - | |
| Dividend payable (Note 18.1) | - | - | - | - | - | - | (3,094) | (3,094) | - | (3,094) | |
| ESOS-I issue - 200,000 shares @ Rs. 10 | 2,000 | 6,237 | - | (7,997) | - | - | - | 240 | - | 240 | |
| ESOS-III issue - 1,483,115 shares @ Rs. 10 | 14,831 | 70,241 | - | (70,241) | - | - | - | 14,831 | - | 14,831 | |
| Employee share option | - | - | - | 17,049 | - | - | - | 17,049 | - | 17,049 | |
| | 562,126 | 76,478 | - | (61,189) | - | - | (548,389) | 29,026 | - | 29,026 | |
| Balance as on 31 December 2019 | 1,925,364 | 138,384 | 3,002 | 53,862 | 209,721 | 610,100 | 1,562,534 | 4,502,967 | 4,346 | 4,507,313 | |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.


Chief Executive
Bakhtiar Hameed Wain

Chief Financial Officer
Saeed Ullah Khan Niazi

Director
Tanveer Karamat

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

| BUSINESS UNIT | LOCATION |
|-------------------------|---|
| HEAD OFFICE | 19 km, Multan Road, Lahore 54500. |
| REGIONAL OFFICES | |
| Karachi | MA Tabba Foundation Building, First Floor, Gizri Road Block 9, Clifton Karachi, Sindh 75600 |
| Islamabad | Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000 |

1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVL)

Subsidiary companies;

% age of holding

| | |
|--|------|
| - Avanceon, Free Zone Establishment, UAE (AFZE); | 100% |
| - Innovative Automation Inc. (formerly Engro Innovative Inc.) USA (IA) | 100% |
| - Avanceon Automation and Control W.L.L (AVAC) | 49% |
| - Octopus Digital (Private) Limited | 100% |

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

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

The other shareholder in AVAC, Arkan Integrated Development LLC holds 51% of the share capital but has no interest in the Establishment as per the shareholder's Agreement, except 3% share of any dividends, when announced by Avanceon FZE.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 New and amended standards and interpretations, and improvements

The Group has adopted the following revised standards, amendments and interpretations of IFRSs which became effective for the current year:

| Standard or Interpretation | |
|----------------------------|--|
| IAS 40 | - Transfers to Investment Property (Amendments) |
| IFRS 4 | - Insurance Contracts: Applying IFRS 9 with IFRS 4 Insurance Contracts (Amendments) |
| IFRS 2 | - Share based Payments — Classification and Measurement (Amendments) |
| IFRIC 22 | - Foreign Currency Transactions and Advance Consideration |
| IFRS 9 | - Financial Instruments: Classification and measurement |
| IFRS 9 | - Prepayment Features with Negative Compensation (Amendments) |
| IFRS 15 | - Revenue from Contracts with Customers |
| IFRS 11 | - Joint Arrangements - Previously held Interests in a Joint operation |
| IFRS 16 | - Leases |
| IAS 12 | - Income Taxes - Income tax consequences of payments on financial instruments classified as equity |
| IAS 19 | - Plan Amendment, Curtailment or Settlement (Amendments) |
| IAS 28 | - Long-term Interests in Associates and Joint Ventures (Amendments) |
| IFRIC 23 | - Uncertainty over Income Tax Treatments |

There are also Annual Improvements to IFRS Standards 2015–2017 Cycle which were effective from 01 January 2019 and were adopted by the Group. Adoption of the above standards / interpretations and Annual Improvements did not have a material impact on these consolidated financial statements except for IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases. The nature and effect of these changes are disclosed below:

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of retrospective application is recognized by adjusting opening retained earnings whereas comparative amounts are not adjusted.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognized in the statement of financial position as at 01 January 2019:

| (Rupees in '000) | Carrying Amount as previously | Reclassification | IFRS 15 Carrying Amount |
|--|----------------------------------|------------------|----------------------------|
| | As at 01 January 2019 | | |
| Trade debts | 3,981,886 | (2,029,538) | 1,952,348 |
| Contract assets - | - | 2,029,538 | 2,029,538 |
| Creditors, accrued and other liabilities | 1,766,230 | (702,145) | 1,064,085 |
| Contract liabilities | - | 702,145 | 702,145 |
| | 2,215,656 | - | 2,215,656 |

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

"The adoption of revenue recognition standard did not have a material impact on amounts in statement of profit or loss, statement of other comprehensive income, or earnings per share for the prior period as the Group already recognizes revenue against sale of goods upon of transfer of control as required by IFRS 15. Revenue against services are already accounted for as satisfaction of performance obligation over time as required by IFRS 15 and in respect of project revenue requirements of IAS 11, Construction Contracts were being followed which requires revenue recognition on percentage of completion, which is similar to input method of measurement of progress towards satisfaction of performance obligation.

The cash flows from operating, investing and financing activities were not affected.

a) Sale of Goods

The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customers, generally on delivery of products to customers. Therefore, the adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

b) Rendering of services

Maintenance and service income comprises of revenue earned from service level agreements, where the customer enters into a contract with the Group for a fixed period of time and fee amount, both pre-defined in the contract, for various technical and engineering services. Revenue is recognized on the basis of percentage of rendering of services, i.e. on the number of days of services performed out of the total contracted days for service level agreements. Due to recognition of revenue over time as performance obligation satisfies over time, there is no material impact of IFRS 15 adoption.

c) Project revenue

These comprise of projects such as Hardware and Software Automation, Efficiency Solutions etc. Revenue from these projects is accounted for using percentage of completion basis. Percentage of completion is determined by dividing actual cost incurred on the project to date by total forecast cost, which is calculated by a team of engineers on the inception of the project. This approach of revenue recognition under IAS 11, is consistent with IFRS 15, therefore resulting in no material impact.

Overall Impact on the consolidated financial statements due to adoption of IFRS 15 as at year end, is as follows:

| | Carrying Amount as previously | Reclassification | IFRS 15 Carrying Amount |
|--|----------------------------------|------------------|----------------------------|
| As at 31 December 2019 | | | |
| (Rupees in '000) | | | |
| Trade debts | 6,033,584 | (3,602,180) | 2,431,404 |
| Contract assets - | - | 3,602,180 | 3,602,180 |
| Creditors, accrued and other liabilities | 2,798,125 | (1,127,342) | 1,670,783 |
| Contract liabilities | - | 1,127,342 | 1,127,342 |
| | 3,235,459 | - | 3,235,459 |

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2019. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as follows:

| Assets | Adjustments | 01 January 2019 |
|---|--------------------|------------------------|
| (Rupees in '000) | | |
| Trade debts | b) | 14,416 |
| Contract assets | | 32,972 |
| Receivable from Engro Corporation / dividend receivable | | 30,637 |
| Long term loans and deposits | | 3,818 |
| Total assets | | 81,843 |

(Rupees in '000)

01 January 2019

| | |
|------------------------------------|-----------------|
| Liabilities | - |
| Total adjustment on equity: | |
| Retained earnings | (81,843) |
| Total | (81,843) |

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables, deposits, loans and other receivables classified as "loans and receivables" as at 31 December 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as "debt instruments" at amortized cost beginning 1 January 2019.
- Listed equity investments classified as "held for trading" financial assets as at 31 December 2018 are classified and measured as "financial assets at fair value through profit or loss" beginning 1 January 2019.
- Long term investment classified as "available for sale" financial asset as at 31 December 2018 is classified and measured as "financial asset at fair value through other comprehensive income" beginning 1 January 2019.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following reclassifications as at 1 January 2019:

| As at 01 January 2019 | IFRS 9 measurement category | | |
|---|------------------------------------|-----------------------|------------------|
| | FVPL | Amortized Cost | FVOCI |
| IAS 39 measurement category | | | |
| Available for sale investment | | | |
| Long term investment | - | - | 843,129 |
| Deposits, loans, debts and receivables | | | |
| Long term loans and deposits | 37,908 | - | 37,908 |
| Trade debts | 3,981,886 | - | 3,934,498 |
| Deposits and other receivables | 413,365 | - | 382,728 |
| Held for trading | | | |
| Listed equity Investments | 1,257 | 1,257 | - |
| | 4,434,416 | 1,257 | 4,355,134 |
| | | | 843,129 |

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Group recognized additional impairment on the Group's trade receivables amounting to Rs. 82.844 million which resulted in a corresponding decrease in retained earnings as at 01 January 2019.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

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| (Rupees in '000) | Allowance for impairment under IAS 39 as at 31 December 2018 | Remeasurement | ECL under IFRS 9 as at 01 January 2019 |
|---|--|---------------|--|
| Trade debts | 71,532 | 14,416 | 85,948 |
| Contract assets | 36,306 | 32,972 | 69,278 |
| Receivable from Engro Corporation / dividend receivable | - | 30,637 | 30,637 |
| Long term loans and deposits | - | 3,818 | 3,818 |
| | 107,838 | 81,843 | 189,681 |

- Impact of adoption of IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Group does not have any lease agreements where it is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17, if any). However, there are terminology changes under the new standard. The Group's assets subject to finance lease under IAS 17 have now been presented as Right of Use (ROU) assets.

Leases previously accounted for as operating leases

The Group recognized right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The adoption of IFRS 16 required changes in the Group's accounting policies and affected the recognition, measurement and presentation of certain amounts recognized in the statement of profit or loss and the statement of financial position. Details of these new requirements as well as their impact (where applicable) on the Group's consolidated financial statements are described below.

The cumulative effect of the changes made to the consolidated statement of financial position as at 01 January 2019 upon the adoption of IFRS 16 were as follows:

| (Rupees in '000) | Balance as at 31 December 2018 | Adjustment due to IFRS 16 | Balance as at 01 January 2019 |
|--|--------------------------------|---------------------------|-------------------------------|
| Statement of financial Position | | | |
| Property and equipment - right of use assets | 337,141 | 66,860 | 404,001 |
| Total assets | 337,141 | 66,860 | 404,001 |
| Lease liabilities | 63,958 | 48,092 | 112,050 |
| NON CURRENT LIABILITIES | 63,958 | 48,092 | 112,050 |
| Lease liabilities - Current portion | 26,420 | 18,768 | 45,188 |
| Current liabilities | 26,420 | 18,768 | 45,188 |
| Total equity and liabilities | 90,378 | 66,860 | 157,238 |

The Group's weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application of IFRS 16 ranges from 7% to 10% per annum.

Reconciliation of Group's operating lease commitments disclosed during 2018 with lease liabilities recognized under implementation of IFRS 16:

| | Rupees in thousand |
|--|--------------------|
| Operating lease commitments as at 31 December 2018 | 17,200 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 7% to 10% |
| Discounted operating lease commitments as at 31 December 2018 | 16,784 |
| Less: | |
| Commitments relating to short-term lease | (4,324) |
| Add: | |
| Lease payments relating to renewal periods not included in operating lease | 54,400 |
| Lease liabilities as at 01 January 2019 | 66,861 |

The impact of adoption of IFRS 16 on the consolidated statement of profit or loss and the consolidated statement of financial position for the year ended 31 December 2019 is as follows:

| (Rupees in '000) | Amounts after implementation of IFRS 16 | Adjustment due to implementation of IFRS 16 | Amounts before implementation of IFRS 16 |
|--|---|---|--|
| Statement of profit or loss | | | |
| Cost of revenue | (3,412,208) | 2,556 | (3,414,764) |
| Gross profit / (loss) | 1,483,950 | 2,556 | 1,481,394 |
| Administrative, selling and distribution costs | (705,256) | 169 | (705,425) |
| Profit from operations | (396,668) | 169 | (396,837) |
| Finance costs | (124,342) | (3,907) | (120,435) |
| Profit for the year | 962,940 | (1,182) | 964,122 |
| Statement of Financial Position | | | |
| Property and equipment - right of use assets | 433,829 | 54,744 | 379,085 |
| Total assets | 433,829 | 54,744 | 379,085 |
| Retained earnings | 1,562,534 | (1,182) | 1,563,716 |
| Exchange revaluation reserve | 209,721 | (38) | 209,759 |
| Equity | 1,562,534 | (1,220) | 1,563,754 |
| Lease liabilities | 67,637 | 35,868 | 31,769 |
| Non current liabilities | 67,637 | 35,868 | 31,769 |
| Lease liabilities - Current portion | 45,554 | 20,096 | 25,458 |
| Current liabilities | 45,554 | 20,096 | 25,458 |
| Total equity and liabilities | 1,675,725 | 54,744 | 1,620,981 |

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

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

| | Standard or Interpretation | Effective date (annual periods beginning on or after) |
|---------------|---|--|
| IFRS 3 | Definition of Business (Amendments) | 01 January 2020 |
| IAS 1 | Presentation of Financial Statements — (Amendments) | 01 January 2020 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments) | 01 January 2020 |
| IAS 1 / IAS 8 | Definition of Material (Amendments) | 01 January 2020 |
| IAS 1 | Classification of liabilities as current or non-current | 01 January 2022 |
| IAS 23 | Borrowing Costs - Borrowing costs eligible for capitalization | 01 January 2020 |
| IFRS 14 | Regulatory Deferral Accounts | 01 July 2019 |

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

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

| Standard or Interpretation | | IASB effective date (annual periods beginning on or after) |
|----------------------------|-----------------------------|---|
| IFRS 17 | Insurance Contracts | 01 January 2021 |
| IFRS 1 | First-time Adoption of IFRS | 01 July 2009 |

The Group expects that these standards and improvements, when adopted by the Company on effective dates, will not have any material impact on the Group's consolidated financial statements.

3 BASIS OF MEASUREMENT

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

3.2 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

a) 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) Provisions and contingencies

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

c) Provision for expected credit losses

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

d) Impairment of non-financial assets

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

e) Recoverable amount of property and equipment

The Group bases its valuation of operating assets subject to impairment testing upon valuation performed by an independent valuation expert. The valuation is based on fair market value as mentioned in Note 20.

f) Cost to complete the projects and related revenue

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

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

g) Stock in trade

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

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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 statement of profit or loss.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when

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

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

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

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

5.2 Staff retirement benefits

Defined contribution plan

The Holding Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Holding Company and employees to the fund at the rate of 10% (2018:10%) of the basic salary.

Defined benefit plan

AVAC and FZE operate an unfunded gratuity scheme for all of its permanent employees. The cost of the unfunded gratuity plan is measured on the terminal basis without involving any actuarial calculations due to small number of employees covered under the plan.

5.3 Taxation

Current

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

Deferred

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

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

5.4 Property and equipment

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

Increase in the carrying amount arising on revaluation of property and equipment are credited to surplus on

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

Depreciation is charged to profit or loss using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in Note 20.1 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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

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

5.5 Intangible assets

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

Amortization is charged to profit or loss on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as specified in Note 21.

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

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

5.6 Capital work in progress

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

5.7 Leases

Group as a lessee.

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

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a) Right-of-use assets

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

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

b) Lease liabilities

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

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

c) Determining the lease term of contracts

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

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

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

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

5.8 Stock in trade

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

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

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

5.9 Financial instruments

5.9.1 Financial assets

a) Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 as explained in Note 2.2.1 Revenue from Contracts with Customers.

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

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

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

b) Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

The Group's financial assets at amortized cost includes long term loans and deposits, trade debts, deposits, and other receivables as disclosed in Note 2.2.1.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value

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with net changes in fair value recognized in the statement of profit or loss.

Based on business model of the Group, it elected to classify its equity investments under this category.

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

The Group's investment in Avanceon LP, USA is classified under this category.

c) Derecognition

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

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

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

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

d) Impairment of financial assets

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

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

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

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

5.9.2 Offsetting of financial assets and liabilities

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

5.9.3 Financial liabilities

a) Initial recognition and measurement

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

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

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

b) Subsequent measurement

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

Financial liabilities at amortized cost

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

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

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

This category generally applies to the liabilities as disclosed in Note 42.2.

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Financial liabilities at fair value through profit or loss

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

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

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

5.9.4 Dividend income

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

5.9.5 Financial income

Financial income is recognized as it accrues on a time proportion basis by reference to the principal outstanding, using the effective interest rate method.

5.10 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in Note 5.9.1 (d).

5.11 Cash and cash equivalents

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

5.12 Borrowings

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

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

5.13 Creditors, accruals and provisions

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

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

5.14 Foreign currency transactions and translation

The Group's consolidated financial statements are presented in Pak Rupee, which is also the Holding Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances

Transactions in foreign currency are converted in functional currency at the rates of exchange prevailing on the date

of transaction. Monetary assets and liabilities in foreign currencies at the statement of financial position date are translated into functional currency at the rate of exchange prevailing on the reporting date. Net exchange differences are recognized as income or expense in the period in which they arise.

“ii) Group Companies

The assets and liabilities of foreign operations are translated into Pak Rupee at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

5.15 Revenue recognition

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

Sale of goods

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

Rendering of services

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

Project revenue

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

5.16 Share based payment transactions

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

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

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

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

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

5.17 Segment reporting

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

5.18 Related party transactions

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

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6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2019 (Number of Shares) | 2018 (Number of Shares) | | 2019 (Rupees in '000) | 2018 (Rupees in '000) |
|----------------------------|----------------------------|--|--------------------------|--------------------------|
| 57,166,850 | 57,166,850 | Ordinary shares of Rs. 10 each fully paid in cash | 571,669 | 571,669 |
| 129,486,776 | 74,957,275 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 1,294,868 | 749,573 |
| 4,399,629 | 4,199,629 | Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I | 43,996 | 41,996 |
| 1,483,115 | - | Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III | 14,831 | - |
| 192,536,370 | 136,323,754 | | 1,925,364 | 1,363,238 |

| | 2019 (Number of Shares) | 2018 (Number of Shares) |
|--|----------------------------|----------------------------|
| 6.1 Movement during the year is as follows: | | |
| Balance as at 01 January | 136,323,754 | 132,121,128 |
| Shares issued under Employees' Share Options Schemes during the year | 1,683,115 | 4,202,626 |
| Bonus shares issued during the year | 54,529,501 | - |
| Balance as at 31 December | 192,536,370 | 136,323,754 |

6.2 Chief Executive Officer holds 61% (2018: 62%) share capital of the Holding Company.

7 SHARE PREMIUM

| Rupees in '000] | 2019 | 2018 |
|---|----------|----------|
| Initial Public Offering of 25,166,850 shares at the rate of Rs. 4 per share | 100,667 | 100,667 |
| Employees Share Option Scheme I | 6,237 | - |
| Employees Share Option Scheme III | 70,241 | - |
| Less: Costs incurred on Initial Public Offering | (38,761) | (38,761) |
| | 138,384 | 61,906 |

8 STATUTORY RESERVE

| | | |
|--|-------|-------|
| | 3,002 | 3,002 |
|--|-------|-------|

The statutory reserve has been created under the Qatar Commercial Companies Law, to the extent of the 50% of the share capital of a subsidiary, AVAC until such time as the reserve equals 50% of the capital.

9 EMPLOYEES' SHARE COMPENSATION RESERVE

| (Rupees in '000) | Note | 2019 | 2018 |
|--------------------------|------|--------|---------|
| Share options scheme I | 9.1 | 6,457 | 21,293 |
| Share options scheme II | 9.2 | 43,205 | 18,655 |
| Share options scheme III | 9.3 | 1,775 | 75,103 |
| Share options scheme IV | 9.4 | 2,425 | - |
| | | 53,862 | 115,051 |

9.1 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 were granted to employees of level MT3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. A reserve amounting to Rs. 45 million was created by the Board of Directors on 26 September 2013 in order to set aside amount for issuance of shares under the scheme out of unappropriated profit of the Holding Company.

| (Rupees in '000) | 2019 | 2018 |
|---|----------|----------|
| 9.1.1 Movement in the amount of options granted against the reserve is as follows: | | |
| Balance as at 01 January | 21,293 | 52,700 |
| Options issued during the year recognized at offer value | 3,340 | 6,390 |
| Adjustment of reserve for option holders resigning during the year | (10,179) | - |
| Transfer to share capital on issuance of shares during the year | (7,997) | (37,797) |
| Balance as at 31 December | 6,457 | 21,293 |

| (Number of Options) | 2019 | 2018 |
|--|-----------|-------------|
| 9.1.2 Movement in share options outstanding at end of the year is as follows: | | |
| Balance as at 01 January | 796,000 | 4,995,629 |
| Options issued during the year | - | - |
| Lapsed during the year | (336,266) | - |
| Share issued during the year | (200,000) | (4,199,629) |
| Balance as at 31 December | 259,734 | 796,000 |

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

- 9.2** 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) | 2019 | 2018 |
|---|--------|--------|
| 9.2.1 Movement in the amount of options granted against the reserve is as follows: | | |
| Balance as at 01 January | 18,655 | 17,125 |
| Options issued during the year recognized at offer value | 24,840 | 2,020 |
| Adjustment of reserve for option holders resigning during the year | (290) | (490) |
| Balance as at 31 December | 43,205 | 18,655 |

| (Number of Options) | 2019 | 2018 |
|--|-----------|-----------|
| 9.2.2 Movement in share options outstanding at end of the year is as follows: | | |
| Balance as at 01 January | 2,820,122 | 2,964,862 |
| Options issued during the year | - | - |
| Lapsed during the period | (738,057) | (144,740) |
| Balance as at 31 December | 2,082,065 | 2,820,122 |

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

- 9.3** Employee Stock Option Scheme, 2018 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 23 July 2018 which comprised of an entitlement pool of 1.75 million shares. Under the scheme, share options of

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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 were exercised within one year after the one year vesting period and therefore, the contractual term of each option granted was two years. The exercise price of the share options is Rs. 10 for options issued in 2018, Rs. 10.5 in 2019, Rs. 11.03 in 2020, Rs. 11.58 in 2021 and Rs. 12.15 in 2022.

| Rupees in '000) | 2019 | 2018 |
|---|----------|----------|
| 9.3.1 Movement in the amount of options granted against the reserve is as follows: | | Restated |
| Balance as at 01 January - Restated (Note 8.3.3) | 75,103 | - |
| Options issued during the year recognized at offer value | 1,776 | 75,103 |
| Adjustment of reserve for option holders resigning during the year | (4,863) | - |
| Share capital issued | (70,241) | - |
| Balance as at 31 December | 1,775 | 75,103 |

| (Number of Options) | 2019 | 2018 |
|--|-------------|-----------|
| 9.3.2 Movement in share options outstanding at end of the year is as follows: | | Restated |
| Balance as at 01 January - Restated (Note 8.3.3) | 1,550,000 | - |
| Options issued during the year | 64,500 | 1,550,000 |
| Lapsed during the period | (66,885) | - |
| Shares issued during the period | (1,483,115) | - |
| Balance as at 31 December | 64,500 | 1,550,000 |

9.3.3 During the year, management carried out a reconciliation of outstanding share options under employee stock option schemes and as a result of this process, identified that Employees Share Option Scheme III (ESOS III) was approved during prior year 2018, however, its financial effect was not erroneously accounted for in the financial statements for the year ended 31 December, 2018. The error has been corrected in these financial statements by restating the corresponding figures. As a result thereof, the profit for the year ended 31 December 2018 has been reduced by Rs. 75,102,667 with corresponding increase in Employees' Share Compensation Reserve. The basic and diluted EPS for the year ended 31 December 2018, has also decreased by Rs. 0.55 and Rs. 0.58 per share respectively.

9.4 Employee Stock Option Scheme, 2019 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 November 2019 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT 1 & 2 (who have completed minimum of 7 years of service period with the Company), MT3 and above. The share options can be exercised up to one year after the one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2019, Rs. 10.5 in 2020, Rs. 11.03 in 2021, Rs. 11.58 in 2022 and Rs. 12.15 in 2023.

| (Rupees in '000) | 2019 | 2018 |
|---|---------|------|
| 9.4.1 Movement in the amount of options granted against the reserve is as follows: | | |
| Balance as at 01 January | - | - |
| Options issued during the year recognized at offer value | 3,804 | - |
| Adjustment of reserve for option holders resigning during the year | (1,379) | - |
| Share capital issued | - | - |
| Balance as at 31 December | 2,425 | - |

| (Number of Options) | 2019 | 2018 |
|--|----------|------|
| 9.4.2 Movement in share options outstanding at end of the year is as follows: | | |
| Balance as at 01 January | - | - |
| Options issued during the year | 138,082 | - |
| Lapsed during the period | (50,067) | - |
| Shares issued during the period | - | - |
| Balance as at 31 December | 88,015 | - |

10 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

| (Rupees in '000) | 2019 | 2018 |
|---|---------|---------|
| Opening balance of surplus on revaluation of property and equipment | 167,915 | 146,115 |
| Revaluation surplus arising during the year - net of tax | 42,419 | 22,596 |
| Surplus transferred to unappropriated profit on account of incremental depreciation | (613) | (796) |
| Closing balance of surplus on revaluation of property and equipment - net of tax | 209,721 | 167,915 |

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.

11 LEASE LIABILITIES

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 9.09% to 16.12% (2018: 8.45% to 9.59%) per annum and lease period 3 to 4 years (2018: 3 to 4 years) for the Holding Company. The interest rates for subsidiaries (Avanceon Automation & Control W.L.L. and Avanceon FZE) 10% and 7% respectively. The amount of future payments and the period during which they will become due are:

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|----------|----------|
| Year ended 31 December | | | |
| Due not later than 1 year | | 55,748 | 44,552 |
| Due later than 1 year but not later than 5 years | | 77,174 | 59,478 |
| Lease payments | 11.1 | 132,922 | 104,030 |
| Less: Future finance charges | | (19,731) | (13,652) |
| | | 113,191 | 90,378 |
| Current portion | | (45,554) | (26,420) |
| | | 67,637 | 63,958 |

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

| (Rupees in '000) | 2019 | | 2018 | |
|--|---------|----------|---------|----------|
| | LP | PV of LP | LP | PV of LP |
| Due not later than 1 year | 55,748 | 45,554 | 44,552 | 26,420 |
| Due later than 1 year but not later than 5 years | 77,174 | 67,637 | 59,478 | 63,958 |
| | 132,922 | 113,191 | 104,030 | 90,378 |

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Set out below is the movements during the year:

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|----------|----------|
| As at 1 January - as reported | | 90,378 | 78,125 |
| Effect of IFRS-16 | | 74,715 | - |
| As at 1 January - restated | | 165,094 | 78,125 |
| Additions during the year | | 24,019 | 46,454 |
| Security deposits adjusted during the year | | (11,303) | - |
| Accretion of interest | | 13,661 | 6,631 |
| Payments during the year | | (79,185) | (40,685) |
| Foreign exchange movement | | 906 | (147) |
| As at 31 December | | 113,191 | 90,378 |

12 LONG TERM LOAN

| (Rupees in '000) | 2019 | 2018 |
|---|---------|----------|
| Long term loan | 1,515 | 19,697 |
| Less: current portion of long term loan | (1,515) | (18,182) |
| | - | 1,515 |

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

13 EMPLOYEES' END OF SERVICE BENEFITS

This relates to unfunded gratuity scheme operated by Avanceon FZE and Avanceon Automation and Control WLL for their permanent employees. Movement during the year is as follows:

| (Rupees in '000) | 2019 | 2018 |
|---------------------------|---------|----------|
| Opening balance | 63,749 | 36,946 |
| Charge for the year | 13,560 | 16,816 |
| Payments during the year | (4,195) | (10,799) |
| Foreign exchange movement | 7,788 | 20,787 |
| Closing balance | 80,901 | 63,749 |

14 DEFERRED TAXATION

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

| | | |
|--|-----------|----------|
| Accelerated tax depreciation / amortization | 20,361 | 3,795 |
| Provision for expected credit losses | (21,017) | (3,517) |
| Employees' share compensation reserve | (457) | - |
| Tax credits under Second Schedule | (107,905) | - |
| Unused depreciation and / or tax losses | - | (7,360) |
| Alternative Corporate Tax (expiry 10 years) | - | (13,844) |
| Surplus on revaluation of property and equipment during the year | 2,111 | 100 |
| Deferred tax on incremental depreciation | 3,071 | 2,823 |
| Income taxable on receipt basis | 30,021 | 42,430 |
| Net deferred tax (asset) / liability | (73,815) | 24,427 |

15 FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED

| (Rupees in '000) | Note | 2019 | 2018 |
|---------------------------|------|---------|---------|
| JS Bank Limited | 15.1 | 258,394 | 196,731 |
| Habib Bank Limited | 15.2 | 124,901 | 52,135 |
| United Bank Limited | 15.3 | 74,845 | 37,800 |
| Bank of Singapore | 15.4 | 15,513 | 25,413 |
| National Bank of Fujairah | 15.5 | 125,686 | - |
| | | 599,339 | 312,079 |

| Rupees in '000) | Note | Maturity Days | Limit | 2019 | 2018 |
|-----------------------------|--------|---------------|---------|---------|---------|
| 15.1 JS Bank Limited | | | | | |
| Running finance | 15.1.1 | 365 | 170,000 | 158,444 | 90,866 |
| Inland bill purchase | 15.1.2 | 180 | 100,000 | 99,950 | 105,865 |
| | | | | 258,394 | 196,731 |

15.1.1 The Holding Company has obtained this facility bearing mark-up at the rate of 1 month KIBOR plus 2.25% (2018: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs. 165 million (2018: Rs.165 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land and building) of the Holding Company, ranking hypothecation charge of Rs. 300 million (2018: Rs. 300 million) over all present and future current assets of the Holding Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Holding Company.

15.1.2 This carries mark-up at the rate of 1 month KIBOR plus 2% (2018: nil) and is secured against invoices / bills receivable from customers, charge on present and future current assets of the Holding Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Holding Company.

| Rupees in '000) | Maturity Days | Limit | 2019 | 2018 |
|--------------------------------|---------------|---------|---------|------|
| 15.2 Habib Bank Limited | | | | |
| Inland bill purchase | 180 | 125,000 | 124,900 | - |

This carries mark-up at Matching Tenor KIBOR plus 2% (2018: Matching Tenor KIBOR plus 2%) per annum from Habib Bank Limited. The facility is secured against invoices / bills receivable from customers (2018: invoices / bills receivable from customers), charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor Directors of the Holding Company.

| Rupees in '000) | Maturity Days | Limit | 2019 | 2018 |
|---------------------------------|---------------|---------|--------|--------|
| 15.3 United Bank Limited | | | | |
| Short term loan | 90 | 42,240 | - | 37,800 |
| Trust receipt loans | 180 | 122,496 | 29,649 | - |
| Project financing | 180 | 42,240 | 45,196 | - |
| | | | 74,844 | 37,800 |

These finance facilities have been obtained by Avanceon FZE and bear mark-up at the rate of 4.5% over three months EIBOR with a floor of 9 percent and are secured by way of undated cheque of AED 1,025,000, lien on deposits, assignment of receivables from respective projects, personal guarantees of Directors of the Holding Company and cross corporate guarantee of the Holding Company. Overdue outstanding and/ or excess utilization over the limit will be charged interest rate @ 2.5% per annum over the normal rate for the period from the due date or date of excess utilization to the date of actual settlement of overdue outstanding or excess utilization.

| Rupees in '000) | Maturity Days | Limit | 2019 | 2018 |
|-------------------------------|---------------|--------|--------|--------|
| 15.4 Bank of Singapore | | | | |
| Short term loan | 180 | 28,385 | 15,513 | 25,413 |

This loan has been obtained by Avanceon FZE and bears mark-up at the rate of 0.3% per month. It is secured against the investments made by the Establishment in the Bank of Singapore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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| Rupees in '000] | Maturity Days | Limit | 2019 | 2018 |
|---------------------------------------|---------------|---------|---------|------|
| 15.5 National Bank of Fujairah | | | | |
| Short term loan | 120 | 126,720 | 125,686 | - |

These finance facilities have been obtained by Avanceon FZE and bear mark-up at NBF prime rate less 0.5% per annum or minimum rate of 8%, whichever is higher. This facility is secured by hypothecation of stocks belonging to the Establishment, in the favor of bank, assignment of proceeds of contracts / project financed in the favor of bank, personal guarantee of a Director of Holding Company and pledge over fixed deposit of AED 200,000 in favor of bank, Cross corporate guarantees between Avanceon FZE and Innovative Technology Solutions FZE (an associated Company), settlement cheque covering the total facilities amount (less fixed deposits under pledge) drawn on National bank of Fujairah by the Establishment in favor of the bank and assignment of proceeds of contracts/ project financed, in favor of bank.

| (Rupees in '000) | Note | 2019 | 2018 |
|---|--------|------------------|------------------|
| 16 CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Trade creditors | | 1,322,305 | 926,548 |
| Accrued expenses | | 149,401 | 65,464 |
| Advances from customers | | - | 15,991 |
| Payable to related parties | 16.1 | 2,586 | 4,880 |
| Payable to provident fund | | 23,696 | 11,931 |
| Employee share portion - vehicle | | 19,364 | 18,241 |
| Balance due to statutory authorities | | | |
| - Withholding tax | | 20,245 | - |
| - Income tax | | 74,960 | - |
| Mark up accrued on: | | | |
| - Long term finances | | 304 | 303 |
| - Finances under mark up arrangements and other credit facilities - secured | | 11,795 | 4,531 |
| Billing in excess of cost and estimated earning | | - | 586,154 |
| Other liabilities | | 46,126 | 32,187 |
| | | 1,670,783 | 1,766,230 |
| 16.1 Payable to related parties | | | |
| Arkan Integrated Development L.L.C | 16.1.1 | 1,266 | 3,284 |
| Innovative Travels (Private) Limited | | 1,320 | 1,596 |
| | | 2,586 | 4,880 |

16.1.1 This includes amount due to Arkan Integrated Development L.L.C in respect of current account against expenses incurred on behalf of AVAC and 3% commission payable of Rs. 5.40 million.

| (Rupees in '000) | Note | 31 December 2019 | 01 January 2019 |
|--------------------------------|------|---------------------|--------------------|
| 17 CONTRACT LIABILITIES | | | |
| Advances from customers | | 68,695 | - |
| Billings in excess of earnings | | 1,058,647 | - |
| | 17.1 | 1,127,341 | - |

| (Rupees in '000) | Note | 31 December 2019 | 01 January 2019 |
|---|------|---------------------|--------------------|
| 17.1 Movement of contract liability: | | | |
| As at 01 January | | 814,675 | - |
| Recognized as revenue during the year | | (207,029) | - |
| Addition during the year | | 519,696 | - |
| As at 31 December | | 1,127,342 | - |
| 18 UNCLAIMED DIVIDEND | | | |
| As at 01 January | | 283,074 | 73,999 |
| Declared during the year | | 3,094 | 306,728 |
| Paid during the year | | (29,405) | (97,653) |
| As at 31 December | 18.1 | 256,763 | 283,074 |

18.1 This includes dividend payable by the Holding Company to the Chief Executive, Mr. Bakhtiyar H Wain and Director, Mr. Aamir Wain amounting to Rs. 235.683 million (2018: Rs. 235.683) and 15.751 million (2018: Rs. 33.444) respectively. This also includes dividend payable to Arkan Integrated Development L.L.C., minority shareholder of Avanceon Automation and Control WLL of Rs. 3.09 million (2018: Nil).

19 CONTINGENCIES AND COMMITMENTS

19.1 Holding Company

19.1.1 Contingencies

There are no contingencies to report as at year end (2018: Rs. 60,085,283)

19.1.2 Commitments

- (i) Bank guarantees issued amounting to Rs. 36.06 million (2018: Rs. 47.06 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs. 53.34 million (2018: 23.08 million) which relates to import acceptance bills.

19.2 Subsidiaries

19.2.1 Contingencies

There is no contingency related to subsidiaries to report at year end (2018: Nil).

19.2.2 Commitments

Subsidiaries' commitments as at year end are as follows:

| (Rupees in '000) | Note | 2019 | 2018 |
|---|----------|---------|---------|
| AVAC | | | |
| Bank guarantees | | 42,126 | 249,664 |
| Post dated cheques issued against payment of rent | | 5,002 | 4,362 |
| | | 47,128 | 254,027 |
| FZE | | | |
| Bank guarantees | 19.2.2.1 | 241,702 | 246,571 |
| Letters of credit | | 197,385 | 12,734 |
| Post dated cheques issued against payment of rent | | 8,223 | 44,395 |
| | | 447,310 | 303,700 |

19.2.2.1 These guarantees are given by the bank on behalf of the FZE in favor of emirates central cooling systems and corporations (Empower), Oil and Gas Development Company Limited, Arabtech, Gulf first and other companies against the performance guarantee and bid bond guarantee.

20 PROPERTY AND EQUIPMENT

| (Rupees in '000) | Note | 2019 | 2018 |
|------------------------|------|---------|---------|
| Operating fixed assets | 20.1 | 433,829 | 337,141 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

20.1 Operating fixed assets

2019

| (Rupees in '000) | Cost / Revalued Amount as at 01 January 2019 | Exchange adjustment on cost | Additions/ *Transfers/ (Deletions) | Effect of revaluation | Cost as at 31 December 2019 | Accumulated Depreciation as at 01 January 2019 | Exchange adjustment on accumulated depreciation | *Transfer adjustments/ (Deletions) | Depreciation charge for the year/ *Effect of revaluation | Accumulated depreciation as at 31 December 2019 | Net Book value as at 31 December 2019 | Rate % |
|---------------------------------|--|-----------------------------|------------------------------------|-----------------------|-----------------------------|--|---|------------------------------------|--|---|---------------------------------------|--------|
| Owned Assets | | | | | | | | | | | | |
| Freehold land | 149,000 | - | - | 37,250 | - | - | 186,250 | - | - | - | 186,250 | - |
| Buildings on freehold land | 72,579 | - | 1,275 | 5,056 | 78,910 | - | - | 2,223 | [2,223] | - | 78,910 | 3.13 |
| Tools and equipment | 5,442 | 640 | 3,719 | - | 9,801 | 5,200 | 613 | 505 | - | 6,318 | 3,483 | 20 |
| Office equipment and appliances | 43,040 | 984 | 2,338 | - | 42,519 | 35,018 | 687 | 3,178 | - | 35,160 | 7,358 | 20 |
| Furniture and fixture | 22,308 | 1,001 | 2,518 | - | 25,516 | 19,543 | 924 | [3,723] | - | 21,519 | 3,997 | 20 |
| Computers | 34,631 | 943 | 11,732 | - | 38,435 | 23,725 | 712 | [304] | - | 23,720 | 14,715 | 33.33 |
| Vehicles | 12,381 | 278 | - | - | 12,603 | 11,344 | 277 | 364 | - | 11,803 | 799 | 20 |
| | 339,381 | 3,846 | 21,582 | 42,306 | 394,034 | 94,830 | 3,213 | [11,011] | 10,829 * | 98,521 | 295,514 | |
| | | | 15,233 * | | | | | [23,909] | 10,829 * | | | |
| Right of use assets | | | | | | | | | | | | |
| Building | - | - | 74,715 | - | 74,715 | - | 616 | 19,355 | - | 19,971 | 54,744 | 20 |
| Vehicles | 140,616 | 954 | 24,019 | - | 150,356 | 48,028 | 167 | 29,419 | - | 66,785 | 83,571 | 20 |
| | | | [15,233] * | | | | | | [10,829] | | | |
| | 140,616 | 954 | 98,734 | - | 225,071 | 48,028 | 783 | 48,774 | - | 86,756 | 138,315 | |
| | | | [15,233] * | | | | | | [10,829] | | | |
| | 479,997 | 4,800 | 120,316 | 42,306 | 619,105 | 142,858 | 3,996 | 64,554 | [2,223] | 185,276 | 433,829 | |
| | | | | | | | | [23,909] | | | | |

2018

| (Rupees in '000) | Cost / Revalued Amount as at 01 January 2018 | Exchange adjustment on cost | Additions/ *Transfers/ | (Deletions) | Effect of revaluation during the year 31 December 2018 | Cost revalued as at 31 December 2018 | Accumulated Depreciation as at 01 January 2018 | Exchange adjustment on accumulated depreciation | Depreciation charge for the year/ (Deletions) | *Effect of revaluation/ *Transfer | Accumulated depreciation as at 31 December 2018 | Net Book value as at 31 December 2018 | Rate % |
|--|--|-----------------------------|-------------------------------|-------------|--|--------------------------------------|--|---|---|--------------------------------------|---|---------------------------------------|--------|
| Owned Assets | | | | | | | | | | | | | |
| Freehold land | 126,650 | - | - | - | 22,350 | 149,000 | - | - | - | - | - | 149,000 | - |
| Buildings on freehold land | 73,371 | - | 1,000 | - | (1,792) | 72,579 | - | - | 2,139 | (2,139) | - | 72,579 | 3.13 |
| Tools and equipment | 4,322 | 1,120 | - | - | - | 5,442 | 4,079 | 1,065 | 56 | - | 5,200 | 243 | 20 |
| Office equipment and appliances | 35,069 | 1,220 | 5,267 1,525 | (41) | - | 43,040 | 29,636 | 1,047 | 3,021 (34) | 35,018 1,347 | 8,022 | | 20 |
| Furniture and fixture | 18,870 | 1,625 | 2,024 | (211) | - | 22,308 | 17,398 | 1,579 | 776 | - | 19,543 | 2,765 | 20 |
| Computers | 23,760 | 1,247 | 9,624 | - | - | 34,631 | 18,164 | 1,177 | (211) 4,383 | - | 23,725 | 10,906 | 33.33 |
| Vehicles | 19,511 | 1,221 | - 12,208 | (20,559) | - | 12,381 | 16,696 | 1,018 | 825 (11,813) | - 4,617 | 11,344 | 1,038 | 20 |
| | 301,553 | 6,433 | 17,915 13,733 | (20,811) | 20,558 | 339,382 | 85,974 | 5,887 | 11,199 (12,058) | (2,139) 5,964 | 94,828 | 244,553 | |
| Assets subject to finance lease | | | | | | | | | | | | | |
| Office equipment and Appliances | 1,525 | - | - | - | - | - | 1,042 | - | 305 | - | - | - | 20 |
| Vehicles | 92,095 | - | (1,525) 62,042 (12,208) | (1,313) | - | 140,616 | 31,052 | 117 | 22,330 (853) | (1,347) (4,617) | 48,028 | 92,588 | 20 |
| | 93,620 | - | 62,042 (13,733) | (1,313) | - | 140,616 | 32,094 | 117 | 22,635 (853) | - (5,964) | 48,028 | 92,588 | |
| | 395,173 | 6,433 | 79,957 | (22,124) | 20,558 | 479,997 | 118,068 | 6,004 | 33,834 (12,911) | (2,139) | 142,856 | 337,141 | |

* This represents transfer of vehicles from lease to owned vehicle after the completion of lease term.

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20.1.1 The depreciation charge has been allocated as follows:

| (Rupees in '000) | Note | 2019 | 2018 |
|-------------------------------------|------|--------|--------|
| Cost of revenue | 31.1 | 32,276 | 16,917 |
| Administrative and selling expenses | 32 | 32,276 | 16,917 |
| | | 64,553 | 33,834 |

Fair value of the land and building was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for assets of similar nature, location and condition. As at the date of revaluation on 31 December 2019, the fair values of land and building are based on valuations performed by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. This revaluation resulted in Rs. 37.25 million surplus (2018: Rs. 22.35 million) on land and Rs. 7.28 million surplus (2018: Rs. 0.347 million) in respect of building. Detailed particulars are as follows:

| (Rupees in '000) | Depreciated cost | Revalued amount |
|----------------------------|------------------|-----------------|
| Freehold land | 149,000 | 186,250 |
| Buildings on freehold land | 71,631 | 78,910 |
| | 220,631 | 265,160 |

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

| (Rupees in '000) | 2019 | 2018 |
|----------------------------|--------|--------|
| Freehold land | 8,647 | 8,647 |
| Buildings on freehold land | 33,194 | 36,316 |
| | 41,841 | 44,963 |

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

20.1.3 Disposal of property and equipment

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

| (Rupees in '000) | 2019 | | | | | | |
|--|------------------------------|--------|--------------------------|------------|---------------|-------------|------------------|
| Particulars of assets | Sold to | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain/(loss) | Mode of Disposal |
| Owned Vehicles | | | | | | | |
| Suzuki Swift DLX 1.3 LEE-14-4936 | Employee (Mian Ali Zafar) | 1,309 | 1,266 | 43 | 323 | 280 | As per policy |
| Suzuki Swift DLX 1.3 LEE-14-5308 | Employee (Yasir Maqsood) | 1,309 | 1,266 | 43 | 286 | 243 | As per policy |
| Suzuki Swift DX 1.3 LEE-14-4932 | Employee (Mehran Hassan) | 1,248 | 1,207 | 41 | 305 | 264 | As per policy |
| Honda City MT 1.3 BBX-874 | Employee (Muhammad Saad) | 1,560 | 1,455 | 105 | 471 | 366 | As per policy |
| Honda Civic Oriel 1.8 CF-127 | Employee (Tauqir Karamat) | 2,577 | 2,405 | 172 | 1,236 | 1,064 | As per policy |
| Suzuki Swift DLX 1.3 LE-16-6474 | Employee (Mir Usman Amjad) | 1,362 | 567 | 795 | 706 | (89) | As per policy |
| Corolla GLI 1.6 Altis LEF-15-5788 | Employee (Syed Adeel Haider) | 2,020 | 1,414 | 606 | 859 | 253 | As per policy |
| COROLLA GLI 1.3 MT LE-17-5890 | Employee (Nasir Ali) | 1,922 | 737 | 1,185 | 1,115 | (70) | As per policy |
| COROLLA GLI 1.3 MT LE-17-4721 | Employee (Imran Ashraf) | 1,923 | 641 | 1,282 | 1,281 | (1) | As per policy |
| | | 15,230 | 10,958 | 4,272 | 6,582 | 2,310 | |
| Other assets with book value less than Rs. 500,000 | | 13,084 | 12,951 | 133 | 510 | 377 | |
| | | 28,314 | 23,909 | 4,405 | 7,092 | 2,687 | |

(Rupees in '000)

2018

| Particulars of assets | Sold to | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain/ (loss) | Mode of Disposal |
|---|--|--------|--------------------------|------------|---------------|--------------|------------------|
| Owned Vehicles | | | | | | | |
| Swift LED -13-5257 | Employee (Muhammad Nauman Ahsan) | 1,197 | 1,117 | 80 | 175 | 95 | As per policy |
| Swift LED -13-5258 | Employee (Hassan Goraya) | 1,346 | 1,240 | 106 | 218 | 112 | As per policy |
| Honda Civic LEF -13 2639 | Employee (Arif Shuja) | 2,240 | 2,163 | 77 | 457 | 380 | As per policy |
| Corolla GLi LE-15-6342 | Employee (Muhammad Saqib Rauf) | 1,885 | 1,131 | 754 | 715 | (39) | As per policy |
| Corolla GLi LE-17-5893 | Employee (Masood Kareem) | 1,922 | 384 | 1,538 | 1,403 | (135) | As per policy |
| Honda Civic LEF -13 2639 | Employee (Saeed Ullah Khan Niazi - CFO)* | 2,665 | 666 | 1,999 | 1,967 | (32) | As per policy |
| Swift LEF -15-4931 | Employee (Usman Ahmed Nasir) | 1,318 | 659 | 659 | 721 | 62 | As per policy |
| Honda Civic LEF -14-258 | Employee (Adeel Khalid) | 2,497 | 1,457 | 1,040 | 1,520 | 480 | As per policy |
| Honda City LE-17-6593 | Employee (Ahsan Khalil Company Secretary)* | 1,921 | 320 | 1,601 | 1,561 | (40) | As per policy |
| Hyundai Elantra 1.6 GL | Employee (Muhammad Ummad Taha) | 1,916 | 1,437 | 479 | 567 | 88 | As per policy |
| Hyundai Accent 1.4 GL | Employee (Rizwan Abdul Ghani) | 1,652 | 1,240 | 413 | 371 | (42) | As per policy |
| | | 20,559 | 11,813 | 8,746 | 9,675 | 929 | Leased Vehicle |
| Suzuki Swift BEE-454 | IGI General Insurance | 1,313 | 853 | 460 | 1,100 | 640 | Insurance Claim |
| Other assets with book value less than Rs. 500,000: | | 252 | 245 | 8 | 26 | 18 | Negotiation |
| | | 22,124 | 12,911 | 9,214 | 10,801 | 1,587 | |

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

21 INTANGIBLE ASSETS

(Rupees in '000)

Note

2019

2018

| | | | |
|--|--------|----------|----------|
| Cost | | 17,677 | 17,677 |
| Less: Accumulated amortization | 21.1 | (17,677) | (17,645) |
| Net book value as at 31 December | | - | 32 |
| | | 33.33% | 33.33% |
| 21.1 Amortization | | | |
| As at 01 January | | 17,645 | 17,599 |
| For the year | 21.1.1 | 32 | 46 |
| As at 31 December | | 17,677 | 17,645 |
| 21.1.1 The amortization charge has been allocated as follows: | | | |
| Cost of revenue | 31.1 | 16 | 23 |
| Administrative and selling expenses | 32 | 16 | 23 |
| | | 32 | 46 |

22 LONG TERM INVESTMENTS

Unquoted - at fair value through other comprehensive income

| | | |
|-------------|---------|---------|
| Avanceon LP | 843,129 | 746,059 |
|-------------|---------|---------|

Innovative Automation and Engineering Inc., USA (formerly Engro Innovative Inc.) has a 26.11% (2018: 26.11%) interest in profits/ losses of Avanceon LP. Avanceon LP is engaged in providing innovative technology solutions to clients in various industries. The partnership designs, develops, implements and provides support of automated manufacturing processes for its customers.

The management of the Group has elected to classify this investment to be measured at fair value through other comprehensive income.

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23 LONG TERM LOANS AND DEPOSIT

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|---------|---------|
| Security deposits | 23.2 | 30,880 | 35,413 |
| Loan to employees | 23.3 | 1,861 | 4,045 |
| | | 32,741 | 39,458 |
| Current portion of loan to employees | | (994) | (1,550) |
| Less: Provision for expected credit loss | 23.1 | (4,267) | - |
| | | 27,480 | 37,908 |
| 23.1 Provision for ECL | | | |
| Balance as at 01 January - Reported | | - | - |
| Impact of restatement - IFRS 9 | | 3,818 | - |
| Balance as at 01 January - Restated | | 3,818 | - |
| Add: Provision for the year | | - | - |
| Exchange difference during the year | | 449 | - |
| Balance as at 31 December | | 4,267 | - |

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

23.3 Reconciliation of carrying amount of loans to employees:

| (Rupees in '000) | 2019 | 2018 |
|------------------------------------|---------|---------|
| Opening balance | 4,045 | 4,128 |
| Add: Disbursements during the year | - | 2,000 |
| Less: Repayments during the year | (2,184) | (2,083) |
| Closing balance | 1,861 | 4,045 |

These represent interest free loans (as per Holding Company policy) provided to executives for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives on resignation / retirement. These are recoverable in equal monthly installments. The present value adjustment in accordance with the requirements of IFRS 9: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

24 TRADE DEBTS

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-----------|-----------|
| Trade debts | 24.1 | 2,464,313 | 2,060,186 |
| Less: Provision for expected credit loss | 24.2 | (32,909) | (107,838) |
| | | 2,431,404 | 1,952,348 |
| Billing in excess of earnings | | - | 2,029,538 |
| | | 2,431,404 | 3,981,886 |
| 24.1 Ageing of trade debts | | | |
| Less than one year | | 2,401,248 | 1,824,105 |
| One to two years | | 26,898 | 130,524 |
| Two to three years | | 36,200 | 105,557 |
| | | 2,464,346 | 2,060,186 |
| 24.2 Provision for expected credit loss | | | |
| Balance as at 01 January - Reported | | 107,838 | 24,496 |
| Impact of restatement - IFRS 9 | | 14,416 | - |
| Provision for ECL relating to contract assets | 25.2 | (36,306) | - |
| Balance as at 01 January - Restated | | 85,948 | 24,496 |
| Add: Provision for the year | | 17,068 | 84,106 |
| Foreign exchange movement | | 7,249 | - |
| Less: Write off during the year | | (77,356) | (764) |
| Balance as at 31 December | | 32,909 | 107,838 |

25 CONTRACT ASSETS

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-----------|------|
| Earnings in excess of billings | 25.1 | 3,591,060 | - |
| Project deferred revenue | | 54,027 | - |
| | | 3,645,087 | - |
| Less: Provision for expected credit loss | 25.2 | (42,907) | - |
| | | 3,602,180 | - |
| 25.1 Ageing of earnings in excess of billings | | | |
| Less than one year | | 1,967,554 | - |
| One to two years | | 1,466,321 | - |
| Two to three years | | 157,185 | - |
| | | 3,591,060 | - |
| 25.2 Provision for expected credit loss | | | |
| Balance as at 01 January - Reported | 24.2 | 36,306 | - |
| Impact of restatement - IFRS 9 | | 32,972 | - |
| Balance as at 01 January - Restated | | 69,278 | - |
| Add: Provision for the year | | 8,443 | - |
| Foreign exchange movement | | 3,826 | - |
| Less: Write off during the year | | (36,306) | - |
| Reversal of provision for ECL | | (2,334) | - |
| Balance as at 31 December | | 42,907 | - |

26 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | | |
|--|------|---------|---------|
| Advances - considered good | | | |
| - To employees | 26.1 | 43,952 | 20,878 |
| - To suppliers | | 122,743 | 66,753 |
| | | 166,695 | 87,631 |
| Prepayments | | 6,525 | 21,346 |
| Bank guarantee / LC cash margin | | 257,661 | 374,977 |
| Tax refunds due from government - considered good | | 46,042 | 39,911 |
| Retention money - considered good | | 1,277 | 2,354 |
| Earnest money - considered good | | 408 | 408 |
| Dividend receivable - due from associated concern- unsecured | 26.2 | - | 25,610 |
| Receivable from Engro Corporation | 26.2 | - | 5,027 |
| Other receivables - considered good | | 1,819 | 4,989 |
| | | 480,427 | 562,254 |

26.1 This includes an advance amounting to Rs. 9,015,706 (2018: Rs. 1,424,502) given to Chief Executive for business expenses.

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|----------|--------|
| 26.2 Dividend receivable - due from associated concern- unsecured | | 25,610 | 25,610 |
| Receivable from Engro Corporation | | 5,027 | 5,027 |
| Provision for ECL | 26.2.1 | (30,637) | - |
| | | - | 30,637 |
| 26.2.1 Provision for ECL | | | |
| Balance as at 01 January - Reported | | - | - |
| Impact of restatement - IFRS 9 | | 30,637 | - |
| Balance as at 01 January - Restated | | 30,637 | - |
| Movement during the year | | - | - |
| Balance as at 31 December | | 30,637 | - |

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27 SHORT TERM INVESTMENTS

At fair value through profit or loss

| | | Name of Investee Companies | Fair value | |
|--------------------|-------|---|------------------|-------|
| 2019 | 2018 | | 2019 | 2018 |
| (Number of Shares) | | | (Rupees in '000) | |
| 11,424 | 5,600 | The General Tyre and Rubber Company of Pakistan Limited | 637 | 453 |
| 2,100 | 2,100 | Honda Atlas Cars (Pakistan) Limited | 460 | 758 |
| 4,000 | 4,000 | Pak Electron Limited | 108 | 95 |
| 1,265 | 1,100 | The Searle Company Limited | 239 | 259 |
| | | | 1,444 | 1,565 |
| | | Impairment of short term investments | - | (308) |
| | | | 1,444 | 1,257 |

28 TERM DEPOSITS WITH BANKS

| (Rupees in '000) | Note | 2019 | 2018 |
|-------------------------|------|---------|---------|
| Held to maturity | | | |
| Deposits under lien | 28.1 | 9,038 | 2,680 |
| Other deposits | 28.2 | 188,246 | 186,176 |
| | | 197,284 | 188,857 |

28.1 These represent term deposits receipts of National Bank of Fujairah having maturity of 12 months (2018: 12 months) carrying mark up at the rate of 2.3% (2018: 2.28% to 2.42%) per annum. This is pledged against the trust receipts obtain from National Bank of Fujairah to the extent of AED 200,000.

28.2 These represent term deposit receipts of Bank of Singapore having maturity of 1 to 6 months (2018: 1 to 6 months) carrying mark up at the rate ranging from 6% to 7.8% (2018: 5.05% to 5.08 % per annum) respectively.

29 CASH AND BANK BALANCES

| (Rupees in '000) | Note | 2019 | 2018 |
|------------------|------|---------|--------|
| Cash in hand | | 1,200 | 4,672 |
| Cash with banks: | | | |
| Current accounts | | | |
| Local currency | | 8,947 | 12,276 |
| Foreign currency | | 82,671 | 31,043 |
| Savings accounts | | | |
| Local currency | 29.1 | 12,408 | 4,772 |
| | | 104,026 | 48,091 |
| | | 105,226 | 52,763 |

29.1 Profit on balances in saving accounts ranges from 8% to 11.3% (2018: 6% to 7%) per annum.

30 REVENUE FROM CONTRACTS WITH CUSTOMERS - net

| (Rupees in '000) | Note | 2019 | 2018 |
|---------------------------------------|------|-----------|-----------|
| 30.1 Disaggregation of revenue | | | |
| Country wise breakup: | | | |
| Qatar | | 876,270 | 922,212 |
| Nigeria | | 387,901 | - |
| The Islamic Republic of Pakistan | | 1,269,090 | 1,764,559 |
| Kingdom of Saudi Arabia | | 1,952,959 | 667,563 |
| The United Arab Emirates | | 409,938 | 126,608 |
| | | 4,896,158 | 3,480,942 |

| (Rupees in '000) | Note | 2019 | 2018 |
|---|--------|-----------|-----------|
| Nature | | | |
| Sale of goods | | 982,477 | 1,185,896 |
| Services | | 270,555 | 144,440 |
| Project revenue | | 3,643,126 | 2,150,606 |
| | | 4,896,158 | 3,480,942 |
| Timing of revenue recognition | | | |
| At a point in time | | 982,477 | 1,185,896 |
| Over the time | | 3,913,681 | 2,295,046 |
| | | 4,896,158 | 3,480,942 |
| 30.2 Reconciliation with Segment Information | | | |
| Gross revenue | 30.2.1 | 5,512,330 | 4,077,899 |
| Intersegment elimination | | (616,172) | (596,957) |
| | | 4,896,158 | 3,480,942 |

30.2.1 Break up of gross revenue

| (Rupees in '000) | 2019 | | | |
|------------------------------|---------------|-----------|-----------------|-----------|
| | sale of goods | Services | Project revenue | Total |
| Core Business | 249,903 | 180,563 | 9,856 | 440,322 |
| Manufacturing and Assembling | 120,044 | 17,466 | 9,621 | 147,131 |
| Specialized Business | 102,446 | 297,753 | 8,910 | 409,109 |
| Engineering and Back Office | 119 | - | 561,082 | 561,201 |
| "Middle East and USA" | 410,820 | 3,154,956 | 85,172 | 3,650,948 |
| After Market Support | 99,208 | 45,140 | 159,271 | 303,619 |
| | 982,540 | 3,695,878 | 833,912 | 5,512,330 |

30.3 Contract balances

| (Rupees in '000) | 31 December 2019 | 01 January 2019 |
|----------------------|---------------------|--------------------|
| Trade receivables | 2,431,404 | 1,952,348 |
| Contract assets | 3,602,180 | 2,029,538 |
| Contract liabilities | 1,127,342 | 702,145 |

In 2019, Rs. 16.91 million (2018: Rs. 84.11 million) was recognized as provision for expected credit losses on trade debts whereas Rs. 77.36 million (2018: Rs. 0.76 million) of trade debts were written off. The Groups trade debts increased due to an overall increase in business operations of all the entities within the Group.

Contract assets relate to revenue earned from ongoing projects which has not been billed yet. As such, the balances of this account vary and depend on the number of ongoing projects at the end of the year.

In 2019, the contract balances increased significantly due to major on going projects in United Arab Emirates and Qatar which have not yet approached their billing milestones at the year end as per the contractual terms.

Contract liabilities include billings in excess of earnings. This results from projects where the billing milestones are reached in advance of the Group's progress towards satisfaction of performance obligations. The outstanding balances of these accounts increased in 2019 due to significant projects undertaken in United Arab Emirates for which the Group has reached billing milestones as per terms agreed in the contracts.

30.4 Performance obligations

Sale of goods

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

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Services

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

Project revenue

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

As at year end, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) amounted to Rs. 12,238.08 million which is to be satisfied within one to four years.

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

31 COST OF REVENUE

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|-----------|-----------|
| Opening stock | | 85,333 | 93,387 |
| Purchases and direct expenses | | 3,487,804 | 2,505,607 |
| Closing stock | | (160,929) | (85,333) |
| | 31.1 | 3,412,208 | 2,513,661 |
| 31.1 Cost of revenue | | | |
| Materials consumed | | 2,411,097 | 1,716,024 |
| Salaries, wages, allowances and other benefits | 31.2 | 280,217 | 226,428 |
| Employees' share option expense | | 10,473 | 48,230 |
| Telephone, postage and telex | | 12,929 | 12,054 |
| Utilities | | 2,573 | 2,235 |
| Travelling and conveyance relating to engineering services | | 246,065 | 144,005 |
| Installation charges relating to engineering services | 31.4 | 369,044 | 234,642 |
| Entertainment relating to engineering services | | 8,319 | 12,396 |
| Repairs and maintenance | | 3,557 | 2,653 |
| Printing and stationery | | 765 | 525 |
| Insurance | | 7,400 | 3,753 |
| Office rent | | 16,321 | 13,031 |
| Training | | 726 | 565 |
| Fee and subscription | | 1,018 | 480 |
| Depreciation on property and equipment | 20.1.1 | 32,277 | 16,917 |
| Amortization on intangible assets | 21.1.1 | 16 | 23 |
| Miscellaneous expenses | | 9,411 | 79,700 |
| | | 3,412,208 | 2,513,661 |

31.2 Salaries, wages and benefits include Rs. 8.167 million (2018: Rs. 7.12 million), Rs. 0.57 million (2018: Rs. 0.22 million) and Rs. 5.436 million (2018: Rs. 8.41 million) representing provident fund contribution, accumulated compensated absences and gratuity contribution respectively.

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

31.4 This includes commission expense of Rs.24.85 million (2018: 19.40 million) to Arkan Integrated Development L.L.C. as per the agreement between Holding Company and Arkan Integrated Development L.L.C.

32 ADMINISTRATIVE AND SELLING EXPENSES

| (Rupees in '000) | Note | 2019 | 2018 |
|--|--------|---------|---------|
| Salaries, wages, allowances and other benefits | 32.1 | 395,619 | 312,319 |
| Employees' share option expense | | 15,710 | 34,793 |
| Telephone, postage and telex | | 12,121 | 10,930 |
| Utilities | | 2,573 | 2,235 |
| Entertainment | | 6,356 | 9,752 |
| Repairs and maintenance | | 5,639 | 5,132 |
| Sales promotion expenses | | 3,696 | 1,254 |
| Printing, stationery and periodicals | | 733 | 525 |
| Travelling, conveyance and vehicle maintenance | | 32,529 | 30,708 |
| Office rent | | 9,831 | 19,516 |
| Training | | 423 | 2,417 |
| Insurance | | 5,072 | 2,755 |
| Legal and professional charges | | 10,368 | 4,898 |
| Auditors' remuneration | 32.2 | 8,571 | 6,300 |
| Fee and subscription | | 17,623 | 9,036 |
| Corporate expenses | | 5,593 | 4,803 |
| Late delivery charges | | 515 | 249 |
| Depreciation on property and equipment | 20.1.1 | 32,277 | 16,917 |
| Amortization of intangible assets | 21.1.1 | 16 | 23 |
| Bad debts write-off - specific | | 9,226 | 6,718 |
| Contract assets written off - specific | | 91,746 | 4,444 |
| Provision for expected credit losses - contract assets | 25.2 | 8,443 | 82,918 |
| Provision for expected credit losses - trade debts | 24.2 | 17,068 | 1,188 |
| Other expenses | | 13,508 | 16,614 |
| | | 705,256 | 586,444 |

32.1 Salaries, wages and benefits include Rs. 3.927 million (2018: Rs. 3.31 million), Rs. 0.383 million (2018: Rs. 0.14 million) and Rs. 5.436 million (2018: Rs. 8.41 million) representing provident fund contribution, accumulating compensated absences and gratuity contribution respectively.

| (Rupees in '000) | Note | 2019 | 2018 |
|--|------|-------|-------|
| 32.2 Auditors' remuneration | | | |
| EY Ford Rhodes | | | |
| Avanceon Limited | | | |
| Statutory audit | | 1,890 | 990 |
| Half yearly review | | 640 | 400 |
| Code of corporate governance | | 100 | - |
| Other charges and out of pocket expenses | | 150 | 334 |
| | | 2,780 | 1,724 |
| Audit of subsidiaries | | 3,002 | - |
| | | 5,782 | 1,724 |
| Other firms | | 2,789 | 4,576 |
| | | 8,571 | 6,300 |

33 OTHER OPERATING EXPENSES

| | | | |
|---|------|-------|-------|
| Donations | 33.1 | 4,463 | 3,961 |
| Revaluation loss on short term investments | | - | 425 |
| Impairment of short term investments | | - | 308 |
| Impairment of investment in Avanceon GP LLC | | - | 43 |
| | | 4,463 | 4,737 |

33.1 Directors and their spouses have no interest in the donees.

34 OTHER OPERATING INCOME

| | | | |
|----------------------------------|------|---------|---------|
| Income from financial assets | 34.1 | 309,295 | 457,299 |
| Income from non-financial assets | 34.2 | 3,756 | 7,455 |
| | | 313,051 | 464,754 |

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FOR THE YEAR ENDED DECEMBER 31, 2019

| (Rupees in '000) | | 2019 | 2018 |
|------------------|---|-----------|---------|
| 34.1 | Income from financial assets | | |
| | Profit on bank deposits | 13,043 | 8,476 |
| | Exchange gain | 255,976 | 448,823 |
| | Reversal of provision for expected credit loss | 2,334 | - |
| | Right backs of long outstanding balance | 37,755 | - |
| | Capital gain on short term investment | 78 | - |
| | Fair value gain on short term investments | 109 | - |
| | | 309,295 | 457,299 |
| 34.2 | Income from non-financial assets | | |
| | Gain on disposal of property and equipment 20.1.3 | 2,687 | 1,587 |
| | Dividend income on short term investment | - | 39 |
| | Insurance claim received | 400 | 700 |
| | Others | 669 | 5,129 |
| | | 3,757 | 7,455 |
| 35 | FINANCE COSTS | | |
| | Mark up and interest on: | | |
| | - Long term loan | 1,404 | 2,481 |
| | - Finances under mark up arrangements and other credit facilities - secured | 63,363 | 26,000 |
| | - Finance lease | 13,660 | 6,382 |
| | - Provident fund | 1,687 | 2,535 |
| | Bank charges | 15,136 | 19,127 |
| | Guarantee commission | 18,383 | - |
| | Project financial cost | 10,709 | 4,042 |
| | | 124,342 | 60,567 |
| 36 | TAXATION | | |
| | Current | | |
| | - for the year | 142,525 | 76,312 |
| | - for prior years | 8,553 | - |
| | Deferred | | |
| | - for the year | (100,314) | 12,330 |
| | | 50,764 | 88,642 |

36.1 "The Group is subject to taxation under jurisdictions of Pakistan and Qatar. Each of the Group's entities is subject to tax at varying tax regimes such as corporate tax and minimum taxation whereas one of the subsidiaries is exempt from taxation. Further, there are inter-company transactions which have been eliminated while computing the consolidated accounting profit. Due to this, a numerical reconciliation between accounting profit and tax expenses is not meaningful.

37 EARNINGS PER SHARE

| | | 2019 | 2018 |
|-------------|--|---------|-----------------|
| 37.1 | Basic earnings per share | | Restated |
| | Net profit for the year Rupees in thousand | 912,177 | 691,644 |
| | Weighted average number of ordinary shares Numbers in thousand | 192,536 | 190,854 |
| | Earnings per share Rupees | 4.74 | 3.62 |

37.2 Diluted earnings per share

The weighted average number of ordinary shares of 2018 has been restated in accordance with the requirements of IAS 33 due to issuance of 54,529,501 bonus shares in 2019 and restatement of employees share option scheme as explained in Note 8.3.3.

| | | 2019 | 2018 |
|---|---------------------|---------|----------|
| | | | Restated |
| Net profit for the year | Rupees in thousand | 912,177 | 691,644 |
| Weighted average number of ordinary shares | Numbers in thousand | 192,536 | 190,854 |
| Adjustment for share options | Numbers in thousand | 4,205 | 5,166 |
| Weighted average number of ordinary shares for diluted earnings per share | Numbers in thousand | 196,741 | 196,020 |
| Diluted earnings per share | Rupees | 4.64 | 3.53 |

37.3 The weighted average number of ordinary shares of 2018 has been restated in accordance with the requirements of IAS 33 due to issuance of 54,529,501 bonus shares in 2019 and restatement of employees share option scheme as explained in Note 8.3.3.

| (Rupees in '000) | 2019 | 2018 |
|---|-------------|-----------|
| | | Restated |
| 38 CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 962,940 | 780,287 |
| Adjustments for: | | |
| Depreciation on property and equipment | 64,554 | 33,834 |
| Provision for expected credit losses - contract assets | 8,443 | - |
| Provision for expected credit losses - trade debts | 17,068 | 84,106 |
| Employees' end of service benefits | 13,560 | 16,816 |
| Employees' share option expense | 17,049 | 83,023 |
| Bad debts written-off - specific | 9,226 | 6,718 |
| Contract assets written off - specific | 91,746 | 4,444 |
| Capital gain on short term investment | (78) | - |
| Revaluation loss on short term investments | - | 308 |
| Fair value gain on short term investments | (109) | - |
| Impairment of investment in Avanceon GP LLC | - | 43 |
| Impairment of short term investments | - | 425 |
| Amortization of intangible assets | 32 | 46 |
| Exchange gain / (loss) | 82,120 | (382,871) |
| Gain on disposal of property and equipment | (2,687) | (1,587) |
| Finance cost | 80,114 | 37,398 |
| Profit on bank deposits | (13,043) | (8,476) |
| | 367,995 | (125,775) |
| Profit before working capital changes | 1,330,935 | 654,512 |
| Effect on cash flow due to working capital changes: | | |
| (Increase) / decrease in current assets | | |
| - Stock in trade | (75,596) | 8,054 |
| - Trade debts | (578,568) | (735,734) |
| - Contract asset | (1,681,456) | - |
| - Advances, deposits, prepayments and other receivables | 87,958 | (242,576) |
| (decrease) / Increase in current liabilities | | |
| - Creditors, accrued and other liabilities | (196,643) | 486,133 |
| - Contract liability | 1,127,342 | - |
| | (1,316,963) | (484,123) |
| Cash (used) in / generated from operations | 13,972 | 170,389 |

39 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 44. Other significant transactions with related parties are as follows:

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| Name of related party | Relationship with the Group | Basis of Relationship | Nature of transactions | 2019 | 2018 |
|--------------------------------------|-----------------------------|----------------------------------|--|------------------|------------------|
| Innovative Travels (Private) Limited | Associated Company | Common directorship | Services rendered during the year Payment during the year | - 138 | 13,615 12,647 |
| Saeed Ullah Khan Niazi | Key Management Personnel | Chief Financial Officer | Sale of vehicle | - | 1,967 |
| Ahsan Khalil | Key Management Personnel | Company Secretary | Sale of vehicle | - | 1,561 |
| Arkan Integrated Development L.L.C. | Associated Company | Non controlling interest in AVAC | Commission expense Back office support | 24,846 21,476 | 19,639 14,705 |
| Contribution to staff provident fund | Provident fund | Provident fund | Expense charged in respect of retirements benefit plans | 12,094 | 10,431 |

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

40 PROVIDENT FUND

| (Rupees in '000) | 2019 | 2018 |
|--------------------------------|---------|--------|
| Size of fund | 102,156 | 88,922 |
| Fair value of investments made | 88,622 | 78,713 |
| Cost of investment made | 85,723 | 84,988 |
| Percentage of investments made | 87% | 89% |

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

| | 2019 (Un-audited) | | 2018 (Audited) | |
|-----------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | Investments (Rupees in '000) | Investment as % of size of the fund | Investments (Rupees in '000) | Investment as % of size of the fund |
| Government Securities | 35,000 | 34% | 15,239 | 17% |
| Scheduled Banks | 3,128 | 3% | 18,836 | 21% |
| Other Mutual Funds | 30,003 | 29% | 33,596 | 38% |
| Listed Securities | 20,491 | 20% | 11,042 | 12% |
| | 88,622 | | 78,713 | |

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

41 OPERATING SEGMENTS

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM) i.e. the Chief Executive Officer of the Holding Company. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

CODM considers the business from the perspective of nature of products and business segments. Systems, engineering and export segments are also viewed in the geographic perspective by segregation of sales made to Middle Eastern countries and USA.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit and segment assets (stock in trade, trade debts and contract assets). Unallocated items comprise mainly of group corporate assets and liabilities.

The Group management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

41.1 Consolidated operating segment results

| 41.1 Consolidated operating segment results | | | | 2019 | | | | |
|---|-----------|---------------|------------------------------|----------------------|-------------------------|---------------------|-------------|-------------|
| (Rupees in '000) | AMS | Core Business | | Specialized Business | Engineering back Office | Middle East and USA | Elimination | Total |
| | | Core Business | Manufacturing and Assembling | | | | | |
| SEGMENT PROFIT OR LOSS ACCOUNT | | | | | | | | |
| Revenue from external customers | 303,619 | 440,322 | 147,131 | 409,109 | 561,202 | 3,650,947 | (616,172) | 4,896,158 |
| Cost of revenue | (156,131) | (319,081) | (114,504) | (317,046) | (356,461) | (2,722,505) | 573,520 | (3,412,208) |
| Gross profit | 147,488 | 121,241 | 32,627 | 92,063 | 204,741 | 928,442 | (42,652) | 1,483,950 |
| SEGMENT ASSETS | | | | | | | | |
| Stock in trade | 9,364 | 24,797 | 8,905 | 9,665 | - | 108,198 | - | 160,929 |
| Trade debts | 114,216 | 141,470 | 75,852 | 182,540 | 217,540 | 3,585,206 | (1,885,420) | 2,431,404 |
| Contract assets | 35,646 | 94,646 | 21,134 | 15,433 | 66,365 | 3,368,956 | - | 3,602,180 |
| Segment total assets | 159,226 | 260,913 | 105,891 | 207,638 | 283,905 | 7,062,360 | (1,885,420) | 6,194,513 |

| (Rupees in '000) | 2018 | | | | | | | |
|---------------------------------|---------------|---------------|------------------------------|----------------------|-------------------------|---------------------|-------------|-------------|
| | Core Business | | | | | | | Total |
| | AMS | Core Business | Manufacturing and Assembling | Specialized Business | Engineering back Office | Middle East and USA | Elimination | |
| SEGMENT PROFIT OR LOSS ACCOUNT | | | | | | | | |
| Revenue from external customers | 359,753 | 937,201 | 143,344 | 413,526 | 410,557 | 1,813,518 | (596,957) | 3,480,942 |
| Cost of revenue | (213,290) | (687,744) | (114,073) | (323,395) | (286,631) | (1,421,635) | 533,107 | (2,513,661) |
| Gross profit | 146,463 | 249,457 | 29,271 | 90,131 | 123,926 | 391,883 | (63,850) | 967,281 |
| SEGMENT ASSETS | | | | | | | | |
| Stock in Trade | 14,650 | 21,463 | 3,280 | 9,471 | - | 36,470 | - | 85,333 |
| Trade debts | 72,006 | 242,018 | 98,072 | 102,557 | 148,661 | 4,699,378 | (1,380,806) | 3,981,886 |
| Segment total assets | 86,656 | 263,481 | 101,352 | 112,028 | 148,661 | 4,735,848 | (1,380,806) | 4,067,219 |

41.2 For management purposes the Chief Operating Decision Maker (Board of Directors), views the activities of the Group organised into business units based on the nature of products and expertise required by with four groups containing eight reportable operating segments.

(i) After Marketing Support (AMS)

AMS segment is the provision of services as technical supports and service level agreements (SLAs) and related spares.

(ii) Core Business

(a) Application Based Solutions (ABS)

ABS sales include the supply of patented systems, power products, softwares, Variable Speed Drives (VSDs) and Variable Frequency Drives (VFDs) procured mainly from Honeywell Systems and Rockwell Automation. Avanceon Limited acts as a sole distributor of Honeywell Systems and Rockwell Automation in Pakistan.

(b) Systems

Systems sales are embedded solutions of multiple Original Equipment Manufacturers (OEM) equipments, comprising Honeywell, Kobold, Samson and Weg products, along with engineering services to implement them

These solution sales fall in the domain of System Integration (SI) as defined globally.

(c) Products

Products segment includes sales of motors, analysers and other specialised products of OEMs. Major suppliers of products are Amatek Inc., Hyperwave solutions and Kobold Messrings.

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(iii) Specialized Business

(a) Energy Management Systems (EMS)

EMS segment is turnkey project implementation for optimising energy usage of plants leading to efficiency of operations and cost savings.

(b) High End Solutions (HES)

High End Solutions focuses on specialized areas i.e. Manufacturing Execution Systems, Plant Information Management Systems, and Advanced Process Control.

(iv) Engineering services

Engineering services business includes revenues from:

- man-hours charged to Avanceon FZE and Avanceon Automation and Control WLL for in-house engineering and development of Human Machine Interfaces (HMI), logic design, and development of engineering control mechanisms; and

- secondment of Avanceon Limited's engineers to Avanceon FZE and Avanceon Automation and Control WLL project sites for installation, commissioning and post implementation support of systems.

(v) Middle East

Middle East segment consists of core business, specialized business, and engineering services (as stated above) to UAE, Qatar, Pakistan and European Union countries.

41.3 Reconciliation of segment profit and loss

Reportable segments gross profit is reconciled to profit after tax as follows:

| (Rupees in '000) | Note | 2019 | 2018 |
|--------------------------------------|------|-----------|-----------|
| | | | Restated |
| Gross profit for reportable segments | 41.1 | 1,483,950 | 967,281 |
| Administrative and selling expenses | | (705,256) | (586,444) |
| Other charges | | (4,463) | (4,737) |
| Other operating Income | | 313,052 | 464,754 |
| Profit from operations | | (396,668) | (126,427) |
| Finance costs | | (124,342) | (60,567) |
| Profit before tax | | 962,940 | 780,287 |
| Taxation | | (50,764) | (88,642) |
| Profit for the year | | 912,176 | 691,645 |

41.4 Reconciliation of segment assets

Reportable segments assets are reconciled to total assets as follows:

Assets

| | | | |
|---|------|-----------|-----------|
| Segment assets for reportable segments | 36.1 | 6,194,513 | 4,067,219 |
| Corporate tangible and intangible assets | | 461,309 | 375,081 |
| Other corporate assets | | 918,388 | 747,316 |
| | | 7,574,210 | 5,189,616 |
| Unallocated portion of current assets | | | |
| Advances, deposits, prepayments and other receivables | | 480,427 | 562,254 |
| Term deposits with banks | | 197,284 | 188,857 |
| Cash and bank balances | | 105,226 | 52,763 |
| | | 782,937 | 803,874 |
| Total assets as per statement of financial position | | 8,357,147 | 5,993,490 |

Segment assets include the operating assets used by each segment and consist of stocks, trade debts and contract assets. 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.

42 FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The Group's overall risk management 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 guidelines approved by the Corporate Center of the Group.

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

(a) Market risk

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

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

The Group is exposed to currency risk arising primarily with respect to the United States Dollar (USD) and United Arab Emirates Dirham (AED). The Group's exposure to foreign currency changes for all other currencies is not material. Currently, the Group's foreign exchange risk exposure is restricted to foreign currency creditors, debtors and bank balances as shown below:

| 2019 | | | | | |
|---------------------------|-----------|-----|-------|--------|--------|
| (Amounts in '000) | Rupees | EUR | USD | AED | QAR |
| Investment in Avanceon LP | 843,129 | - | 5,436 | - | - |
| Bank balances | 82,671 | 1 | 551 | 1,199 | 670 |
| Trade debts | 437,991 | - | 2,296 | - | 1,920 |
| Trade Payables: | | | | | |
| AED | 924 | - | - | 22 | - |
| EUR | 11,834 | 68 | - | - | - |
| USD | 162,285 | - | 1,046 | - | - |
| QAR | - | - | - | - | - |
| Net Exposures | 3,448,447 | 69 | 9,329 | 35,580 | 13,363 |

| 2018 | | | | | |
|---------------------------|-----------|-----|--------|-----|--------|
| (Amounts in '000) | Rupees | EUR | USD | AED | QAR |
| Investment in Avanceon LP | 746,059 | - | 5,373 | - | - |
| Bank balances | 31,043 | 2 | 74 | 476 | 221 |
| Trade receivable | 873,600 | 318 | 4,614 | - | 2,399 |
| Trade Payables | | | | | |
| AED | 2,150 | - | - | 51 | - |
| EUR | 81,918 | 471 | - | - | - |
| USD | 121,634 | - | 784 | - | - |
| QAR | 1,418,943 | - | - | - | 34,101 |
| Net Exposures | 3,275,347 | 791 | 10,845 | 527 | 36,721 |

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The following significant exchange rates were applied during the year:

| | 2019 | 2018 |
|------------------------|--------|--------|
| Rupees per USD | | |
| Average rate | 146.98 | 121.72 |
| Reporting date rate | 155.10 | 138.85 |
| Rupees per Euro | | |
| Average rate | 166.19 | 144.37 |
| Reporting date rate | 173.74 | 158.63 |
| Rupees per AED | | |
| Average rate | 40.01 | 33.14 |
| Reporting date rate | 42.23 | 37.8 |
| Rupees per QAR | | |
| Average rate | 40.36 | 34.225 |
| Reporting date rate | 42.59 | 38.13 |

At 31 December 2019, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar or AED with all other variables held constant, post tax profit / for the year would have been higher / (lower) as under:

Foreign currency sensitivity analysis

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

| (Rupees in '000) | Change in Exchange rate | AED Effect on Profit/(loss) before tax | Effect on equity |
|------------------|-------------------------|--|--------------------|
| 2019 | 5% -5% | 75,119 (75,119) | 53,334 (53,334) |
| 2018 | 5% -5% | 996 (996) | 707 (707) |
| (Rupees in '000) | | USD | |
| 2019 | 5% -5% | 72,346 (72,346) | 51,366 (51,366) |
| 2018 | 5% -5% | 75,291 (75,291) | 53,457 (53,457) |
| (Rupees in '000) | | EUR | |
| 2019 | 5% -5% | 599 (599) | 425 (425) |
| 2018 | 5% -5% | 6,274 (6,274) | 4,455 (4,455) |

| (Rupees in '000) | Change in Exchange rate | QAR Effect on Profit/(loss) before tax | Effect on equity |
|------------------|-------------------------------|---|---------------------|
| 2019 | 5% | 28,455 | 20,204 |
| | -5% | (28,455) | (20,204) |
| 2018 | 5% | 70,009 | 49,706 |
| | -5% | (70,009) | (49,706) |

(ii) Interest rate risk

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

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

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

| (Rupees in '000) | 2019 | 2018 |
|--|----------------|----------------|
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances | 12,408 | 4,772 |
| Financial liabilities | | |
| Long term loan | 1,515 | 18,182 |
| Lease liabilities | 132,922 | 104,030 |
| Finances under markup arrangements and other credit facilities - secured | 599,339 | 312,079 |
| Total exposure | 721,368 | 429,519 |

Interest rate sensitivity analysis

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

| (Rupees in '000) | Increase/ decrease in basis points | EUR Effect on Profit/(loss) before tax | Effect on equity |
|------------------|--|---|---------------------|
| 2019 | +100 | (7,214) | (5,122) |
| | -100 | 7,214 | 5,122 |
| 2018 | +100 | (4,295) | (3,049) |
| | -100 | 4,295 | 3,049 |

(iii) Other price risk

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

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(b) Credit risk

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

Group's credit risk is primarily attributable to its trade debts and contract assets. However, this risk is mitigated by a credit control policy and applying individual credit limits.

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

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

| (Rupees in '000) | 2019 | 2018 |
|--------------------------------|-----------|-----------|
| Long term loans and deposits | 27,480 | 37,908 |
| Trade debts | 2,431,404 | 3,981,886 |
| Deposits and other receivables | 261,165 | 264,335 |
| Bank balances | 104,026 | 48,091 |
| | 2,824,074 | 4,332,220 |

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

| (Rupees in '000) | 2019 | 2018 |
|------------------|-----------|-----------|
| Domestic | 308,124 | 2,356,130 |
| Export | 2,123,280 | 1,625,756 |

The majority of export trade debts are situated in United states of America.

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

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

| (Rupees in '000) | 2019 | | | | | | | | | |
|---------------------------|-----------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
| | 0-90 days | 90-180 days | 180-270 days | 270-360 days | 360-450 days | 450-540 days | 540-630 days | 630-720 days | 720-810 days | Total |
| Receivable balance | 1,584,709 | 157,820 | 9,227 | 9,398 | 1,733 | 834 | 2,809 | 117 | 1,638 | 1,768,285 |
| Expected credit loss rate | 1.66% | 0.81% | 4.16% | 9.58% | 21.12% | 39.57% | 56.53% | 100% | 100% | |
| Expected credit Loss | 26,281 | 1,286 | 384 | 900 | 366 | 330 | 1,588 | 117 | 1,638 | 32,890 |

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

As at 31 December 2019, the Group has 11 customers owing more than Rs. 30 million each which account for 94% of total debtors.

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

| | Rating Short Term | Rating Long Term | Rating Agency | Balances at banks | |
|----------------------------------|-------------------|------------------|------------------------|--------------------------|--------|
| | | | | 2019 (Rupees in '000) | 2018 |
| Faysal Bank limited | A1+ | AA | PACRA | 662 | 702 |
| Habib Bank limited | A-1+ | AAA | JCR-VIS | 2,042 | 3,922 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 760 | 235 |
| MCB Bank Limited | A1+ | AAA | PACRA | 93 | 93 |
| United Bank Limited | A-1+ | AAA | JCR-VIS | 33,038 | 5,464 |
| JS Bank Limited | A1+ | AA- | PACRA | 5,001 | 5,304 |
| Standard Chartered | A1+ | AAA | PACRA | 12,830 | 7,217 |
| Bank of Singapore Limited | P-1 | Aa1 | Moody's | 127 | 1,788 |
| Habib Bank AG Zurich | A-1+ | AAA | JCR-VIS | 12,674 | 12,912 |
| National Bank of Fujairah | P-2 | Baa1 | Moody's | 8,396 | 4,005 |
| Qatar International Islamic Bank | A2 | A | "Capital Intelligence" | 5,616 | 759 |
| Doha Bank | F1 | A | Fitch | 277 | 155 |
| Mashreq Bank | F1 | A | Fitch | 8,952 | 4,855 |
| Qatar Islamic Bank | F1 | A | Fitch | 13,558 | 680 |
| | | | | 104,026 | 48,091 |

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

The Group has not recognised an impairment allowance on financial assets held with banking companies during the year ended 31 December 2019, as the impact was immaterial. There was no impact of transition to IFRS 9 ECL model on financial assets held with banking companies as at 01 January 2019.

(c) Liquidity risk

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

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

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

| (Rupees in '000) | Carrying amount | Contractual cashflow | Less than one year | Between one to five years | More than five years |
|--|-----------------|----------------------|--------------------|---------------------------|----------------------|
| 2019 | | | | | |
| Long term loan | 1,515 | 1,515 | 1,515 | - | - |
| Finances under mark up arrangements | 599,339 | 599,339 | 599,339 | - | - |
| Lease liabilities | 132,922 | 132,922 | 55,748 | 77,174 | - |
| Creditors, accrued and other liabilities | 1,651,419 | 1,651,419 | 1,651,419 | - | - |
| Unclaimed dividend | 256,763 | 256,763 | 256,763 | - | - |
| | 2,641,958 | 2,641,958 | 2,564,784 | 77,174 | - |
| 2018 | | | | | |
| Long term loan | 18,182 | 18,182 | 18,182 | 1,515 | - |
| Finances under mark up arrangements | 312,079 | 312,079 | 312,079 | - | - |
| Lease liabilities | 104,030 | 104,030 | 44,552 | 59,478 | - |
| Creditors, accrued and other liabilities | 1,045,844 | 1,045,844 | 1,045,844 | - | - |
| Unclaimed dividend | 283,074 | 283,074 | 283,074 | - | - |
| | 1,763,209 | 1,763,209 | 1,703,731 | 60,993 | - |

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| (Rupees in '000) | 2019 | | | Total |
|---|---------------------------|--------------------------------------|-------------------|-----------|
| | At fair value through OCI | At fair value through profit or loss | At amortized cost | |
| 42.2 Financial instruments by categories | | | | |
| Financial assets | | | | |
| Debt instruments | | | | |
| Long term loans and deposits | - | - | 27,480 | 27,480 |
| Long term investments | 843,129 | - | - | 843,129 |
| Trade debts | - | - | 2,431,404 | 2,431,404 |
| Deposits and other receivables | | | | |
| - Bank guarantee margin | - | - | 257,661 | 257,661 |
| - Earnest money | - | - | 408 | 408 |
| - Retention money | - | - | 1,277 | 1,277 |
| - Others | - | - | 1,819 | 1,819 |
| Cash and bank balances | - | - | 105,226 | 105,226 |
| Equity instruments | | | | |
| Short term investment | | 1,444 | - | 1,444 |
| | 843,129 | 1,444 | 2,825,275 | 3,669,848 |
| Total current | | | | 870,609 |
| Total non current | | | | 2,799,238 |

| (Rupees in '000) | | Financial liabilities at amortized cost 2019 | |
|---|--|--|-----------|
| Financial liabilities | | | |
| Long term loan | | | 1,515 |
| Lease liabilities | | | 113,191 |
| Finances under mark up arrangements and other credit facilities - secured | | | 599,339 |
| Creditors, accrued and other liabilities | | | 1,651,419 |
| Unclaimed dividend | | | 256,763 |
| | | | 2,622,227 |
| Total current | | | 67,637 |
| Total non current | | | 2,554,590 |

| (Rupees in '000) | 2018 | | | Total |
|--|---------------------------|--------------------------------------|-------------------|-----------|
| | At fair value through OCI | At fair value through profit or loss | At amortized cost | |
| Financial instruments by categories | | | | |
| Financial assets | | | | |
| Debt instruments | | | | |
| Long term loans and deposits | - | - | 37,908 | 37,908 |
| Long term investments | 746,059 | - | - | 746,059 |
| Trade debts | - | - | 3,981,886 | 3,981,886 |
| Deposits and other receivables | | | | |
| - Bank guarantee margin | - | - | 257,661 | 257,661 |
| - Earnest money | - | - | 408 | 408 |
| - Retention money | - | - | 1,277 | 2,354 |
| - Others | - | - | 4,989 | 4,989 |
| Cash and bank balances | - | - | 52,763 | 52,763 |
| Equity instruments | | | | |
| Short term investment | - | 1,257 | - | 1,257 |
| | 746,059 | 1,257 | 4,336,892 | 5,085,285 |
| Total current | | | | 783,967 |
| Total non current | | | | 4,301,317 |

| (Rupees in '000) | | Financial liabilities at amortized cost |
|---|--|---|
| | | 2018 |
| Financial liabilities | | |
| Long term loan | | 18,182 |
| Lease liabilities | | 104,030 |
| Finances under mark up arrangements and other credit facilities - secured | | 312,079 |
| Creditors, accrued and other liabilities | | 1,045,844 |
| Unclaimed dividend | | 283,074 |
| | | 1,763,209 |
| Total current | | 65,473 |
| Total non current | | 1,697,736 |

42.3 Fair values of assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

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

42.4 Fair value hierarchy

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

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

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

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

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

Recurring fair value measurements of assets:

| (Rupees in '000) | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------|---------|---------|-----------|
| 31 December 2019 | | | | |
| Freehold land | - | 186,250 | - | 186,250 |
| Buildings on freehold land | - | - | 78,911 | 78,911 |
| Long term investments | 843,129 | - | - | 843,129 |
| Short term investment | 1,444 | - | - | 1,444 |
| | 844,573 | 186,250 | 78,911 | 1,109,734 |
| 31 December 2018 | | | | |
| Freehold land | - | 149,000 | - | 149,000 |
| Buildings on freehold land | - | - | 72,579 | 72,579 |
| Short term investment | 1,257 | - | - | 1,257 |
| | 1,257 | 149,000 | 72,579 | 222,836 |

43 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue

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new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratio as at year ended 31 December 2019 and 2018 are as follows:

| (Rupees in '000) | 2019 | 2018 |
|--|-----------|-----------|
| Borrowings | 714,045 | 422,154 |
| Less: Cash and bank balances | (105,226) | (52,763) |
| Net debt | 608,819 | 369,391 |
| Total equity - excluding surplus on revaluation and exchange revaluation reserve | 3,683,146 | 2,823,174 |
| Total capital | 4,291,965 | 3,192,565 |
| Gearing ratio | 14.19% | 11.57% |

44 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES

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

| (Rupees in '000) | Chief Executives | | Director | | Other Executives | |
|--------------------------------|------------------|--------|----------|-------|------------------|---------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Managerial remuneration | 55,501 | 42,168 | 6,949 | 6,615 | 181,118 | 123,870 |
| House rent | 15,717 | 12,726 | 1,797 | 1,851 | 63,776 | 47,641 |
| Utilities | 8,841 | 7,158 | 449 | 463 | 16,564 | 12,045 |
| Contribution to provident fund | 4,624 | 8,454 | 674 | 463 | 15,157 | 11,641 |
| Others | 1,473 | 1,193 | 34 | 121 | 13,454 | 8,202 |
| | 86,155 | 71,699 | 9,904 | 9,513 | 290,070 | 203,399 |
| Number of persons | 1 | 1 | 1 | 1 | 40 | 50 |

Salary of the Chief Executive Officer is paid by subsidiary; Avanceon FZE. The Holding Company also provides Director and certain executives with Holding Company maintained vehicles. No remuneration has been paid to non-executive Directors of the Holding Company.

45 NUMBER OF EMPLOYEES

| | 2019 | 2018 |
|-----------------------------|------|------|
| Average number of employees | 226 | 194 |
| Closing number of employees | 235 | 217 |

46 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified and restated, wherever necessary. However, no significant rearrangement, reclassification and restatement have been made except for a restatement as explained Note 8.3.3.

47 EVENTS AFTER THE REPORTING DATE

47.1 The Board of Directors of the Company in its meeting held on 24 April 2020 has proposed bonus shares at rate of 10% (2018: 40%). 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.

47.2 The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Group's revenues are materially contributed by the Middle East region (Note 30) and are expected to bear an impact in the given situation. The extent and duration of such impact remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of COVID-19 and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these consolidated financial statements.

48 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 24-April-2020.



Chief Executive
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Tanveer Karamat



ANNEXURES

FOR THE YEAR ENDED DECEMBER 31, 2019

DEFINITIONS AND GLOSSARY OF TERMS

Capital employed

The value of all resources available to the company, typically comprising share capital, retained profits and reserves, long-term loans and deferred taxation. Viewed from the other side of the balance sheet, capital employed comprises fixed assets, investments and the net investment in working capital (current assets less current liabilities). In other words: the total long-term funds invested in or lent to the business and used by it in carrying out its operations.

Liabilities

General term for what the business owes. Liabilities are long-term loans of the type used to finance the business and short-term debts or money owing as a result of trading activities to date. Long term liabilities, along with Share Capital and Reserves make up one side of the balance sheet equation showing where the money came from. The other side of the balance sheet will show Current Liabilities along with various Assets, showing where the money is now.

Current Liabilities

Money owed by the business that is generally due for payment within 12 months of balance sheet date. Examples: creditors, current portion of long term loans and lease liabilities, taxation etc.

Current Assets

Cash and anything that is expected to be converted into cash within twelve months of the balance sheet date.

Fixed assets

Assets held for use by the business rather than for sale or conversion into cash, eg, fixtures and fittings, equipment, buildings.

Cost of goods sold (COGS)

The directly attributable costs of products or services sold, (like materials, installations, direct labour & wages etc.)

Gross Profit Ratio

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

Net Profit Ratio

Net profit ratio is the ratio of net profit (after taxes) to net sales or revenue.

Operating Profit Ratio

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production.

Current Asset Ratio

The key indicator of whether you can pay your creditors on time. The relationship between current assets like cash, book debts, stock and work in progress and current liabilities like overdraft, trade and expense creditors and other current debt.

Current Ratio

A company's current assets divided by its current liabilities. This ratio gives you a sense of a company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

Debt-Equity Ratio

The ratio of a company's liabilities to its equity. The higher the level of debt, the more important it is for a company to have positive earnings and steady cash flow. For comparative purposes, debt-equity ratio is most useful for companies within the same industry.

Dividend

A dividend is a payment made per share, to a company's shareholders by a company, based on the profits of the year, but not necessarily all of the profits, arrived at by the directors and voted at the company's annual general meeting.

Earnings per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Profit Margin

Determined by dividing net income by net sales during a time period and is expressed as a percentage. Net profit margin is a measure of efficiency and the higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising/falling price of the goods sold.

Return on Assets

The amount of profits earned (before interest and taxes), expressed as a percentage of total assets. This is a widely followed measure of profitability, thus the higher the number the better. As long as a company's ROA exceeds its interest rate on borrowing, it's said to have positive financial leverage.

Return on Equity (ROE)

A percentage that indicates how well common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a company is doing compared to its competition.

Return on Investment (ROI)

Also known as return on invested capital (ROIC). ROI is a measure of how well management has used the company's resources. ROI is calculated by dividing earnings by total assets. It is a broader measure than return on equity (ROE) because assets include debt as well as equity. It is useful to compare a company's ROI with others in the same industry.

EVENT CALENDAR OF THE COMPANY

FOLLOWS THE PERIOD OF JANUARY 1, 2019 TO DECEMBER 31, 2019

FINANCIALS:

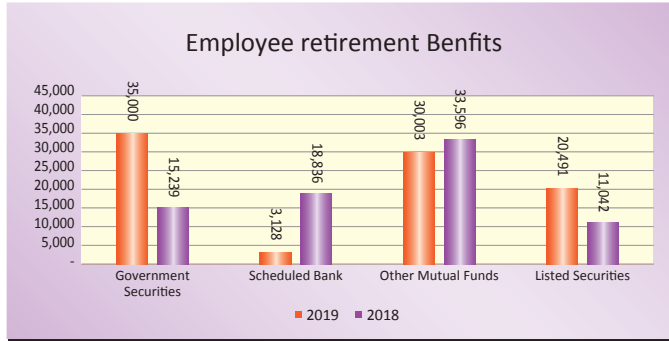
Financial Results announced as per the following schedule:

| | |
|--|---------------------|
| Annual General Meeting | 25th April 2019 |
| Analyst Briefing | 26th September 2019 |
| 1st Quarter ending 31 March 2019 | 30th April 2019 |
| Half year ending 30 June 2019 | 29th August 2019 |
| 3rd Quarter ending 30 September 2019 | 29th October 2019 |
| Financial year ending 31 December 2019 | 24th April 2020 |

ڈائریکٹر رپورٹ

یہ تمام سرمایہ داری پروڈیٹ فنڈ سے ان اصول و ضوابط کے تحت کی گئی ہے جو کمپنیز آرڈیننس 1984 کے سیکشن 227 میں دیے گئے ہیں۔

نوٹ:- پروڈیٹ فنڈ کے تمام اعداد و شمار جو کہ 30 جون 2019 اور 2018ء پر مشتمل ہیں یہ سب جانچ پڑتال شدہ (Audited) ہیں۔



روزمرہ کاروباری اعداد و شمار (Operating Financial Data):-

تمام روزمرہ کاروباری اور مالیاتی شریات 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 (Pattern of Share Holding):-

بنیادی سرمایہ داروں کی تفصیل جو کہ مالی سال 31 دسمبر 2019 پر مشتمل ہے جو کہ پچھلے صفحات پر تفصیل سے بیان کی گئی ہے۔ کمپنی کے ڈائریکٹر حضرات، چیف ایگزیکٹو چیف فنانس آفیسر، ٹیکنیکل 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 (Statutory Auditors of Company):-

کمپنی کے موجودہ آڈیٹر میسرز ای وائی فورڈ روڈز (M/s. EY Ford Rhodes) نے سبکدوش ہونے کیلئے اور دوبارہ منتخب کرنے کیلئے اپنے آپ کو پیش کیا۔ آڈٹ کمپنی کی سفارش پر کمپنی نے انکو سبکدوش ہونے کے بعد دوبارہ مالی سال 2020ء کے آڈٹ کیلئے منتخب کرنے کا فیصلہ کیا ہے۔

مواصلات (Communication):-

ہم اپنے بنیادی حصہ داروں کے ساتھ مواصلات کو بہت اہمیت دیتے ہیں، کمپنی نے تمام نتائج جو کہ سہ ماہی، ششماہی، 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 تقسیم وقت مقررہ پر پاکستانی تجارتی منڈی اور SECP کے قواعد و ضوابط کے مطابق پہنچائیں۔ کمپنی نے تجارتی اور مالیاتی خبریں اور رپورٹس اپنی ویب سائٹ www.avanceon.ae پر بھی رکھ دی ہیں۔

اعتراف کرنا (Acknowledgement):-

بورڈ آف ڈائریکٹرز بڑے پرست طریقے سے اپنے تمام ملازمین کی مسلسل لگن کے ساتھ خدمات کو سراہتا ہے۔

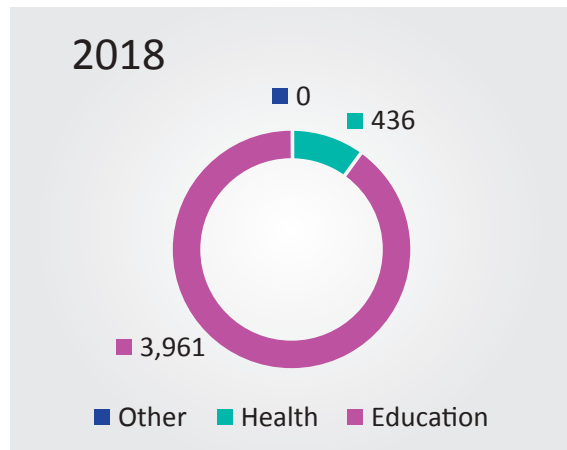
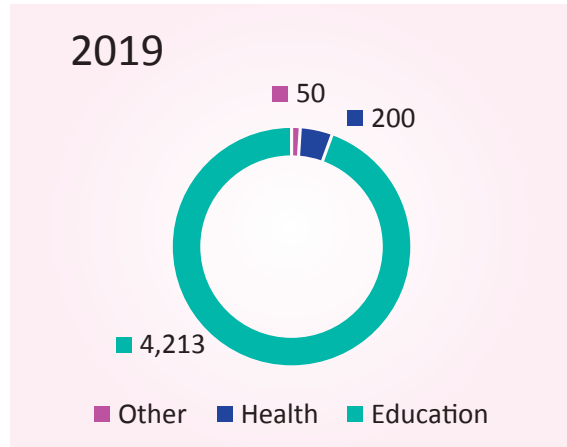
منجانب: بورڈ آف ڈائریکٹرز
جناباں رحیمہ وائس چیف ایگزیکٹو آفیسر
لاہور
24 اپریل 2020ء

امور برائے یقینی معیار (Procedures Adopted for Quality Assurance):-

صحیح، حفاظت اور ماحولیات کے اعداد و شمار کے انتظامی امور کے معاملات کا انتظام اعداد و شمار کے اکٹھے کرنے کا طریقہ اور شفاف رپورٹنگ جو کہ کمپنی کی کاروباری ذمہ داری کا بنیادی جزو ہے۔ کمپنی SMETA 4 کی قواعد و ضوابط جو کہ ISO کے معیار پر پورا اترتے ہیں۔ صحیح، حفاظت اور ماحولیات کے معاملات کو پورا کرتی ہے۔ یہ طریقہ کار انتظامیہ کو بہت ہی ضروری معلومات فراہم کرتا ہے جو کہ مقرر کردہ امور کی انجام دہی میں ضروری ہوتے ہیں۔ یہ نظام اور طریقہ کار ایک تیسری پارٹی سے جانچ پڑتال بھی کروایا جاتا ہے جو کہ کاروباری اور علاقائی جانچ پڑتال پر مشتمل ہوتا ہے۔

صدقات اور خیراتی کام (Donation & Charity):-

کمپنی اپنی ٹوٹل آمدنی کا زیادہ سے زیادہ 1% فیصد صدقات اور خیراتی 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 کوالیات:-

کمپنی نے اپنے مستقل ملازمین کیلئے ایک منظور شدہ پروڈیٹ فنڈ سکیم کے ذریعے حصہ داری منصوبہ پیش کیا ہے۔ پروڈیٹ فنڈ کی سرمایہ کاری اور دیگر تفصیلات نیچے دی گئی ہیں۔

| | 30 جون 2019ء | 30 جون 2018ء | |
|------------------|----------------------------------|----------------------------------|-------------------------|
| | سرمایہ داری (روپے ہزاروں میں) | سرمایہ داری (روپے ہزاروں میں) | سرمایہ داری فیصد میں |
| گورنمنٹ سیوریٹیز | 35,000 | 34% | 15,239 |
| شیڈولڈ بینکنگ | 3,128 | 3% | 18,836 |
| میڈیچل فنڈز | 30,003 | 29% | 33,596 |
| بلڈ سیوریٹیز | 20,491 | 20% | 11,042 |
| ٹوٹل | 88,622 | | 78,713 |

بورڈ آف ڈائریکٹرز کا اجلاس (Board of Director's Meeting):
سال کے دوران بورڈ آف ڈائریکٹرز کی چار (4) بورڈ کی میٹنگز منعقد ہوئیں (تمام پاکستان میں منعقد کی گئیں) مندرجہ ذیل عزت مآب ممبران نے شمولیت اختیار کی:-

| نمبر شمار | ڈائریکٹر کا نام | حاضری | منظور شدہ جھٹی |
|-----------|------------------------|-------|----------------|
| 1 | جناب خالد حمید وائیں | 4 | 0 |
| 2 | جناب مختیار رحید وائیں | 4 | 0 |
| 3 | جناب عامر وحید وائیں | 4 | 0 |
| 4 | جناب تنویر کرامت | 4 | 0 |
| 5 | جناب عمران خان | 3 | 1 |
| 6 | جناب قتل حسین | 3 | 1 |
| 7 | جناب نوید علی بیگ | 4 | 0 |

مندرجہ بالا ایجنڈے تفصیل کے ساتھ زیر بحث آئے ان کو منظور کیا گیا اور سوال و جواب کا تفصیلی مرحلہ منعقد کیا گیا جس میں چند ممبران نے کمپنی کے کاروباری معاملات مستقبل کی منصوبہ بندی اور انتظامی امور کے بارے میں سوالات کئے۔ ڈائریکٹر کمپنی جناب تنویر کرامت اور جناب سعید اللہ خان نیازی چیف فنانسل آفیسر نے سوالوں کے جوابات دیے اور کمپنی کے کاروباری معاملات آڈیٹیشن کے کاروبار کے بارے میں آگاہی دی کمپنی کا میٹنگ کے دوران کمپنی کے مستقبل کی مالیاتی منصوبہ بندی، کاروباری برہوتری اور نئی انڈسٹریل پلانٹ کے بارے میں تبادلہ خیال کیا گیا۔

اپنے مشترکہ کاروباری اداروں کے ساتھ لین دین (Transaction with Related Party):

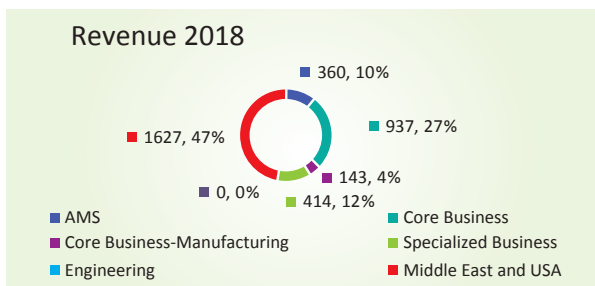
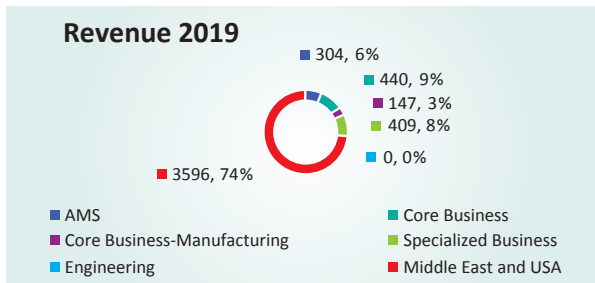
کمپنی مروجہ کاروباری قواعد و ضوابط کے مطابق اپنے مشترکہ کاروباری اداروں کے ساتھ کاروباری لین دین کرتی ہے جو کہ Arm Length Pricing اور Mechanism پر مشتمل ہے۔ کمپنی Transfer Pricing جو کہ پاکستان اسٹاک ایکسچینج کی لسٹنگ کے قواعد و ضوابط کے مطابق سرانجام دیتی ہے۔

افران کی طرف سے حصص کی خرید و فروخت (Shares Traded by Executives):
اس سال کے دوران مندرجہ ذیل افسران نے کمپنی کے حصص میں خرید و فروخت کی ہے۔

| کمپنی کا نام | ملازم کا نام | عہدہ | طریقہ ہائے خرید و فروخت | حصص کی تعداد | قیمت | قسم | تاریخ | تاریخ اطلاع |
|-----------------|------------------|-----------------|-------------------------|--------------|-------|----------|----------|-------------|
| اونیسو لن لمیٹڈ | ثاقب رؤف | منیجر کمرشل | خرید | 7,000 | 78.00 | سی ڈی سی | 13.02.19 | 18.02.19 |
| اونیسو لن لمیٹڈ | حسین احمد | کارپوریٹ منیجر | فروخت | 10,000 | 42.27 | سی ڈی سی | 26.12.19 | 03.01.20 |
| اونیسو لن لمیٹڈ | جنید مشتاق پراچہ | جنرل منیجر سٹیز | فروخت | 11,000 | 39.31 | سی ڈی سی | 26.12.19 | 03.01.20 |
| اونیسو لن لمیٹڈ | جنید مشتاق پراچہ | جنرل منیجر سٹیز | خرید | 11,000 | 41.05 | سی ڈی سی | 27.12.19 | 03.01.20 |

مارکیٹ شیئر کی معلومات اور کاروباری حصوں کی کارکردگی (Segmental Business Performance & Market Share Information):

کنٹرول انجینئرنگ جوائنٹ لسٹ 2014ء کے مطابق اونیسو لن کا مارکیٹ شیئر 2% کے نزدیک ہے جو کہ عالمی درجہ بندی میں 15 ویں نمبر پر بہترین سسٹمز انٹیگرےٹرز (Systems Integrators) کے طور پر شامل کیا جاتا ہے۔ موجود مارکیٹ لیڈر 9% فیصد کے ساتھ سب سے آگے ہے۔ بنیادی وجوہات جو اونیسو لن کو پاکستان میں مارکیٹ کا لیڈر رکھنے میں کارکردگیاں ثابت ہوئی ہیں یہ ہیں کہ کنٹرول کے تعداد میں اضافے اور مواصلات اور فرانسپورٹ سے متعلقہ بہت سارے منصوبے مارکیٹ میں آرہے ہیں جو کہ کمپنی کی بڈل ایسٹ کی کامیابی کا موجب بنے دوسرے الفاظ میں ہم یہ کہہ سکتے ہیں کہ کیونکہ ہم اس کاروباری فیلڈ میں پہل کرنے والوں میں شامل ہیں اور ہسکودوسروں پر سبقت حاصل ہے۔ اپنی بہترین کام کرنے کی خوبی اور آڈیٹیشن اینڈ پرائس کنٹرول کرنے کی سوجھ بوجھ ہے جو کہ اونیسو لن لمیٹڈ کو دوسری مارکیٹوں میں ممتاز کرتی ہے۔ اس وقت اونیسو لن لمیٹڈ جو کہ ٹوٹل مارکیٹ کا 63% فیصد حصہ رکھتی ہے۔ جو اپنے مقابلے کی کمپنیوں سے زیادہ آمدنی کماتی ہے۔



بورڈ آف ڈائریکٹرز کی ٹریننگ (Board of Director's Training):
اس سال کے دوران جناب عمران خان صاحب کی ٹریننگ کروائی گئی۔

بورڈ آڈٹ کمیٹی (Composition of Board Audit Committee):
بورڈ آڈٹ کمیٹی درج ذیل تین افراد پر مشتمل ہے۔

- 1۔ جناب قتل حسین (چیرمین)
- 2۔ جناب عامر وحید وائیں (ممبر)
- 3۔ جناب نوید علی بیگ (ممبر)

بورڈ آف ڈائریکٹرز (Composition of Board of Director's):

بورڈ مندرجہ ذیل سات ڈائریکٹرز پر مشتمل ہے

- 1۔ جناب خالد حمید وائیں (نان ایگزیکٹو۔ آزاد)
- 2۔ جناب مختیار رحید وائیں (ایگزیکٹو ڈائریکٹر)
- 3۔ جناب عامر وحید وائیں (نان ایگزیکٹو۔ آزاد)
- 4۔ جناب نوید علی بیگ (نان ایگزیکٹو۔ آزاد)
- 5۔ جناب عمران حسن خان (آزاد ڈائریکٹر)
- 6۔ جناب قتل حسین (آزاد ڈائریکٹر)

بورڈ سات ڈائریکٹرز پر مشتمل ہے جس کی تفصیل درج ذیل ہے

الف: مرد ڈائریکٹرز۔ سات

ب: عورتیں ڈائریکٹرز۔ کوئی نہیں

یہ بورڈ اپریل 2017 سے معزز وجود میں آیا تھا۔ اس کی مدت ميعاد 2020 میں مکمل ہونے کے بعد کمپنی اس بات کو یقینی بنائے گی کہ کم از کم ایک عورت بطور ڈائریکٹر بورڈ میں شامل ہو جیسا کہ کمپنی ایکٹ کی شک نمبر 6 میں درج ہے۔

بورڈ آف ڈائریکٹرز کے معاوضے (Board of Directors Remuneration):

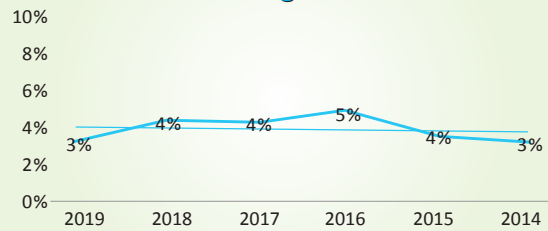
چیف ایگزیکٹو آفیسر اور چیف آپریٹنگ آفیسر کے علاوہ کمپنی کے تمام ڈائریکٹر صاحبان نان ایگزیکٹو ڈائریکٹرز ہیں۔ کمپنی چیف ایگزیکٹو آفیسر اور چیف آپریٹنگ آفیسر کو کمپنی کی ہیومن ریسورس کے منظور شدہ قواعد و ضوابط کے مطابق تنخواہیں اور دیگر مراعات دیتی ہے۔ جو کہ سالانہ بنیادوں پر ہیومن ریسورس ریمونریشن کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز منظور کرتے ہیں۔ اس کے علاوہ کسی اور ڈائریکٹر کو کوئی بھی رقم میٹنگ میں حاضری کیلئے نہیں دی جاتی۔

ڈائریکٹرز رپورٹ

منصوبہ سرمایہ کاری (Capital Structure):

کمپنی قرضوں پر بہت کم یقین رکھتی ہے زیادہ تر کمپنی نے اپنے بنیادی سرمایہ پر انحصار کرتے ہوئے معاشی صورتحال کو بہت بہتر بنایا، پیسے کی روانی کو مستقل کیا اور اپنی روزمرہ کی منصوبہ بندی کو مضبوط سے مضبوط تر کیا۔ کمپنی عام طور پر عارضی قرضے لیتی ہے۔ تاکہ وہ روزمرہ کی کاروباری ضروریات کو پورا کر سکے، کمپنی نے بڑی کامیابی کے ساتھ تمام قرضے اور اس سے متعلق سود اور گاڑیوں کے کرائے بغیر کسی دیر کے ادا کیے تاکہ سود کے خرچے سے بچا جا سکے۔ کمپنی نے پچھلے دو سال سے بڑی کامیابی کے ساتھ موجودہ دولت اور ادائیگیوں کے توازن کو برقرار رکھا اس کے ساتھ ساتھ کمپنی نے ٹیکوں سے عارضی اور لمبے عرصے کے سرمایہ کو بھی یقینی بنایا تاکہ پاکستان اور متحدہ عرب امارات میں کاروباری ضروریات کو پورا کر سکیں۔

Gearing Ratio

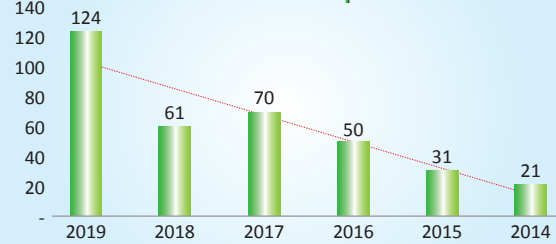


عارضی سرمائے کے انتظامی امور (Working Capital Management):

پچھلے پانچ سالہ موجودہ اثاثہ جات اور بہت ہی کم عرصے میں پیسے میں منتقل ہونے والے اثاثہ جات کو بہتر کیا، جو کہ کمپنی کی بہتر ہوتی ہوئی سرمایہ کی صورت حال اور لمبے عرصے کیلئے سرمایہ کے حصول کے تعلقات جو کہ کمپنی کی روزمرہ کی کاروباری صورتحال کیلئے ضروری ہیں، کمپنی اپنے روزمرہ کی کاروباری ضروریات کیلئے عارضی سرمایہ کے حصول کو بہت ہی بہتر طریقے سے بحال رکھے ہوئے ہے۔ جو کہ ہمارے خریداروں کے آرڈرز کو مکمل کرنے کیلئے بہت ضروری ہے۔ ہم نے اپنے خریداروں سے ایک متعین عرصے کے اندر پیسے کی وصولی کو یقینی بنایا، کمپنی بہت بہتر طریقے سے عارضی سرمایہ کی ضروریات کو سامنے رکھتے ہوئے بہت ہی 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۔ سال 2018ء میں

کمپنی نے درمیانے درجے کے دقتیے لیے تاکہ کمپنی اپنے دو بڑے منصوبے جو کہ متحدہ عرب امارات اور پاکستان میں ہیں مکمل کر سکے۔ مالی سال 2020ء میں کمپنی کو انتہائی امید ہے کہ وہ اپنے قرضوں کو 2016ء کے برابر کر آئے گی۔ پاکستان میں موجودہ شرح سود میں کمی کی وجہ سے انتظامیہ یہ بے خوف آسانی سے حاصل کر سکے گی۔

Financial Expense



سرمایہ کی صورتحال کو بہتر بنانے کی حکمت عملی (Strategy to Overcome Liquidity Issues):

Issues:

مالی سال 2015ء میں متحدہ عرب امارات کی وجہ سے ہماری آمدن کم رہی، ہم یوں بھی کہہ سکتے ہیں کیونکہ ہم اس فیلڈ میں تباہ کرنے والوں میں شامل ہیں ہمارے خریداروں کو ہم پر اعتماد ہے اور ہم ان کو اپنا شرکاء دار سمجھتے ہیں اور ہم نے اپنے کارآمد سرمائے کی ضروریات کی مالی اعانت کے لیے لیکچوریٹی کو مضبوط کیا جس سے پچھلے مالی سالوں (2011 تا 2018) کے مالی مضمرات کو کم کرنے میں مدد ملی اور انتظامیہ نے مالی سال 2019 اور 2020 میں لیکچوریٹی کو مالی سال 2014 کے برابر لانے کا پلان بنایا ہے اور انتظامیہ یہ پروف 31 جولائی 2020 تک حاصل کر لے گی۔

مستقبل کی کاروباری منصوبہ بندی (Future Prospects):

کاروباری معاملات کے مستقبل کی منصوبہ بندی جو کہ ہمارے بورڈ آف ڈائریکٹرز اور مینجمنٹ کی منصوبہ بندی اور پلان کا حصہ ہے۔ قطر جو کہ تیل اور گیس کے وسیع ذخائر رکھتا ہے اور ایک کاروباری ادارے کیلئے بہت ضروری ہو گیا ہے کہ وہ وہاں پر ایک مستقل کاروباری سرگرمیوں کو جاری رکھے تاکہ اس خطے میں روز بروز کی بڑھتی ہوئی کاروباری سرگرمیوں سے فائدہ اٹھایا جاسکے اور اپنی اعلیٰ پیمانے کی خدمات کی وجہ سے بڑے کاروباری اداروں کے ساتھ مسابقت کی فضا میں کاروباری معاملات کو انجام دے سکے۔ ہمارا موجودہ کاروباری شرکاء داری جو کہ مشرق وسطیٰ میں بڑھتے ہوئے کاروباری معاملات کو دیکھنے کیلئے چار مستقل کاروباری مراکز (دبی، جدہ، دہا اور ابوظہبی) میں کاروباری شرکاء دار اعلیٰ اینڈ سز اور سعودی عرب میں ”عسلی الترتکی کمپنی (ATCO)“ اور قطر میں ”ارکان انسٹیٹیوٹ ڈیولپمنٹ ایل ایل سی“ کے ساتھ ہیں۔ کمپنی بہت ہی پرامید ہے کہ متحدہ عرب امارات، سعودی عرب، قطر، اومان، امریکہ میں کاروباری سرگرمیاں بحال ہو جائیں گی۔ اور بالخصوص پاکستان میں بھی معاشی اور سیاسی سرگرمیوں میں بھی مستقل بنیادوں پر تھپڑاؤ کارخانہ ہو جائے گا۔

کورونا 2019 (COVID-19)

COVID-19 کی وجہ سے ملک بھر میں کاروباری سرگرمیاں معطل ہونے کی وجہ سے پہلی سہ ماہی کے آخری مہینے اور دوسری سہ ماہی کے پہلے دو مہینوں میں آمدنی میں تاخیر یا کمی کا سامنا ہو سکتا ہے۔ ہم نے 2020 کی پہلی سہ ماہی کے آخری مہینے میں مکمل لاک ڈاؤن کا سامنا کیا جس نے ہمارے نئے آرڈرز اور آمدن 80 فیصد تک متاثر کیا مگر یقینی طور پر ایک ٹیکنالوجی کمپنی ہونے کی وجہ سے ہمارے انجینئرز اور دیگر ملازمین گھر میں رہ کر کام کرنے کی صلاحیت رکھتے ہیں جس کی وجہ سے ہم اپنے پروجیکٹس کو مکمل کرنے اور آمدنی کو جاری رکھے ہوئے ہیں۔ لیکن کچھ جگہوں پر پروجیکٹس عملداری کاموں میں رکاوٹ اور ان سے متعلق منظوری متاثر ہو سکتی ہے اور کیش آمد میں تاخیر ہو سکتی ہے۔ لیکن اس کا ازالہ ہم اپنے اخراجات (17 ملین پاکستان اور 12.5 ملین عرب امارات) میں بچت کر کے کریں گے جو کہ گھر میں رہ کر کام کرنے کیوجہ سے ممکن ہوگی۔ کمپنی اپنے تمام مستقل ملازمین کو بروقت تنخواہ دینے کے لیے پرعزم ہے اور اس مشکل گھڑی میں کسی بھی ملازم کو کوئی کمی سے فارغ نہیں کرے گی۔

معاشرے کی خدمت (Service to Society):

کاروباری معاشرے کی بہت ہی فعال اور ذمہ دار کمپنی ہونے کے ناطے سے ہم وعدہ کرتے ہیں اور یقین رکھتے ہیں کہ ہم اس معاشرے کی بہتری کیلئے ضرور کچھ بہتر ادا کریں گے جیسا کہ تعلیم، صحت، عامہ عوام کی حفاظت اور ماحولیاتی اچھائی میں اہم معاملات میں مدد کریں گے۔ ہمیں اس بات کی سمجھ آئی ہے کہ تمام کاروباری اکائیاں اگر مل جل کر کام کریں گی تو وہ بہتر طریقے سے معاملات کو سمجھتے ہوئے معاشرے کی بہتری میں اہم کردار ادا کر سکتے ہیں کیونکہ یہ تمام کاروباری ادارے اسی معاشرے کا حصہ ہیں۔

صحت، حفاظت اور ماحولیات (Health, Safety & Environment):

اوپن سیون انٹرنیٹ سنجیدگی کے ساتھ صحت کے معاملات کی دیکھ بھال اور حفاظتی معاملات کے رجحانات کے مطابق کام کی جگہوں اور دفاتر کے اندر صحت کے معاملات اور ماحولیات کو یقینی بناتی ہے۔ ہم وعدہ کرتے ہیں کہ صحت، حفاظتی اور اس سے متعلق دیگر امور جو کہ کاروباری سرگرمیوں کے ساتھ منسلک ہیں ان میں بہتری لائیں گے اور آگ لگنے کے خدشات، حادثات یا اس سے ہونے والے نقصانات جو کہ ملازمین یا مہمانوں پر ہو سکتے ہیں اس کا سدباب کریں گے۔

ہم تمام کاروباری معاملات جو کہ بہت ساری جگہوں پر انجام دیے جا رہے ہیں ان کے معیار کو بین الاقوامی صحت اور حفاظتی امور کے معیار کے مطابق سرانجام دیں گے جو کہ ISO 14001:2004 میں درج ہے۔ ہم یہ بھی یقین دلاتے ہیں کہ ہماری مصنوعات، حفاظتی اور قانونی ضروریات کے مطابق بھیجی جائیں گی۔

پچھلے سالہ اجلاس عام میں اٹھائے گئے معاملات (Issues Raised in Last AGM):

مالی سال 2018ء کے سالانہ اجلاس عام میں کوئی بھی خاص معاملہ نہیں اٹھایا گیا تھا۔

ایجنڈا نمبر 1:- بورڈ آف ڈائریکٹرز نے پندرہویں سالانہ اجلاس عام منعقدہ 24 اپریل 2018 کی تفصیلات کنفرم کرنا۔

ایجنڈا نمبر 2:- ممبران نے اکاؤنٹس برائے مالی سال 31 دسمبر 2018 بمعدہ 19 اور ڈائریکٹرز رپورٹ کی تصدیق اور منظوری دی۔

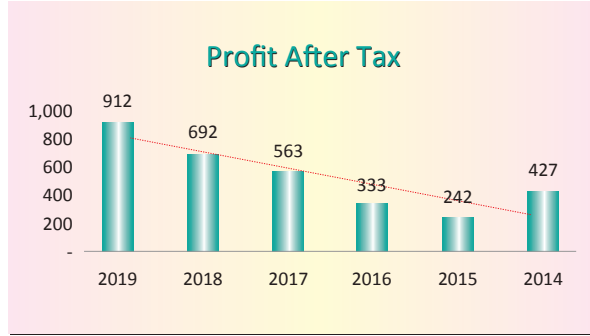
ایجنڈا نمبر 3:- ممبران نے موجودہ آڈیٹر (EY Ford Rhodes, Chartered Accountants) کو اگلے

ایجنڈا نمبر 4:- بورڈ کے منظور شدہ نیٹ ورکس حساب 10 فیصد کی منظوری۔

ایجنڈا نمبر 5:- مجاز سرمایہ میں اضافہ 2.0 بلین سے بڑھا کر 2.5 بلین روپے کرنے کی منظوری۔

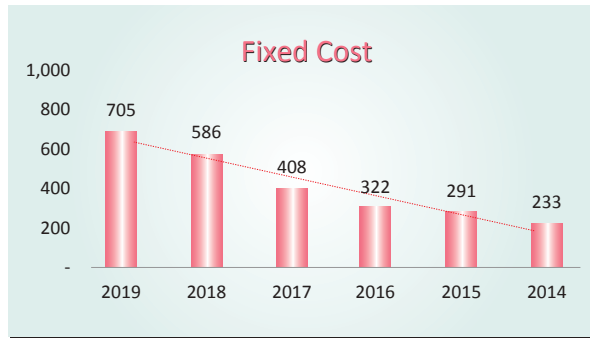
منافع بعد از ٹیکس (Profit after Tax):

خالص منافع (بعد از ٹیکس کنوٹی) میں 32% اضافہ ہوا ہے۔ اس خالص منافع میں 257 ملین روپے غیر ملکی کرنسی کی شرح تبادلہ (Unrealised Exchange Gain) کی وجہ سے جو کہ ہماری غیر ملکی کرنسی میں موصولیوں پر ہے۔ کمپنی انتظامیہ بہت پر امید ہے کہ مجموعی آمدنی اور خالص منافع کو مالیاتی سال 2020 اور 2021 میں برقرار رکھے گی۔ جو کہ مستقبل کے کاروباری معاہدے اور موجودہ سرگرمیوں جنکی مالیت 31 مارچ 2020 کو 59 ملین امریکن ڈالر سے بھی زیادہ ہے۔ انتظامیہ مالی سال 2020 کے مقررہ اہداف کو حاصل کرنے میں پر امید ہے۔



مقررہ اخراجات (Fixed Cost):

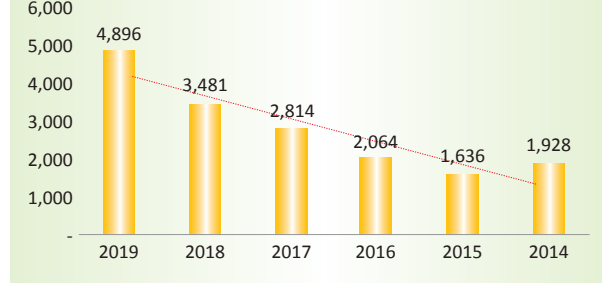
کمپنی کے مقررہ اخراجات میں 20 فیصد اضافہ ہوا ہے جو کہ سال 2018ء میں 44 فیصد رہا تھا اس مجموعی اضافہ میں ملٹ 127 ملین روپے کا خرچہ متوقع ناقابل وصول پرانی وصولیوں کی مد میں ریکارڈ کیا گیا۔ اور دیگر اضافہ جو کہ 18 فیصد تنخواہوں میں اور دیگر انتظامی اخراجات جو کہ افراط زر میں اضافہ کی وجہ سے ہیں اور باقی اضافی کاروباری سودوں کے انتظامات اور اس سے متعلق اخراجات شامل ہیں جو آمدنی میں اضافہ کی شرح کے مطابق ہوئے ہیں۔ کمپنی انتظامیہ اس کوشش میں ہے کہ اس اضافے کو 15 فیصد سے اوپر نہ جانے دے اس میں کرنسی کی شرح میں ردوبدل کا اثر شامل نہ ہوگا۔



حصص کا رجحان (Stock Liquidity):

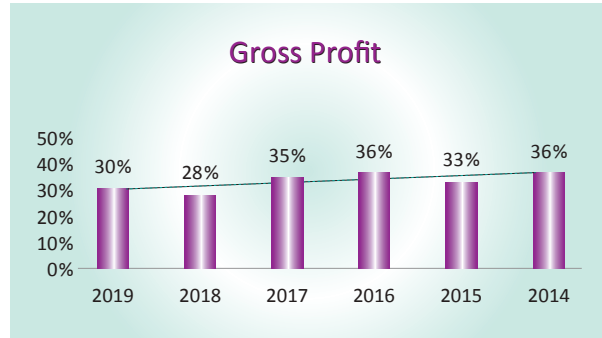
بالآخر اوپنیشن (AVN) سٹاک لیکویڈٹی سال 2019 کے اہداف حاصل کرنے اور نئے چھوٹے اور بڑے سرمایہ داروں کو متوجہ کرنے میں کامیاب رہی۔ اب ہمارے ملازمین (ESOS) سٹیکم کے مالکان بڑی آسانی سے سٹاک بیچ سکتے ہیں اور لیکویڈٹی مواقع ضائع کئے بغیر مارکیٹ میں پوزیشن مزید مستحکم کر سکتے ہیں۔

Revenue

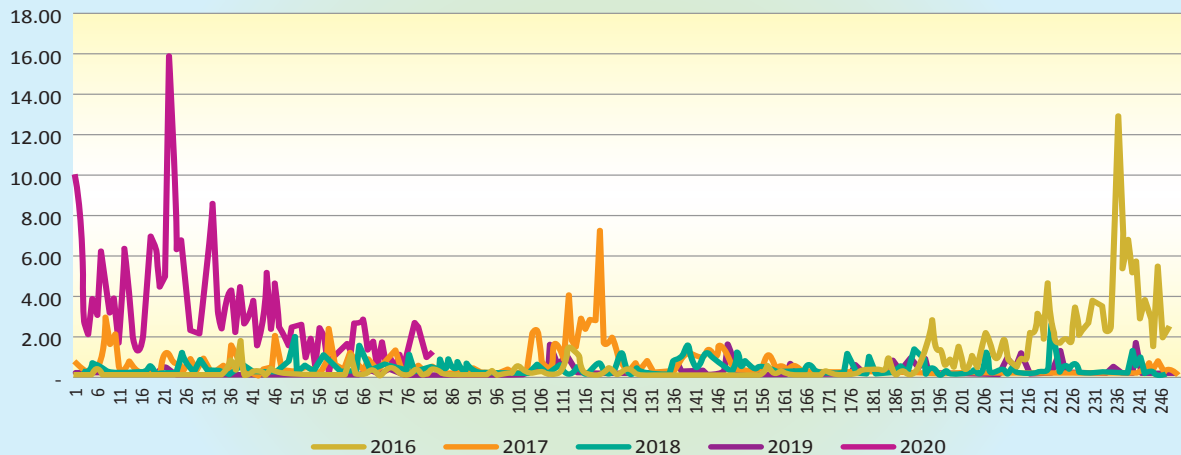
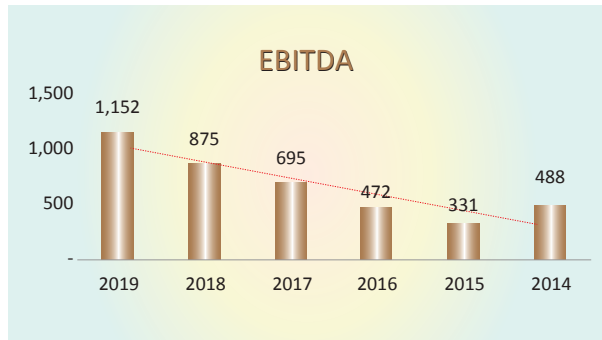


مجموعی منافع (Gross Profit):

ہم نے پچھلے سال کے مقابلے میں مجموعی آمدنی میں 12% اضافہ دیکھا ہے۔ کمپنی کی انتظامیہ نے یکامیابی کے ساتھ مجموعی آمدنی 30% کو رواں سال 2019، گزشتہ تمام سالوں میں برقرار رکھا (ماسوائے 2018 کے جو کہ عرب امارات میں کم آمدن والے پروجیکٹ کی وجہ سے کم تھا) انتظامیہ بہت پر امید ہے کہ آنے والے مالی سالوں 2020 اور 2021 میں اس مجموعی آمدنی جو 30 فیصد ہے کو برقرار رکھے گی۔



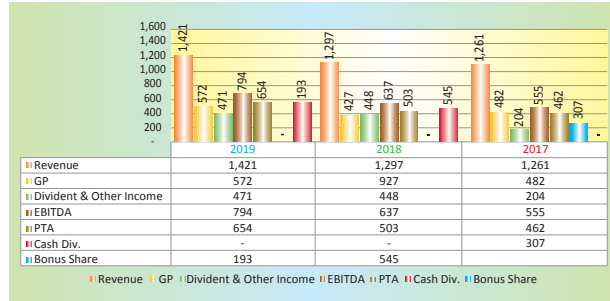
منافع جات، سود ٹیکس کنوٹی، فرسودہ اور کساد بازاری سے پہلے (EBITDA):



ڈائریکٹرز رپورٹ

کاروباری نتائج (Operation Result Standalone):

| موازنہ | 2019 (روپے ہزاروں میں) | 2018 (روپے ہزاروں میں) | موازنہ |
|-------------------|------------------------|------------------------|---------|
| آمدن | 1,420,979 | 1,296,965 | 124,014 |
| منافع قبل از ٹیکس | 691,727 | 571,672 | 120,055 |
| منافع بعد از ٹیکس | 653,870 | 502,658 | 151,212 |

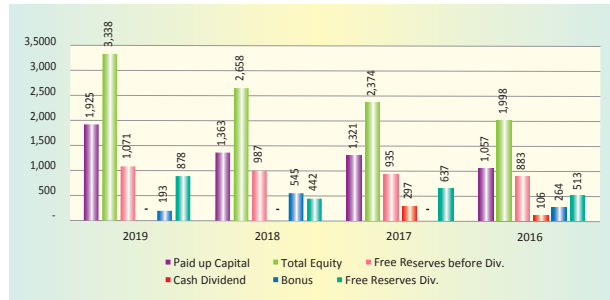


بعد از نتائج منافع کی تقسیم (Subsequent Appropriation):

ڈائریکٹرز نے یکم دسمبر 2018 (صفر 2018) اور بزنس شیئر 10 فیصد (نومبر 2018) 40 فیصد (تجربہ کیا ہے۔

2019 (روپے ہزاروں میں) 2018 (روپے ہزاروں میں)

| | | |
|---|-----------|-----------|
| منافع کی تقسیم کاری کے موجودہ ذخائر | 1,070,907 | 987,429 |
| تجربہ کردہ پیش ڈیوڈ منافع (صفر 2018) | - | - |
| تجربہ کردہ بزنس شیئر 10 فیصد (نومبر 2018) 40 فیصد | (192,536) | (545,292) |
| منافع کی تقسیم کاری کے ذخائر (گلے سال میں منتقلی) | 442,134 | 878,331 |



فی حصص آمدنی (Earning Per Share):

آخری پانچ سال سے کمپنی کی فی حصص آمدنی کارخانہ اوپر کی طرف رہا سوائے آخری سال کے اور اس سال کے اوپر کے رجحان کی وجوہات جو کہ اوپر دی گئی ہیں ثابت کرتی ہیں کہ کمپنی نے مسلسل کیسا تھا اپنے تمام کاروباری علاقوں میں کارکردگی دکھائی اور کمپنی کے حصہ داران کی توقعات پر پورا اتری۔

فی حصص آمدنی (Consolidated):

بنیادی کمائی فی کس شیئر بعد از ٹیکس مبلغ 4.74 روپے (2018: 3.62 روپے) ہے۔

فی حصص آمدنی (Standalone):

بنیادی کمائی فی کس شیئر بعد از ٹیکس مبلغ 3.31 روپے (2018: 2.50 روپے) ہے۔

مالیاتی کارکردگی (Consolidate)

آمدنی (Revenue):

کمپنی کی آمدنی 41 فیصد اضافے کیساتھ (4,896 ملین روپے ہے) جو کہ گزشتہ سال کے مقابلے بہتر رہی۔ مالی سال 2017 اور 2018 کی طرح اس سال بھی متوقع آمدن میں اضافے کا رجحان برقرار رہا اور کارکردگی بہتر رہی۔ جبکہ آؤ رجزیشن سال 2019 کی تیسری اور چوتھی سہ ماہی اور سال 2020 کی پہلی سہ ماہی میں ہم نے اپنے مقررہ اہداف کے مطابق نتائج حاصل کیے۔ اور اس کی وجہ سے سال 2020 کی تیسری اور چوتھی سہ ماہی میں بھی متوقع اہداف کے مطابق عمدہ کارکردگی ارد آمدن میں اضافہ دیکھنے میں آئے گا۔ جیسا کہ مالی سال 2019 کی سہ ماہیوں میں نظر آئی کمپنی کی انتظامیہ آمدن کے اس اضافے کے رجحان کو برقرار رکھے گی۔ جیسا کہ سال 2017 اور 2018 میں بھی بہت رجحان برقرار رکھا۔ البتہ 2020 کی پہلی اور دوسری سہ ماہی میں کورونا (COVID-19) کی وجہ سے آمدن میں تاخیر ہو سکتی ہے

کمپنی کے ڈائریکٹرز انتہائی پر مسرت طریقے سے کمپنی کے (Consolidated) اور (Standalone) آؤٹ کیے گئے اکاؤنٹس (آؤٹس سے جانچ پڑتال شدہ اور آؤٹس کی رپورٹ کے ساتھ) جو کہ مالی سال 31 دسمبر 2019ء پر مشتمل پیش کرتے ہیں یہ تمام مالیاتی اعداد و شمار اور اس سے متعلقہ مالیاتی گوشوارے جنہیں کمپنی کی انتظامیہ نے اصول و ضوابط کے تحت تیار کیا ہے۔ تفصیلات اکاؤنٹس کو تمام مالی سٹیٹمنٹس ڈیٹریکٹ کی انتظامیہ نے تیار کیے ہیں جو کہ مندرجہ ذیل ہیں:-

- 1۔ انہوں نے کمپنی کے روزمرہ کاروباری اور کمپنی کے معاملات اور بنیادی سرمائے کی تبدیلی کے تمام معاملات کو بلا جھجک بیان کیا ہے۔
- 2۔ اصول و ضوابط کے مطابق مکمل حساب کتاب کاروبار کا محفوظ رکھا جا رہا ہے۔
- 3۔ مناسب حساب کی پالیسیاں اختیار کی گئی ہیں جو کہ ان مالیاتی گوشواروں کی تیاری میں لاگو کی گئی ہیں جو کہ حساب کتاب کے مناسب اصول و ضوابط اور دانشمندی پر مبنی ہیں۔

4۔ تمام بین الاقوامی اکاؤنٹنگ کے اصولوں اور بیان کرنے کے ضابطوں کے مطابق جو کہ پاکستان میں بھی قابل اطلاق ہیں جن کو ان مالیاتی گوشواروں کی تیاری میں مد نظر رکھا گیا اور احسن طریقے سے مکمل کرتے ہوئے بلا جھجک بیان کیا گیا۔

5۔ کمپنی کے اندرونی معاملات کی جانچ پڑتال کا اصول مضبوط ہے جسے نہایت عمدہ طریقے سے موثر انداز میں لاگو کیا اور چلایا جا رہا ہے۔

6۔ کمپنی کو اپنی قابلیت اس طرح جاری رکھنے پر کوئی شک و شبہ نہیں ہے۔

7۔ کارپوریٹ گورننس کے بہترین اصولوں کے مطابق جو کہ پاکستان اسٹاک ایکسچینج کے سٹینڈرڈ کے اصول و ضوابط میں دی گئی ہیں ان سے انحراف نہیں کیا گیا ہے۔

8۔ تمام سرکاری واجبات ڈیوٹیز، ٹیکسز اور ان قوانین میں تبدیلی کی وجہ سے جو بھی رقم بنی وہ اچھے طریقے سے کمپنی کی کاروباری معاملات میں بیان کی گئی ہے۔

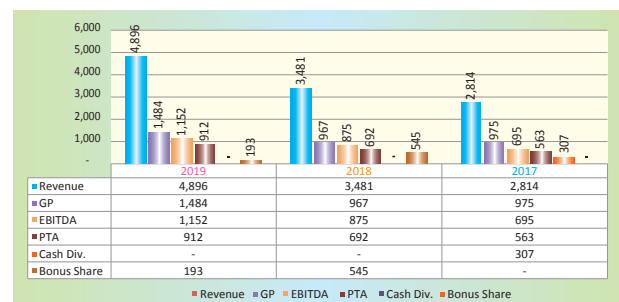
یہ ڈائریکٹرز رپورٹ ریگولیٹری آرڈیننس کے تحت تیار کی گئی ہے جو کہ سترہویں سالانہ اجلاس عام پر ممبران کو بھیجی جائے گی، جو کہ روز جمعہ 29 مئی 2020 کو ان لائن پبلٹ فارم کے ذریعہ لاہور پنجاب، پاکستان میں منعقد ہوگی۔

رپورٹ:-

کمپنی کی کارکردگی انتہائی اطمینان بخش اور رجحان ترقی کی طرف رہا ہے آؤ رجزیشن، آمدن، منافع بلا ٹیکس، منافع مع ٹیکس، دیگر آمدن، مقررہ اخراجات پر کنٹرول (ماسوائے منقولہ وصولیوں اور پرانے واجبات کے) ، بہترین انتظامی امور، ترقی کی ترقی کا انتظام اور مناسب بینکنگ سہولیات جو کہ بہت ہی مناسب اخراجات پر مشتمل رہی، تمام قرضوں اور واجبات کی بروقت ادائیگی جو کہ کمپنی کی بہت بڑی کامیابی ہے۔ کمپنی کے تمام ڈیپازٹمنٹ نے بہت اچھا کردار ادا کیا اس کے ساتھ کمپنی نے آؤ رجزیشن کا اب تک سب سے بڑا ہدف عبور کیا۔ ہماری سعودی عرب میں ”علی التریکی کمپنی (ATCO) سعودی عرب“ اور ”ارکان انڈسٹریز ڈویلپمنٹ ایل ایل سی“ قطر، کیساتھ شراکت داری بہت کامیاب رہی اور انتظامیہ کی طرف سے سوچے گئے تمام اہداف کو کامیابی سے پورا کرنے میں کامیاب رہے۔ جیسا کہ ہم نے پچھلے سال تنبیہ لگایا تھا اور تجزیہ نگاروں کی گزشتہ مینٹنز کے دوران واضح کیا تھا کہ ہماری آمدنی اور خالص منافع میں اضافہ ہوگا جو کہ ہم نے کر دکھایا۔ مالی سال 2019ء کے اختتام پر حال سب سے بڑا Backlog بنایا جو کہ 59 ملین ڈالر ہے اور اگلے مالی سال 2020ء کی آمدنی اور خالص منافع میں مثبت اضافہ دکھائی دے گا۔

کاروباری نتائج (مجموعی) (Operation Result Consolidated):

| موازنہ | 2019 (روپے ہزاروں میں) | 2018 (روپے ہزاروں میں) | موازنہ |
|-------------------|------------------------|------------------------|-----------|
| آمدن | 4,896,158 | 3,480,942 | 1,415,216 |
| منافع قبل از ٹیکس | 962,940 | 780,287 | 182,653 |
| منافع بعد از ٹیکس | 912,176 | 691,645 | 220,531 |



(1) کمپنی کے حصص کی منتقلی کی کتب مورخہ 22 مئی 2020 سے 29 مئی 2020 (بشمول دونوں دن) بند رہیں گی جس دوران تدوین کیلئے کسی بھی حصص کی منتقلی کی وہ درخواستیں جو درست حالت میں کمپنی کے شیئر رجسٹرار کے دفتر فیکو ایسوسی ایٹس 8-ایف نزد ہوٹل فاران نرسری بلاک نمبر 6، PECHS، شاہراہ فیصل کراچی۔ مورخہ 21 مئی 2020 کو دفتری اوقات ختم ہونے سے قبل موصول ہوگی۔ انکوبنس حصص کے استحقاق، سالانہ اجلاس عام میں شرکت اور حق رائے دہی استعمال کرنے کے استحقاق کے تعین کیلئے بروقت شمار کیا جائے گا۔

(2) سالانہ اجلاس عام میں شمولیت، بولنے اور حق رائے دہی کرنے کے مستحق ہر ممبر کو یہ حق حاصل ہے کہ وہ شرکت بولنے اور حق رائے دہی استعمال کرنے کیلئے اپنی جگہ کسی پر کسی کو مقرر کرے اور ایسے پر کسی کو اجلاس میں شرکت، بولنے اور حق رائے دہی استعمال کرنے کی نسبت سے وہی اختیارات حاصل ہوں گے جو کہ بذات خود کمپنی کے ممبر کو حاصل ہوتے ہیں۔ پر کسی کو مقرر کرنے کیلئے ہر لحاظ سے درست اور باقاعدہ مہر شدہ اور دستخط شدہ پر کسی فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہونا ضروری ہے۔ پر کسی کا بذات خود کمپنی کے شیئر ہولڈر میں سے ہونا ضروری نہیں۔

(3) ممبر کیلئے ضروری ہے کہ وہ بروقت اپنے پتہ میں تبدیلی فیکو ایسوسی ایٹس 8-ایف نزد ہوٹل فاران نرسری بلاک نمبر 6، PECHS، شاہراہ فیصل کراچی کمپنی کے شیئر رجسٹرار کو مطلع کر دیں۔ دیگر نوٹس:- CDC کاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سرکلر نمبر 1 مورخہ 26 جنوری 2020 میں SECP میں موجود ہدایات پر عمل پیرا ہونا ہوگا۔ شیئر ہولڈرز کا اجلاس میں شرکت کیلئے۔

1- انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سکیورٹی گروپ اکاؤنٹ میں جمع ہے انکی رجسٹریشن کی تفصیل قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا اصلی شناختی کارڈ یا پاسپورٹ سے کروائیں۔

2- شیئر ہولڈر جو کہ CDC میں رجسٹر ہیں ان سے درخواست کی جاتی ہے کہ وہ اپنا آئی ڈی نمبر اور اکاؤنٹ نمبر جو کہ CDC میں ہے ہمراہ لائیں۔ 3- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹران اپنے ڈسٹریکٹ کی قرارداد/مختار نامہ بمعہ نامزد کیے گئے شخص کے دستخط نمونہ پیش کریں۔

پراکسی کی تقرری کیلئے:-

1- انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سکیورٹی گروپ اکاؤنٹ میں ہوں اور انکی رجسٹریشن کی تفصیلات قوانین کے مطابق جمع کروائی گئی ہوں، پر کسی مکمل اور صحیح طور پر تصدیق شدہ ہوجمع کروانا ہونگے۔

2- پر کسی فارم پر دو اشخاص گواہ ہونے چاہئیں جسکے نام پتہ جات شناختی کارڈ نمبر پر کسی فارم پر لکھے ہوں۔ 3- شیئر ہولڈر اور پر کسی کے درست شناختی کارڈ یا فائدہ مند مالکان کے سپورٹ کی تصدیق شدہ کاپیاں پر کسی فارم کے ساتھ مہیا کی جائیں گی۔

4- پر کسی اپنا اصل شناختی کارڈ یا پاسپورٹ اجلاس کے وقت پیش کرے۔ 5- کارپوریٹ شناخت کی صورت میں مختار عام بورڈ آف ڈائریکٹرز و لوٹن نامزد کیے گئے شخص کے دستخط نمونہ جات کے ساتھ اجلاس کے وقت پیش کرے گا۔

بیانات زیر دفعہ (3) 166 کمپنیز ایکٹ 2017:- کمپنی ایکٹ، 2017 کی دفعہ 166 کا تقاضا ہے کہ مادی حقائق کا بیان عام اجلاس کے نوٹس سے منسلک کیا جائے جس کا مقصد ڈائریکٹرز کے انتخاب کا مقصد ہے جو آزاد ڈائریکٹرز کی حیثیت سے تقرری کیلئے انتخاب کے جواز کی نشاندہی کرے گا اس کے مطابق کمپنی اس بات کو یقینی بنائے گی کہ کمپنیوں کے ایکٹ 2017 کے سیکشن 159 میں درج کردہ ڈائریکٹرز کے انتخاب کے طریقہ کار کے مطابق آزاد ڈائریکٹران کا انتخاب کیا جائے۔ جب کوئی شخص اپنا نوٹس ڈائریکٹرز منتخب ہونے کا ارادہ داخل کرے گا، کمپنی آزاد ڈائریکٹرز کی حیثیت سے تقرری کیلئے درج ذیل معیارات کا اطلاق کرے گی۔

1- سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے منظور شدہ، پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کے زیر انتظام ڈیٹا بینک میں آزاد ڈائریکٹران کے نام کو شامل کرنا۔

2- کمپنی اپنی مستعدی سے کام لے گی کہ وہ شخص کے سیکشن 166 (2) میں بیان کردہ آزادی کے معیار پر پورا اترتا ہے۔ 3- اہلیت، تنوع، مہارت، علم اور تجربے کا اندازہ کیا جائے گا۔

بیانات زیر دفعہ (3) 134 کمپنیز ایکٹ 2017:- یہ بیانات ان حقائق کی نشاندہی کرتے ہیں جو کہ سالانہ اجلاس عام 29 مئی 2020 میں ”اہم کاروباری امور“ کی منظوری کیلئے پیش کیا جائے گا۔ کارروائی کی پانچویں شق:-

کمپنی کے ڈائریکٹران کے مطابق کمپنی کا منافع، اسکی مالی حالت اور اسکے مالی ذخائر مناسب جواز پیش کرتے ہیں کہ حصص یافتگان کو بونس کی منظوری جن کی تجویز کا تناسب ہر 100 حصص پر 10 حصص کے حساب سے ہوگا یعنی 10% فیصد بننے ہیں ادا کیا جائے یہ بونس ان حصص یافتگان کو ادا کیا جائے گا جنکا نام کمپنی رجسٹر میں مورخہ 21 مئی 2020 کو دفتری اوقات ختم ہونے سے قبل درج ہوگا اس عمل کے نتیجے میں مالیت 192,536,370 روپے کے ذخائر کمپنی کے سرمایہ میں بونس شیئر کے اجراء کے سبب شمولیت اختیار کر لیں گے یہ بونس شیئر ڈیویڈنڈ اور دیگر حوالوں کے لحاظ سے کمپنی کے عمومی شیئر سے برابری کے درجے میں ہونگے کمپنی کے ڈائریکٹران کے مفادات اس کاروبار میں ان کی حصہ داری تک محدود ہیں

کارروائی کی چھٹی شق:-

Companies Further Issue of Capital Regulations, 2020 میں کی گئی تبدیلی بذریعہ SRO (1) 2020 کے مطابق ڈائریکٹران نے ایمپلائز سٹاک آپشن سکیم کے اجراء کی اجازت کو واضح طور پر فراہم کرنے کیلئے کمپنی کے آرٹیکل آف ایسوسی ایشن کی شق 8 میں ترمیم کرنے کا فیصلہ کیا ہے۔ مذکورہ قرارداد ان قوانین اور ضوابط کے مقصد کو پورا کرتی ہے۔

نوٹس برائے سالانہ سترھواں اجلاس عام

Avanceon Limited

اطلاع دی جاتی ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ رکن نمبر 05\2020 کی تعمیل میں ایونسیون لمیٹڈ کے ممبران کا سترھواں سالانہ اجلاس عام ایونسیون لمیٹڈ کے رجسٹرڈ آپریٹنگ سنٹر ۱۹-کلو میٹر مین ملتان روڈ لاہور سے مورخہ ۲۹ مئی ۲۰۲۰ بروز جمعہ المبارک بوقت ۳:۰۰ بجے سہ پہر بذریعہ زوم ویڈیو لنک، مندرجہ ذیل امور کو انجام دینے کیلئے منعقد ہوگا۔

A-عمومی کاروباری امور:-

- 1- تفصیلات کی منظوری (Minutes of the Meeting) جو کہ غیر معمولی اجلاس عام مورخہ 08 اگست 2019 کو منعقد ہوا تھا۔
- 2- 31 دسمبر 2019 کو ختم ہونے والے کمپنی کے مالی سال کے آڈٹ شدہ مالیاتی گوشوارے، چیئرمین ڈائریکٹران کا جائزہ اور آڈیٹرز کی رپورٹس وصول کرنا ان پر غور کرنا اور انہیں اختیار کرنا۔
- 3- 25 اپریل 2020 سے شروع ہونے والی اگلی 3 سالہ مدت کیلئے کمپنی کے 07 (سات) ڈائریکٹران کا انتخاب کرنا۔ ریٹائر ہونے والے ڈائریکٹران کے نام مندرجہ ذیل ہیں۔
- 1- جناب خالد حمید وائس 2- جناب بختیار حمید وائس 3- جناب عامر وحید وائس 4- جناب نوید علی بیگ 5- جناب عمر احسن خان 6- جناب تاج حسین 7- جناب تحویر کرامت
- 4- آئندہ مالی سال کیلئے کمپنی کے آڈیٹرز کو مقرر کرنا اور اس کا معاوضہ طے کرنا شیئر ہولڈرز کو اطلاع دی جاتی ہے کہ کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹران نے ریٹائر ہونے والے آڈیٹرز EY Ford Rhodes چارٹرڈ اکاؤنٹنٹ کا نام کمپنی کے آڈیٹرز کی تقرری کیلئے تجویز کیا ہے

B-اہم کاروباری امور:-

- 5- بونس حصص کی منظوری جسکی تجویز کا تناسب ہر 100 حصص پر 10 کے حساب سے ہوگا جو کہ 10 فیصد بنتے ہیں اور مندرجہ ذیل قرار اور 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 شیئر مکمل ادا شدہ عام حصص کے مطابق کمپنی کے ممبرز کو الاٹ کیے جائیں گے جنکا تناسب ہر 100 حصص پر 10 حصص کے حساب سے ہوگا یعنی 10% فیصد۔ ان ممبران کو جنکا نام رجسٹر میں مورخہ 21 مئی 2020 کے اختتامی حساب کتاب پر ہے اس عمل کے نتیجے میں مالیت 192,536,370 روپے کے ذخائر کمپنی کے سرمایہ میں بونس شیئر کے اجراء کے سبب شمولیت اختیار کر لیں گے۔ ایسے بونس شیئرز ڈیویڈنڈ کی ترسیل اور تمام امور میں عام حصص کے قانونی مساوی ہو گئے مزید قرار کیا جاتا ہے کہ ممبران کے کسری استحقاق کو مکمل حصص میں اکٹھا کر کے اسٹاک مارکیٹ میں فروخت کیا جائے گا اور اس سے حاصل شدہ رقم کو کسی فلاح ادارے کو عطیہ کی جائے گی۔

- 6- قرار پایا ہے کہ کمپنی کے آرٹیکل آف ایسوسی ایشن کی شق نمبر 8 کو مندرجہ ذیل طریقے سے پڑھنے کی ترمیم کی جاتی ہے۔ کمپنی کے سرمائے میں حصص کسی بھی پراپرٹی اراضی، عمارت، مشینری، ساز و سامان یا سامان کی فراہمی یا کمپنی کے فروغ اور اس کے قیام میں کمپنی کو پیش کیے جانے والی کسی بھی خدمات کی مکمل یا جزوی ادائیگی میں جاری یا الاٹ کیے جاسکتے ہیں۔ مزید یہ کہ حصص کمپنی کے ملازمین کو بھی جاری کیے جاسکتے ہیں جو کہ پاکستان میں لاگو کارپوریٹ قوانین کے ذیل، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے منظور شدہ، اسٹاک آپشن اسکیم کے تحت ہوں گے۔

- 7- اضافی امور جو کہ چیئرمین کی اجازت سے ہو گئے۔

لاہور مورخہ 07 مئی 2020

احسن خلیل (کمپنی سیکرٹری)

بحکم بورڈ:-

ویب لنک برائے آن لائن میٹنگ بذریعہ "ZOOM"

کارپوریٹ سیکرٹری (194) کیلئے کرنا وائرس کے اثر کو کم کرنے کیلئے ریگولٹری ریلیف کے حوالے سے بالترتیب 17 مارچ 2020 اور 01 اپریل 2020 کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے سرکلر نمبر 5/10 کی پیروی میں سالانہ اجلاس کی کارروائی صرف بذریعہ "ZOOM" آن لائن ہوگی۔

میٹنگ کی براہ راست کارروائی میں شرکت کیلئے حصص یافتگان سے گزارش ہے کہ وہ نیچے دیئے گئے لنک کو کلک کریں:

https://us02web.zoom.us/webinar/register/WN_cGhTAYP8TUqLhU3rJYxKAg

لاگ ان اور شرکت کیلئے درج ذیل لنک سے مکمل راہنمائی حاصل کر سکتے ہیں

<http://www.avanceon.ae/wp-content/uploads/2020/05/17th-AGM-Zoom-Meeting-Guidelines-May-29-2020.pdf>

"ZOOM" کے ذریعے شرکت کرنے والے حصص یافتگان کو یہ ہولت دی جاتی ہے کہ وہ درج ذیل لنک، ای میل یا پاپولر ایڈریس پر اپنے متعلقہ سوالات | تبصرے | تجاویز اپنے نام اور فون نمبر کیساتھ بھیجیں۔

Link: <http://www.avanceon.ae/regional-operations/>

Email: madnan@avanceon.ae پاپولر ایڈریس: کارپوریٹ آفیسر ایونسیون لمیٹڈ ۱۹-کلو میٹر مین ملتان روڈ لاہور

کمپنیز ایکٹ 2017 کے سیکشن 223(6) کے تحت، آڈٹ شدہ مالیاتی گوشوارے اور سالانہ جنرل میٹنگ کے نوٹس کو ای میل کے ذریعے بھیجنے کی اجازت دی گئی ہے کمپنی کی سالانہ رپورٹ ان حصص یافتگان کو ای میل کے ذریعے بھیجی جائے گی جن کے ای میل CDC اور شیئر رجسٹر کے ریکارڈز میں یا ڈیٹا بیس میں موجود ہیں حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ اپنے ای میل کو مذکورہ بالا لنک یا ای میل یا پاپولر ایڈریس پر بھیجیں سالانہ رپورٹ کمپنی کی ویب سائٹ پر بھی لوڈ کی گئی ہے اور حصص یافتگان تک آسانی سے قابل رسائی ہے

حاشیات:-

پراکسی فارم نوٹس برائے سالانہ سترہواں اجلاس عام

میں / ہم _____
 ساکن _____ بطور اوپنیشن لمیٹڈ
 رکن و حامل _____ عام حصص بمطابق شیئرز رجسٹرڈ
 فوئیو نمبر _____ اور یاسی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور
 ذیلی کھاتہ نمبر _____ ساکن _____ یا بصورت دیگر
 _____ ساکن _____ کو اپنی جگہ مورخہ 29 مئی
 2020ء منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کیلئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط تاریخ _____ 2020ء

گواہان:-

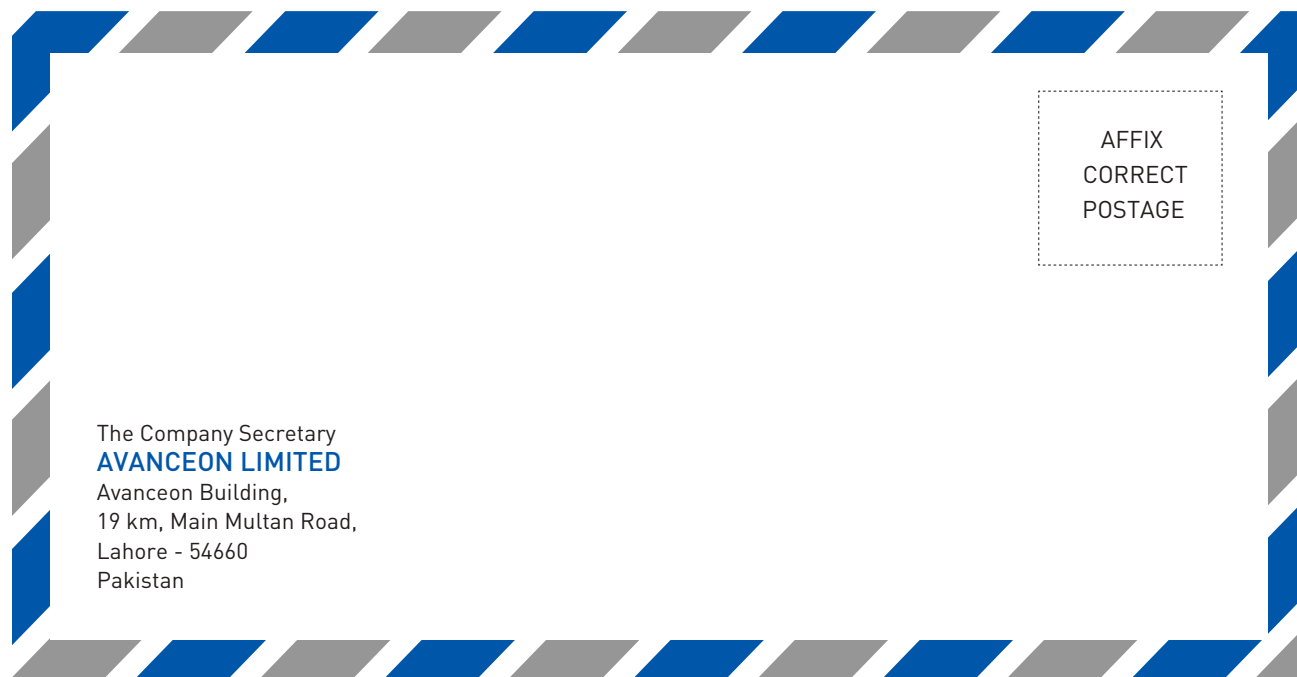
براہ کرم پانچ روپے
 مالیت کے ریونیو ٹکٹ
 چسپاں کریں

دستخط

دستخط کمپنی میں درج نمونہ کے
 مطابق ہونے چاہئیں

- 1 دستخط: _____
 نام: _____
 پتہ: _____
 قومی شناختی کارڈ یا پاسپورٹ نمبر: _____
- 2 دستخط: _____
 نام: _____
 پتہ: _____
 قومی شناختی کارڈ یا پاسپورٹ نمبر: _____

نوٹ: پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کمپنی کا رکن ہونا ضروری نہیں ہے۔ سی ڈی سی کے حصص یافتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کروائیں۔



FORM OF PROXY

17th Annual General Meeting of Avanceon Limited

I/We _____
of _____
being a member of Avanceon Limited and holder of _____
_____ Ordinary Shares as per Share Register Folio
(Number of Shares) _____
No. _____ and / or CDC Participant I.D. No. _____
and Sub Account No. _____ hereby appoint _____
of _____
or failing him _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the 17th Annual General Meeting of the Company to be held on
Friday, 29 May 2020 and at any adjournment thereof.

Signed this _____ day of _____ 2020.

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:

- 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.
- 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.



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