AVANCEON LIMITED

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

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EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Member of Avanceon Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Avanceon Limited** (the company), which comprise the unconsolidated statement of financial position as at 31 December 2021, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period.

These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
1. Revenue Recognition	
The Company's revenue is derived from various revenue streams, as referred to in Note 29 to the accompanying unconsolidated financial statements which primarily includes sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases lead to revenue being recognized over multiple accounting periods. Revenue is recognized based on performance obligations as mentioned in Note 5.17 to the accompanying unconsolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to complete. Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process we have identified measurement of revenue recognition as a key audit matter.	Our audit procedures in respect of this matter included the following: • Obtained an understanding and evaluated the appropriateness of the Company's revenue recognition policies, in accordance with IFRS 15, including those relating to the stage of completion method and related management assessments based on the Company's operating model and its system of recording revenue related transactions; • Tested operating effectiveness of internal controls relating to the Company's revenue recognition process including budgetary control, appropriate review and approval practices and its recognition in the books of accounts; • 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; • Performed test of details including examination of a sample of underlying contracts, review of the contractual terms and conditions and evaluating appropriate accounting treatment thereof;

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Key audit matters	How our audit addressed the key audit matter
	• Selected a sample of revenue transactions recognized during the year and recalculated the revenue recognized along with evaluation of the management basis used in determining the performance obligations in accordance with accounting policies; and • Assessed the appropriateness of disclosures in the unconsolidated financial statements in relation to revenue.
2. Related Party Transactions	
The Company is the parent entity in a Group of companies including a Dubai-based subsidiary Avanceon FZE (100% shareholding) and USA- based sub-subsidiary Octopus Digital Inc. (formerly Innovative Automation Inc. (100% shareholding)). Further, the Company has an investment in a Qatar-based entity, Avanceon Automation and Control (AVAC) which is treated as a subsidiary based on exercise of control. The Company also has a Pakistan based subsidiary, Octopus Digital (Private) Limited. Nature of transactions with related parties includes sale and purchase of equipment, agency commission, management fee, back office support, fee for technical services and dividend (as disclosed in note 38 to the accompanying unconsolidated financial statements) leading to a significant amount of investments, trade debts and receivable balances of Rs. 3,913.59 million, Rs. 707.93 million and Rs. 952.32 million as disclosed in Notes 21, 24 and 26 respectively which in aggregate contribute to 81% of total assets. The inter-company transactions and balances require significant auditor attention as the amounts are material to the unconsolidated financial statements as	Our audit procedures in respect of this matter included the following: • Obtained a list of related parties and transactions entered into with them during the year from management. • 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. • Reviewed the approval process for related party transactions including approval by those charged with governance. • 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. • Assessed whether appropriate disclosures have been made in unconsolidated financial statements regarding related party transactions and balances in accordance with IAS 24 and requirements

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

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

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and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

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

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

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

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

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

AVANCEON LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

BUSINESS UNIT	LOCATION
Head office	19 km, Multan Road, Lahore 54500.
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

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

2 STATEMENT OF COMPLIANCE

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

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

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

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

2.1 Standards, amendments and interpretations and forth coming requirements

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

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

	Standard or Interpretations	Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - Definition of a Business (amendments)	01 January 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	01 January 2023
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022

Standard or Interpretations		Effective date (annual periods beginning on or after)
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by: - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	01 January 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	01 January 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	01 January 2023

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

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

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

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

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

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

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

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

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

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

3 BASIS OF PREPARATION

3.1 Basis of measurement

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

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3.2 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

b) Provision for expected credit losses

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

c) Impairment of non-financial assets

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

d) Cost to complete the projects and related revenue

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

These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

e) Fair value of share based payments transactions

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

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Staff retirement benefits

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

5.2 Taxation

Current

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

Deferred

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

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

5.3 Property and equipment

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

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

Depreciation is charged to profit or loss using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in Note 19.1 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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

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

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

5.4 Intangible assets

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

Amortization is charged to profit or loss on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as specified in Note 20.

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

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

5.5 Investments

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

Investments in equity instruments of subsidiaries

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

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

5.6 Leases

Company as a Lessee

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

a) Right-of-use assets

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

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

b) Lease liabilities

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

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

c) Determining the lease term of contracts

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

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

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

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

5.7 Stock-in-trade

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

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

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

5.8 Financial instruments

5.8.1 Financial assets

a) Initial recognition and measurement

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

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

Ey

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

(i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Ey

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.

5.8.2 Offsetting of financial assets and liabilities

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

5.8.3 Financial liabilities

a) Initial recognition and measurement

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

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

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

b) **Subsequent measurement**

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

Financial liabilities at amortized cost

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

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

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

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

Financial liabilities at fair value through profit or loss

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

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

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

5.8.4 Dividend income

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

5.8.5 Financial income

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

5.9 Contract balances

Contract asset

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

Trade receivables

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

Contract liabilities

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

5.10 Cash and cash equivalents

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

5.11 Contingent liability

Contingent liability is disclosed when:

- there is possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.12 Borrowings

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

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

5.13 Creditors and accruals

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

5.14 Provisions

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

5.15 Foreign currencies

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

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

5.16 Government grants

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

5.17 Revenue recognition

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

Sale of goods

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

Rendering of services

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

Project revenue

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

5.18 Compensated absences

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

5.19 Share based payment transactions

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

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

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

5.20 Earnings per share - basic and diluted

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

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
57,166,850	57,166,850	Ordinary shares of Rs. 10 each fully paid in cash	**571,669**	571,669
191,505,973	148,740,413	Ordinary shares of Rs. 10 each issued as fully paid bonus	**1,915,060**	1,487,404
4,399,629	4,399,629	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I	**43,996**	43,996
3,520,906	1,483,115	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III	**35,209**	14,831
256,593,358	211,790,007		**2,565,934**	2,117,900

6.1 Movement during the year is as follows:

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

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

7 SHARE PREMIUM

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

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

8 EMPLOYEES' SHARE COMPENSATION RESERVE

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

8.1 Share options scheme I

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

Movement in the amount of options granted is as follows:

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

Movements during the year:

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

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

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

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

8.2 Share options scheme II

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

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

Movements during the year:

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

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

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

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

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

8.3 Share options scheme III

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

Movement in the amount of options granted against the reserve is as follows:	2021	2020
	(Rupees in thousand)	
Balance as at 01 January	**2,155**	1,775
Options issued during the year recognized at fair value	**-**	380
Transfer to share capital on issuance of shares during the period	**(2,155)**	-
Balance as at 31 December	**-**	2,155

Movements during the year:

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

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

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

8.4 Share options scheme IV

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

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

Movements during the year:

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

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

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

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

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

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

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

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

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

9 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

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

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

10 LEASE LIABILITIES

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

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

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

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

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

	2021	2020
	(Rupees in thousand)	
As at 01 January	**38,443**	52,090
Additions	**90,436**	10,029
Accretion of interest	**4,893**	6,406
Payments	**(30,058)**	(30,082)
Security deposit adjusted against lease liability	**(17,199)**	-
As at 31 December	**86,515**	38,443

11 LONG-TERM LOAN

	2021	2020
Long-term loan	**23,551**	49,462
Less: current portion of long-term loan	**(23,551)**	(25,911)
	-	23,551

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

12 DEFRRED GRANT

	Note	2021	2020
		(Rupees in thousand)	
Deferred Grant		**269**	1,736
Less: current portion of deferred grant		**(269)**	(1,218)
		-	518

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

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

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

13 DEFERRED TAXATION

	2021	2020
	(Rupees in thousand)	
The net (asset) / liability for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation / amortization	**2,935**	8,460
Provision for doubtful debts / earnings	**(37,621)**	(16,872)
Unused tax losses	**(12,458)**	-
Tax credit under Second Schedule	**(116,182)**	(133,598)
Surplus on revaluation of Property and equipment	**233**	4,277
Deferred tax on incremental depreciation	**3,593**	3,360
Income taxable on receipt basis	**167,600**	76,923
	8,100	(57,450)

13.1 Reconciliation of deferred tax (asset) / liability net

	2021	2020
As of 01 January	**(57,450)**	(72,582)
Tax expense / (income) recognized in profit and loss	**69,361**	10,854
Tax expense recognized in other comprehensive income	**233**	4,278
As at 31 December	**12,144**	(57,450)

13.2 Movement in deferred tax balances is as follows:

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

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

14 FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED

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

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

14.2 Inland bills purchased

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

14.2.1 This facility has a sanctioned limit of Rs. 334 million (2020: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2020: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2020: invoices / bills receivable from customers), charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

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

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

15 CREDITORS, ACCRUED AND OTHER LIABILITIES

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

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

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

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

		Note	2021	2020
16	**CONTRACT LIABILITIES**		(Rupees in thousand)	
	Advances from customers		**90,814**	58,760
	Billings in excess of earnings		**67,173**	23,416
			157,987	82,176

16.1 Movement of contract liabilities is as follows:

As at 01 January		**82,176**	73,858
Addition during the year		**565,704**	185,743
Recognized as revenue during the year		**(489,893)**	(177,425)
As at 31 December		**157,987**	82,176

17 UNCLAIMED DIVIDEND

As at 01 January		**1,665**	253,669
Declared during the year		**213,828**	-
Paid during the year		**(82,525)**	(252,004)
As at 31 December	17.1	**132,968**	1,665

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

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

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

18.2 Commitments

(i) Bank guarantees have been issued amounting to Rs. 52.173 million (2020: Rs. 23.168 million) against the performance of various contracts.

(ii) Letters of credit outstanding at year end amount to Rs. 43.70 million (2020: 47.76 million) which relates to import acceptance bills.

19 PROPERTY AND EQUIPMENT

19.1 Operating fixed assets

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

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

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

19.1.1 The depreciation charge has been allocated as follows:

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

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

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

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

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

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

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

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

19.1.5 **Disposal of Property and equipment**

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

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

Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)
2020				
(Rupees in thousand)				
9,138	8,271	867	4,077	3,210

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

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

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

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

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

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

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21.3 Business restructing adjustment - restatement

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

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

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

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

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

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

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

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

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

22 LONG-TERM LOANS, DEPOSITS AND RECEIVABLES

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

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

22.2 Reconciliation of carrying amount of loans to employees:

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

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

23 STOCK-IN-TRADE

	2021	2020
	(Rupees in thousand)	
Local stock	**1,480**	1,521
Imported stock	**53,183**	38,463
	54,663	39,984

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24 TRADE DEBTS

	Note	2021	2020
		(Rupees in thousand)	
Due from related parties	24.1	**707,932**	699,075
Less: Allowance for expected credit losses	24.4	**(57,224)**	(32,514)
		650,708	666,561
Due from others	24.2	**427,141**	302,898
Less: Allowance for expected credit losses	24.3	**(1,638)**	(1,649)
		425,503	301,249
		1,076,211	967,810

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

24.1 Due from related parties

	Note	2021	2020
		(Rupees in thousand)	
Avanceon Free Zone Establishment, UAE	24.1.1	**398,730**	254,161
Avanceon Automation & Control WLL, Qatar	24.1.2	**770,709**	444,914
Less: Amount converted to long-term interest free receivable	21.2.1	**(498,064)**	-
		272,645	444,914
Octopus Digital Limited	24.1.3	**31,853**	-
Avanceon Saudi Energy Company	24.1.4	**4,704**	-
		707,932	699,075

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

24.1.1 Ageing of Avanceon Free Zone Establishment

	Note	2021	2020
		(Rupees in thousand)	
30 days		**22,975**	122,355
30 - 90 days		**50,668**	36,216
90 - 180 days		**63,264**	27,257
180 - 360 days		**261,823**	68,333
		398,730	254,161

24.1.2 Ageing of Avanceon Automation and Control WLL

30 days	**33,964**	192,588
30 - 90 days	**104,577**	58,835
90 - 180 days	**91,492**	58,255
180 - 360 days	**42,612**	135,236
	272,645	444,914

24.1.3 Ageing of Octopus Digital Limited

30 days	**-**	-
30 - 90 days	**31,618**	-
90 - 180 days	**235**	-
180 - 360 days	**-**	-
	31,853	-

24.1.4 Ageing of Avanceon Saudi Energy Company

30 days	**2,043**	-
30 - 90 days	**2,661**	-
90 - 180 days	**-**	-
180 - 360 days	**-**	-
	4,704	-

24.2 Ageing of due from others

Less than one year	**392,912**	275,587
One to two years	**6,852**	11,697
Two to three years	**27,377**	15,614
	427,141	302,898

24.3 Allowance for expected credit losses - Others

Balance as at 01 January - Reported		**1,649**	7,919
Add: Allowance for the year		**-**	1,649
Less: Reversal during the year	33.2	**(11)**	(7,919)
Balance as at 31 December		**1,638**	1,649

24.4 Allowance for expected credit losses - Related parties

Balance as at 01 January		**32,514**	-
Add: Allowance for the year	33.2	**24,710**	32,514
Balance as at 31 December		**57,224**	32,514

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

	Note	2021	2020
		(Rupees in thousand)	
Avanceon Free Zone Establishment		**398,730**	254,161
Avanceon Automation & Control WLL		**770,709**	444,914
Octopus Digital Limited		**31,853**	-
Avanceon Saudi for Energy Company		**4,704**	-

25 CONTRACT ASSETS

	Note	2021	2020
Earnings in excess of billings	25.1	**137,727**	135,894
Project deferred revenue		**45,059**	49,251
Project Revenue - unbilled		**-**	3,403
Less: Allowance for expected credit losses	25.2	**(589)**	(617)
		182,197	187,931

25.1 Ageing of Earnings In Excess of Billings

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

25.2 Allowance for expected credit losses

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

26 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

	Note	2021	2020
		(Rupees in thousand)	
Avanceon FZE		**451,815**	205,020
Avanceon Automation and Control WLL		**638,589**	303,912
Total dividend receivable		**1,090,404**	508,932
Less: Allowance for expected credit losses	26.1.1	**(139,581)**	(23,846)
		950,823	485,086

26.1.1 Allowance for expected credit losses

Balance as at 01 January		**23,846**	13,094
Add: Allowance for the year	33.2	**115,735**	10,752
Balance as at 31 December		**139,581**	23,846

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

	Note	2021	2020
		(Rupees in thousand)	
Avanceon Saudi Energy Company		**1,496**	-

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

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

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27 SHORT-TERM INVESTMENTS

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

28 CASH AND BANK BALANCES

	Note	2021	2020
Cash in hand		**128**	144
Cash with banks:			
Current accounts			
Local currency		**94,158**	54,220
Foreign currency		**111**	101
Savings accounts			
Local currency	28.1	**16,990**	11,973
		111,259	66,294
		111,387	66,438

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

29 REVENUE FROM CONTRACTS WITH CUSTOMERS

29.1 Disaggregation of revenue

	Note	2021	(Restated) 2020
		(Rupees in thousand)	
Local sales and services	29.1.1	**1,196,181**	840,950
Export sales and services	29.2 & 29.4	**639,032**	585,197
		1,835,213	1,426,147
Timing of revenue recognition			
At a point in time		**789,501**	741,786
Over the time		**1,045,712**	684,361
		1,835,213	1,426,147

29.1.1 Local sales and services

	Note	2021	2020
Sale of goods		**1,084,103**	727,738
Less: Sales tax		**(164,360)**	(105,088)
		919,743	622,650
Services rendered		**311,034**	240,697
Less: Sales tax		**(34,596)**	(22,397)
		276,438	218,300
Net sales	29.1.2	**1,196,181**	840,950

29.2 Export sales and services

	2021	2020
Agency commission	**14,483**	11,767
Project revenue - export	**215,548**	165,958
IT enabled back office support	**155,196**	150,412
IT enabled engineering / support services	**253,805**	257,060
	639,032	585,197

29.3 Contract balances

	2021	2020
Trade receivables	**1,076,211**	967,810
Contract assets	**182,197**	187,931
Contract liabilities	**157,987**	82,176

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

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

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

29.4 The Company entered into contract with group companies for the transfer of After Market Support (AMS) business segment of the Company with effect from 01 January 2020, whereby for the year ended 31 December 2020, the group companies shall transfers profit margins earned from AMS business segement to Octopus Digital Limited (ODL) via the Company. During the year, the Company has changed this practice and the profit margin of prior years is recorded directly between ODL and other group companies. This change has resulted in decrease in corresponding figures of Project revenue - export and Cost of sales - installation charges by Rs. 121 million. however there is no change in the gross profit and profit after tax of the Company for the year ended 31 December 2020. Since this change in policy has an impact only on the balances as at 31 December 2020 therefore statement of financial position as at 01 January 2020 has not been presented.

29.5 Performance Obligation

Sale of goods

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

Services

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

Project revenue

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

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

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

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

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

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

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

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

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

33	OTHER OPERATING INCOME	Note	2021	2020
			(Rupees in thousand)	
	Income from financial assets	33.1	498,168	102,009
	Income from non-financial assets	33.2	481,836	328,704
			980,004	430,713
33.1	**Income from financial assets**			
	Profit on bank deposits		1,143	651
	Capital gain on short-term investment		282	994
	Exchange gain		496,743	99,847
	Fair value gain on short-term investments		-	517
			498,168	102,009
33.2	**Income from non-financial assets**			
	Gain on disposal of property and equipment	19.1.5	13,156	3,210
	Dividend income on short-term investment		-	5
	Reversal of allowance for expected credit losses-trade debts	24.3	-	6,270
	Reversal of allowance for expected credit losses-contract asset	25.2	-	2,758
	Reversal of allowance for expected credit losses-related parties		-	2,798
	Dividend income from subsidiaries		461,370	301,500
	Amortization of deferred grant	12	1,466	624
	Others		5,844	11,539
			481,836	328,704

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34 FINANCE COSTS

	Note	2021	2020
		(Rupees in thousand)	
Mark-up and interest on:			
- Long-term loan		**3,568**	1,277
- Finances under mark up arrangements and other credit facilities - secured		**39,678**	57,163
- Lease liabilities		**4,893**	6,406
- Provident fund		**3,881**	2,177
Bank charges		**3,527**	1,166
Guarantee commission		**1,139**	899
		56,686	69,088

35 TAXATION

	2021	2020
Current		
- for the year	**56,620**	79,387
- for prior years	**-**	-
Deferred		
- for the year	**69,361**	10,854
	125,981	90,241

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

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

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

36 EARNINGS PER SHARE

36.1 Basic earnings per share

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

36.2 Diluted earnings per share

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

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

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

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

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37 CASH FLOWS FROM OPERATING ACTIVITIES

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

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38 TRANSACTIONS WITH RELATED PARTIES

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

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

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

38.1 PARTICULARS OF RELATED PARTIES INCORPORATED OUTSIDE PAKISTAN

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

39 PROVIDENT FUND

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

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

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

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

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40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 Financial risk factors

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

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

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 Centre. The policy allows the Company to take currency exposure within predefined limits while open exposures are monitored. The Company aims to protect itself against adverse currency movements by either linking the price of its products to foreign currency.

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

	2021				
	Rupees	**EUR**	**USD**	**AED**	**QAR**
	(in thousand)				
Trade debts					
- Avanceon FZE Dubai	398,730	-	-	8,226	-
- Avanceon Automation and Control W.L.L, Qatar	272,645	-	-	-	5,579
Dividend receivable - due from related parties					
- Avanceon FZE Dubai	451,815	-	-	9,322	-
- Avanceon Automation and Control W.L.L, Qatar	638,589	-	-	-	13,067
- Octopus Digital Inc., USA	-	-	-	-	-
Bank balances	111	-	1	-	-
	1,761,890	-	1	17,548	18,646
Trade Payables					
- Avanceon FZE Dubai	-	-	-	-	-
- Others					
AED	(12)	-	-	(.25)	-
EUR	(24,182)	(122)	-	-	-
USD	(55,366)	-	(311)	-	-
Net Exposures	1,682,330	(122)	(310)	17,548	18,646

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	2020				
	Rupees	**EUR**	**USD**	**AED**	**QAR**
	---- (in thousand) ----				
Trade debts					
- Avanceon FZE Dubai	527,137	-	-	12,188	-
- Avanceon Automation and Control W.L.L, Qatar	780,973	-	-	-	18,256
- Octopus Digital Inc., USA	-	-	-	-	-
Bank balances	101	-	1	-	-
	1,308,211	-	1	12,188	18,256
Trade Payables					
- Avanceon FZE Dubai		-	-	-	-
- Others					
AED	(12)	-	-	(.28)	-
EUR	(24,182)	(123)	-	-	-
USD	(55,366)	-	(346)	-	-
Net Exposures	1,228,651	(123)	(345)	12,188	18,256

The following significant exchange rates were applied during the year:

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

Foreign currency sensitivity analysis

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

	EUR		
	Change in Exchange rate	**Effect on profit/(loss) before tax**	**Effect on equity**
		(Rupees in thousand)	
2021	**5%**	**(1,211)**	**(860)**
	-5%	**1,211**	**860**
2020	5%	(1,208)	(858)
	-5%	1,208	858

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	USD		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**(2,757)**	**(1,957)**
	-5%	**2,757**	**1,957**
2020	5%	(2,763)	(1,962)
	-5%	2,763	1,962

	QAR		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**45,562**	**32,349**
	-5%	**(45,562)**	**(32,349)**
2020	5%	39,049	27,725
	-5%	(39,049)	(27,725)

	AED		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**42,528**	**30,195**
	-5%	**(42,528)**	**(30,195)**
2020	5%	26,356	18,713
	-5%	(26,356)	(18,713)

(ii) Interest rate risk

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

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

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

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

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Interest rate sensitivity analysis

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

	Increase/ decrease in basis points	Effect of profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**+100**	**(6,364)**	**(4,518)**
	-100	**6,364**	**4,518**
2020	+100	(4,949)	(3,514)
	-100	4,949	3,514

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to significant equity securities price risk as its major investment is in its subsidiaries companies which are stated at cost. The exposure in respect of short-term investment amounts to Rs. 0.19 million (2020: Rs. 2.95 million).

(b) Credit risk

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

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

Credit risk also arises from balances with banks, long-term deposits, trade debts, due from related parties advances, deposits and other receivables. The Company maintains an internal policy to monitor all outstanding receivables.

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

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

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

	2021	2020
Domestic	**454,781**	301,249
Export	**621,430**	666,561

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

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

2021	0-90 days	90-180 days	180-270 days	270 to 360 days	360 to 450 days	450 to 540 days	540 to 630 days	630 to 720 days	720 to 810 days	Total
	---------- (Rupees in thousand) ----------									
Expected credit loss rate (%)	**1%**	**1%**	**11%**	**23%**	**36%**	**47%**	**64%**	**73%**	**100%**	
Estimated total gross carrying amount at default	**365,367**	**19,563**	**3,249**	**2,878**	**1,673**	**1,261**	**2,088**	**1,831**	**29,231**	**427,141**
Estimated total gross carrying amount - secured	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit loss	**85**	**89**	**30**	**42**	**32**	**33**	**62**	**74**	**1,191**	**1,638**
2020										
Expected credit loss rate (%)	2%	2%	9%	19%	30%	48%	66%	100%	100%	
Estimated total gross carrying amount at default	100,843	-	-	-	-	-	-	-	-	100,843
Estimated total gross carrying amount - secured	153,412	8,161	5,797	7,300	4,937	3,330	1,247	2,183	15,688	202,055
Expected credit loss	1,649	-	-	-	-	-	-	-	-	1,649

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

As at 31 December 2021, the Company has 33 (2020: 36) customers owing more than Rs. 1 million (2020: Rs. 1 million) each which account for 95% (2020: 93.6%) of total debtors.

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

	Rating Short-Term	Rating Long-Term	Rating Agency	Balances at banks 2021	2020
				(Rupees in thousand)	
Faysal Bank limited	A-1+	AA	JCR-VIS	**1,955**	1,326
Habib Bank limited	A-1+	AAA	JCR-VIS	**3,412**	40,512
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**436**	344
MCB Bank Limited	A1+	AAA	PACRA	**4,151**	93
United Bank Limited	A-1+	AAA	JCR-VIS	**684**	684
JS Bank Limited	A1+	AA-	PACRA	**82,399**	4,730
Standard Chartered	A1+	AAA	PACRA	**18,223**	18,606
				111,259	66,294

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

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

(c) Liquidity risk

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

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

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

The following are the contractual maturities of financial liabilities:

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

40.2 Financial instruments by categories

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

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	2021
	Financial liabilities at amortized cost
Financial liabilities	
Long-term loan	**23,551**
Lease liabilities	**86,515**
Finances under mark up arrangements and other credit facilities - secured	**543,353**
Creditors, accrued and other liabilities	**514,312**
Unclaimed dividend	**132,968**
	1,300,699

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

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

40.3 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

40.4 Fair value hierarchy

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

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

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

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

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

Recurring fair value measurements of following items:

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
31 December 2021				
Freehold land	**-**	**-**	**223,500**	**223,500**
Buildings on freehold land	**-**	**-**	**90,422**	**90,422**
Short-term investment	**185**	**-**	**-**	**185**
	185	**-**	**313,922**	**314,107**

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
31 December 2020				
Freehold land	-	-	208,600	208,600
Buildings on freehold land	-	-	91,764	91,764
Short-term investment	2,955	-	-	2,955
	2,955	-	300,364	303,319

41 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratio as at year ended 31 December 2021 and 2020 are as follows:

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

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

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

2020	Issuance of shares	Lease liabilities	Long-term loans	Short-term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
Balance as at 01 January 2020	1,925,364	52,090	1,515	383,294	12,099	253,669	2,628,031
Cash flows							
Repayment of loans	-	-	-	-	-	-	-
Lease payments	-	(30,082)	-	-	-	-	(30,082)
Issuance of shares	-	-	-	-	-	-	-
Proceeds from loans	-	-	50,307	35,712	-	-	86,019
Finance cost paid	-	-	-	-	(61,101)	-	(61,101)
Dividends paid	-	-	-	-	-	(252,004)	(252,004)
Total changes from financing cash flows	-	(30,082)	50,307	35,712	(61,101)	(252,004)	(257,168)
Other changes including non-cash							
Changes in running finances	-	-	-	-	-	-	-
Bonus shares issuance	192,536	-	-	-	-	-	192,536
Recognition of deferred grant	-	-	(2,360)	-	-	-	(2,360)
Addition in lease	-	10,029	-	-	-	-	10,029
Finance cost	-	6,406	-	-	62,682	-	69,088
Total liability related other changes	192,536	16,435	(2,360)	-	62,682	-	269,293
Closing as at 31 December 2020	2,117,900	38,443	49,462	419,006	13,680	1,665	2,640,156

43 REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

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

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

43.1 The Company also provides Director and certain executives with Company maintained cars. No remuneration has been paid to Chief Executive Officer and Non-Executive Directors of the Company.

44 NUMBER OF EMPLOYEES

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

45 CORRESPONDING FIGURES

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

46 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 01 April 2022 has proposed bonus shares issue at the rate of 25% (2020: 20%) and final cash dividend at the rate of Rs. 1 per share (2020: Rs. 1 per share) in respect of the year ended 31 December 2021 for the approval by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

47 DATE OF AUTHORIZATION FOR ISSUE

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

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

AVANCEON GROUP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Members of Avanceon Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **Avanceon Limited and its Subsidiaries** (the group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

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Following are the key audit matter(s):

Key audit matter	How our audit addressed the key audit matter
1. Revenue Recognition	
The Group's revenue is derived from various revenue streams, as referred to in Note 31 to the accompanying consolidated financial statements which primarily includes sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases lead to revenue being recognized over multiple accounting periods. Revenue is recognized based on performance obligations as mentioned in Note 5.18 to the accompanying consolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to complete. Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process we have identified measurement of revenue recognition as a key audit matter.	Our audit procedures in respect of this matter included the following: • Obtained an understanding and evaluated the appropriateness of the Group's revenue recognition policies, in accordance with IFRS 15, including those relating to the stage of completion method and related management assessments based on the Group's operating model and its system of recording revenue related transactions; • Tested operating effectiveness of internal controls relating to the Group's revenue recognition process including budgetary control, appropriate review and approval practices and its recognition in the books of accounts; • 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; • Performed test of details including examination of a sample of underlying contracts, review of the contractual terms and conditions and evaluating appropriate accounting treatment thereof; • Selected a sample of revenue transactions recognized during the year and recalculated the revenue recognized along with evaluation of the management basis used in determining the performance

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Key audit matter	How our audit addressed the key audit matter
	obligations in accordance with accounting policies; and • Assessed the appropriateness of disclosures in the consolidated financial statements in relation to revenue.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Consolidated financial statements

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

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

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

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Auditor's Responsibilities for the Audit of the Consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Ey

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

	Note	2021	2020
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	20	**467,762**	431,326
Intangible assets	21	**51,722**	20,029
Long term investment	22	**967,659**	874,023
Deferred taxation	23	**-**	58,853
Long-term loans and deposits	24	**38,393**	32,849
		1,525,536	1,417,080
CURRENT ASSETS			
Stock-in-trade	25	**72,813**	123,783
Trade debts	26	**5,551,439**	3,586,027
Contract assets	27	**4,120,355**	3,760,963
Advances, deposits, prepayments and other receivables	28	**786,209**	502,239
Short term investments	29	**310,656**	76,743
Cash and bank balances	30	**1,312,336**	527,329
		12,153,808	8,577,084
		13,679,344	9,994,164

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

Chief Executive Officer | **Chief Financial Officer** | **Director**

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Chief Executive Officer **Chief Financial Officer** **Director**

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Chief Executive Officer **Chief Financial Officer** **Director**

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Chief Executive Officer **Chief Financial Officer** **Director**

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	39	**122,544**	838,585
Finance costs paid		**(122,561)**	(126,919)
Increase / decrease in long term loans and deposits - net		**(5,544)**	(911)
Gratuity paid		**(21,020)**	(3,522)
Taxes paid		**(56,721)**	(16,810)
Net cash flows (used in) / generated from operating activities		**(83,302)**	690,423
Cash flows from investing activities			
Purchase of property and equipment		**(26,380)**	(13,934)
Proceeds from sale of property and equipment		**20,260**	4,077
Additions in intangible assets - capital work in progress		**(31,692)**	(20,029)
Increase / decrease in short term investments		**(233,913)**	123,496
Profit on bank deposit		**1,157**	7,306
Net cash flows (used in) investing activities		**(270,568)**	100,916
Cash flows from financing activities			
Dividend paid		**(82,525)**	(252,004)
Issuance of shares		**293,878**	-
Share premium		**795,014**	-
Long term loan (repaid) / received		**(27,377)**	50,307
Finances under mark up arrangements and other credit facilities		**226,362**	(111,953)
Repayment of lease liabilities		**(66,475)**	(55,586)
Net cash flows generated from / (used in) financing activities		**1,138,877**	(369,236)
Net increase in cash and cash equivalents		**785,007**	422,103
Cash and cash equivalents at the beginning of year		**527,329**	105,226
Cash and cash equivalents at the end of year		**1,312,336**	527,329

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

Chief Executive Officer **Chief Financial Officer** **Director**

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

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

The Avanceon Automation and Control W.L.L (AVAC) is a limited liability formed pursuant to Commercial Companies Law No. (11) 2015 and was registered with the Ministry of Economy and Commerce under Registration No. 99027 on May 22, 2017, and its registered office and business unit is situated in the Office No. 12, M Floor, Al Jabber, Engg. 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.

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

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

Octopus Digital Limited (ODL) is a public limited company registered under the Companies Act, 2017 and having registered office and business unit at 19 km, Multan Road, Lahore. The Company is engaged in providing after sale and related technical services. The Company is wholly owned subsidiary of the Holding Company. During the year 31 December 2020, ODL entered into a Business Arrangement Contract dated 08 December 2020 with the Holding Company. Under the contract, entire business of AMS segment was transferred to ODL along-with the existing customer contracts. ODL acquired the rights to carry on AMS business with effect from 01 January 2020 against consideration of Rs. 1,084 million settled through issuance of 108,400,000 shares of ODL at face value of Rs. 10 each.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

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

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

Standard or Interpretations		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - Definition of a Business (amendments)	01 January 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by: - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	01 January 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	01 January 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	01 January 2023

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

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

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

IFRS 1 — As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

IAS 41 — Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

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

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

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

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

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

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

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

3 BASIS OF MEASUREMENT

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

3.2 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

b) Provision for expected credit loss

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

c) Impairment of non-financial assets

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

d) Cost to complete the projects and related revenue

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

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

e) Fair value of share based payment transaction

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

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

5.2 Staff retirement benefits

Defined contribution plan

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

Defined benefit plan

AVAC and FZE operate an unfunded gratuity scheme for all of its permanent employees. The cost of the unfunded gratuity plan is measured on the terminal basis without involving any actuarial calculations due to small number of employees covered under the plan.

5.3 Taxation

Current

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

Deferred

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

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

5.4 Property and equipment

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

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

Depreciation is charged to profit or loss using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in Note 20.1 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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

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

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

5.5 Intangible assets

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

Amortization is charged to profit or loss on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as specified in Note 21.

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

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

5.6 Capital work in progress

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

5.7 Investments

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

5.8 Leases

Group as a lessee

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

a) Right-of-use assets

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

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

b) Lease liabilities

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

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

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

c) Determining the lease term of contracts

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

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

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

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

5.9 Stock in trade

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

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

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

5.10 Financial instruments

5.10.1 Financial assets

a) Initial recognition and measurement

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

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

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

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

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

b) Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through profit or loss

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

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

Based on business model of the Group, it elected to classify its short - term investments under this category.

Financial assets at fair value through OCI (debt instruments)

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

(i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

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

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

The Group's investment in Avanceon LP, USA is classified under this category.

c) Derecognition

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

(i) The rights to receive cash flows from the asset have expired, or

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

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

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

d) Impairment of financial assets

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

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

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

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

5.10.2 Offsetting of financial assets and liabilities

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

5.10.3 Financial liabilities

a) Initial recognition and measurement

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

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

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

b) Subsequent measurement

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

Financial liabilities at amortized cost

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

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

This category generally applies to the liabilities as disclosed in Note 43.2.

Financial liabilities at fair value through profit or loss

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

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

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

5.10.4 Dividend income

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

5.10.5 Financial income

Financial income is recognized as it accrues on a time proportion basis by reference to the principal outstanding, using the effective interest rate method.

5.11 Contract balances

Contract asset

A contract asset is initially recognised for revenue earned from projects and service contracts because the receipt of consideration is conditional on successful completion of the projects and service contracts. Upon completion and acceptance by the customer, amount recognized as contract asset is reclassified to trade receivables. Contract assets are also subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 5.10.1(d).

Trade receivables

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in Note 26.3.

Contract liabilities

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

5.12 Cash and cash equivalents

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

5.13 Borrowings

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

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

5.14 Creditors, accruals and provisions

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

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

5.15 Foreign currency transactions and translation

The Group's consolidated financial statements are presented in Pak Rupee, which is also the Holding Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances

Transactions in foreign currency are converted in functional currency at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies at the statement of financial position date are translated into functional currency at the rate of exchange prevailing on the reporting date. Net exchange differences are recognized as income or expense in the period in which they arise.

ii) Group Companies

The assets and liabilities of foreign operations are translated into Pak Rupee at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

5.16 Government grants

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

5.17 Contract liabilities

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

5.18 Revenue recognition

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

Sale of goods

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

Rendering of services

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

Project revenue

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

5.19 Share based payment transactions

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

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

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

5.20 Contingent liability

Contingent liability is disclosed when:

- there is possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.21 Compensated absences

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

5.22 Segment reporting

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

5.23 Earnings per share - basic and diluted

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

6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
57,166,850	57,166,850	Ordinary shares of Rs 10 each fully paid in cash	**571,669**	571,669
191,505,973	148,740,413	Ordinary shares of Rs. 10 each issued as fully paid bonus share	**1,915,060**	1,487,404
4,399,629	4,399,629	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I	**43,996**	43,996
3,520,906	1,483,115	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III	**35,209**	14,831
256,593,358	211,790,007		**2,565,934**	2,117,900

6.1 Movement during the year is as follows:

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

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

7 SHARE PREMIUM

	2021	2020
	(Rupees in thousand)	
Opening balance	**177,145**	177,145
Employees share option scheme	**5,805**	-
	182,950	177,145
Less: Costs incurred on Initial Public Offering	**(38,761)**	(38,761)
	144,189	138,384

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

8 STATUTORY RESERVE

	2021	2020
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 of the subsidiary.

9 EMPLOYEES' SHARE COMPENSATION RESERVE

	Note	2021	2020
		(Rupees in thousand)	
Share options scheme I	**9.1**	**7,339**	8,054
Share options scheme II	**9.2**	**15,453**	29,645
Share options scheme III	**9.3**	**-**	2,155
Share options scheme IV	**9.4**	**149,866**	34,416
		172,658	74,270

9.1 Share options scheme I

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

Movement in the amount of options granted is as follows:	2021	2020
	(Rupees in thousand)	
Balance as at 01 January	**8,054**	6,457
Options issued during the year recognized at fair value	**-**	1,597
Adjustment of reserve for option holders resigning during the year	**(715)**	-
Balance as at 31 December	**7,339**	8,054

Movements during the year:

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

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 01 January	**306,000**	**1.95**	326,000	1.92
Forfeited during the year	**(15,000)**	**1.95**	(20,000)	1.92
Outstanding at 31 December	**291,000**	**1.85**	306,000	1.92
Exercisable at 31 December	**136,000**		136,000	

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

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

9.2 Share options scheme II

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

Movement in the amount of options granted against the reserve is as follows:	2021	2020
	(Rupees in thousand)	
Balance as at 01 January	**29,645**	43,205
Options issued during the year recognized at fair value	**-**	(12,814)
Adjustment of reserve for option holders resigning during the year	**(7,563)**	(746)
Transfer to share capital on issuance of shares during the period	**(6,629)**	-
Balance as at 31 December	**15,453**	29,645

Movements during the year:

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

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

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

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

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

9.3 Share options scheme III

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

Movement in the amount of options granted against the reserve is as follows:	2021	2020
	(Rupees in thousand)	
Balance as at 01 January	**2,155**	1,775
Options issued during the year recognized at fair value	**-**	380
Transfer to share capital on issuance of shares during the period	**(2,155)**	-
Balance as at 31 December	**-**	2,155

Movements during the year:

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

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

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

9.4 Share options scheme IV

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

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

Movements during the year:

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

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

The fair value of options granted during the year was Rs. 76.52 (2020: Rs. 53.86).

The weighted average share price at the date of exercise of these options was Rs. 90.55 (2020: Nil).

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

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

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

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

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

10 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

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

11 LEASE LIABILITIES

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 9.29% to 13.37% (2020: 9.1% to 15.24%) per annum and lease period 4 to 5 years (2020: 3 to 4 years) for the Holding Company. The interest rates for subsidiaries (Avanceon Automation & Control W.L.L. and Avanceon FZE) are 10% and 7% respectively. The amount of future payments and the period during which they will become due are:

	Note	2021	2020
		(Rupees in thousand)	
Year ended 31 December			
Due not later than 1 year		**55,879**	42,535
Due later than 1 year but not later than 5 years		**78,556**	46,298
Lease payments	**11.1**	**134,435**	88,833
Less: Future finance charges		**(18,051)**	(8,374)
		116,384	80,459
Current portion		**(46,757)**	(38,159)
		69,627	42,300

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

	2021		2020	
	LP	PV of LP	LP	PV of LP
	(Rupees in thousand)		(Rupees in thousand)	
Due not later than 1 year	**55,879**	**46,757**	42,535	38,159
Due later than 1 year but not later than 5 years	**78,556**	**69,627**	46,298	42,300
	134,435	**116,384**	88,833	80,459

Set out below is the movements during the year:

	2021	2020
	(Rupees in thousand)	
As at 1 January	**80,459**	113,191
Additions during the year	**90,763**	10,029
Security deposits adjusted during the year	**(17,199)**	-
Accretion of interest	**7,473**	10,616
Payments during the year	**(49,276)**	(55,586)
Foreign exchange movement	**4,164**	2,209
As at 31 December	**116,384**	80,459

12 LONG-TERM LOAN

Long-term loan	**23,551**	49,462
Less: current portion of long term loan	**(23,551)**	(25,911)
	-	23,551

This represents loan of Rs. 51.822 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 60 million. It carries mark-up at SBP rate plus 2% per annum and is secured against a pari passu charge of Rs. 375 million over the current assets of the Company, equitable mortagage over the residential property measuring 1 Kanal and 44 sqft owned by wife of CEO situated at 351-W, Phase III, DHA, Lahore and personal guarantees of sponsor directors of the Company. The loan is repayable in equal quarterly installments commencing January 01, 2022 and ending October 30, 2022. This loan was initially recognized at fair value in accordance with IFRS 9 - Financial instruments using effective interest rate of 10.33% (1-month KIBOR). The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government grants and disclosure of Government assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

13 PROVISION FOR GRATUITY

This relates to unfunded gratuity scheme operated by Avanceon FZE and Avanceon Automation and Control WLL for their permanent employees. Movement during the year is as follows:

	Note	2021	2020
		(Rupees in thousand)	
Opening balance		**100,787**	80,901
Charge for the year		**26,571**	20,603
Payments during the year		**(21,020)**	(3,522)
Foreign exchange movement		**13,004**	2,805
Closing balance		**119,342**	100,787

14 DEFERRED GRANT

Deferred grant	**269**	1,735
Less: current portion of deferred grant	**(269)**	(1,218)
	-	517

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

	Note	2021	2020
Opening balance		**1,735**	-
Recognized during the year		**-**	2,360
Amortization	**35.2**	**(1,466)**	(625)
Recognized during the year		**269**	1,735

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

15 FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED

	Note	2021	2020
		(Rupees in thousand)	
JS Bank Limited	**15.1**	**345,289**	258,633
Habib Bank Limited	**15.2**	**-**	120,000
United Bank Limited	**15.3**	**-**	52,299
Bank of Singapore	**15.4**	**-**	16,082
National Bank of Fujairah	**15.5**	**170,395**	-
Standard Chartered Bank	**15.6**	**198,064**	-
Faysal Bank Limited	**15.7**	**-**	40,372
		713,748	487,386

15.1	**JS Bank Limited**	**Note**	**Maturity Days**	**Limit**	**2021**	**2020**
				--------------(Rupees in Thousand)------------		
	Running finance	**15.1.1**	**365**	**300,000**	**345,255**	158,633
	Inland bill purchase	**15.1.2**	**90**	**100,000**	**34**	100,000
					345,289	258,633

15.1.1 The Holding Company has obtained running finance facility from HBL, JS Bank, Faysal Bank and Standard Chartered Bank with a sanctioned limit of Rs. 120 million, 300 million, 200 million and 500 million, respectively, bearing mark-up at the rates prescribed therein the facility offer letters that includes 2 month KIBOR plus Bank spread (2.25%). The facilities are secured against first mortgage charges created through equitable mortgage with legal mortgage of notional value over fixed assets (land & building) of the Holding Company, ranking hypothecation charge over all present and future current assets of the Holding Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Holding Company, covering total security package.

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

15.2	**Habib Bank Limited**	**Maturity Days**	**Limit**	**2021**	**2020**
			--------------(Rupees in Thousand)------------		
	Inland bill purchase	**180**	**334,000**	**-**	120,000

This facility has a sanctioned limit of Rs. 334 million (2020: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2020: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2020: invoices / bills receivable from customers), charge on present and future current assets of the Holding Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Holding Company.

15.3	**United Bank Limited**	**Maturity Days**	**Limit**	**2021**	**2020**
			--------------(Rupees in Thousand)------------		
	Trust receipt loans	**180**	**145,410**	**-**	52,299

As per the renewed facility letter dated 5 September 2021, the finance facilities bear mark-up at the rate of 4.5% per annum over prevailing three months EIBOR with a minimum of 9 percent per annum. These facilities are secured by way of undated cheque of AED 1,025,000, Lien on import documents for LC Sigh, assignment of receivables from respective projects, Assignment of project receivables for any new project in the favor of Bank from the project employer, Subordination of Director(s) Loan and current account against the bank borrowings from the bank, personal guarantees of Mr. Bakhtiar H Wain, Khalid Wain and Amir Waheed Wain, Avanceon Limited and Board Resolution, Demand Promissory Note, Agreement of Standard Terms & Conditions, Discounting Agreement and Deed of Assignment duly signed by the authorized signatories. Overdue outstanding and/ or excess utilization over the limit will be charged interest rate @ 2.5% per annum over the normal rate for the period from the due date or date of excess utilization to the date of actual settlement of overdue outstanding or excess utilization.

15.4	**Bank of Singapore**	**Maturity Days**	**Limit**	**2021**	**2020**
			--------------(Rupees in Thousand)------------		
	Short term loan	**180**	**48,470**	**-**	16,082

This loan has been obtained by Avanceon FZE and bears mark-up at the rate of 3.6% per annum. It is secured against the investments made by the Establishment in the Bank of Singapore.

15.5	**National Bank of Fujairah**	**Maturity Days**	**Limit**	**2021**	**2020**
			--------------(Rupees in Thousand)------------		
	Trust receipts	**120**	**363,525**	**147,546**	-
	Invoice discounting	**120**	**363,525**	**22,849**	-
				170,395	-

These finance facilities bear mark-up at NBF prime rate less 1% per annum or minimum rate of 8%, whichever is higher. This facility is secured by hypothecation of stocks belonging to M/S Avanceon FZE, in the favor of bank, assignment of proceeds of contracts / project financed in the favor of bank, personal guarantee of a Director of Parent Company and pledge over fixed deposit of AED 200,000 in favor of bank, Cross corporate guarantees between M/s Avanceon FZE-Dubai and M/s Innovative Technology Solutions FZE- an associated company, settlement cheque covering the total facilities amount (less fixed deposits under pledge) drawn on National bank of Fujairah PJSC by M/s Avanceon FZE- Dubai in favor of the bank and assignment of proceeds of contracts/ project financed, in favor of bank, Assignment of Insurance policy covering stocks for not less than AED 1,500,000 in name of Avanceon FZE, Dubai in favour of the bank on Pari Passu and Subordination of Bakhtiar Hameed Wain's loan and current account balances balance to the bank for the borrowings of Avanceon FZE Dubai.

15.6	**Standard Chartered Bank Limited**	**Maturity Days**	**Limit**	**2021**	**2020**
			--------------(Rupees in Thousand)------------		
	Running finance	365	**500,000**	**198,064**	-

The Holding Company has obtained running finance facility from HBL, JS Bank, Faysal Bank and Standard Chartered Bank with a sanctioned limit of Rs. 120 million, 300 million, 200 million and 500 million, respectively, bearing mark-up at the rates prescribed therein the facility offer letters that includes 2 month KIBOR plus Bank spread (2.25%). The facilities are secured against first mortgage charges created through equitable mortgage with legal mortgage of notional value over fixed assets (land & building) of the Holding Company, ranking hypothecation charge over all present and future current assets of the Holding Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Holding Company, covering total security package.

15.7	**Faysal Bank Limited**	**Maturity Days**	**Limit**	**2021**	**2020**
			-------------(Rupees in Thousand)-----------		
	Inland bill purchase	**90**	**200,000**	**-**	40,372

This facility has a sanctioned limit of Rs. 200 million (2020: Rs. 200 million) bearing mark-up at the rate of 3 month KIBOR plus 2% (2020: 3 month KIBOR plus 2%). The facility is secured against 1st Pari Passu charge of 267 million, invoices / bills receivable from customers, charge on present and future current assets of the Holding Company with 5% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Holding

		Note	**2021**	**2020**
16	**CREDITORS, ACCRUED AND OTHER LIABILITIES**		**(Rupees in thousand)**	
	Trade creditors		**2,362,596**	2,202,123
	Accrued expenses		**268,963**	168,022
	Payable to related parties	**16.1**	**291,580**	34,662
	Employee share portion - vehicle		**23,764**	17,767
	Balance due to statutory authorities			
	- Income tax		**237,770**	231,164
	Mark up accrued on:			
	- Long term finances		**3,481**	1,277
	- Finances under mark up arrangements and other credit facilities - secured		**5,900**	12,402
	Loan from director		**46,000**	-
	Other liabilities		**56,437**	72,075
			3,296,491	2,739,492
16.1	**Payable to related parties**			
	Avanceon LP		**267,644**	-
	Arkan Integrated Development L.L.C - Commission payable		**22,616**	33,332
	Innovative Travels (Private) Limited		**1,320**	1,320
			291,580	34,652
17	**CONTRACT LIABILITIES**			
	Advances from customers		**222,468**	-
	Billings in excess of earnings	**17.1**	**660,606**	902,093
			883,074	902,093
17.1	Movement of contract liability:			
	As at 01 January		**902,093**	1,127,342
	Recognized as revenue during the year		**(2,995,902)**	(2,764,461)
	Addition during the year		**2,867,852**	2,480,123
	Foreign exchange movement		**(113,437)**	59,089
	As at 31 December		**660,606**	902,093
18	**UNCLAIMED DIVIDEND**			
	As at 01 January		**10,951**	256,763
	Declared during the year		**224,669**	6,192
	Paid during the year		**(82,525)**	(252,004)
	As at 31 December	**18.1**	**153,095**	10,951

18.1 This includes dividend payable to the Chief Executive Officer, Mr. Bakhtiyar H Wain and Director, Mr. Aamir Wain amounting to Rs. 110 million (2020: Nil) and Rs. 19 million (2020: Nil) respectively. This also includes dividend payable to Arkan Integrated Development L.L.C., minority shareholder of Avanceon Automation and Control WLL of Rs. 19.751 million (2020: Rs. 9.40 million).

19 CONTINGENCIES AND COMMITMENTS

19.1 Holding Company

19.1.1 Contingencies

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

19.1.2 Commitments

(i) Bank guarantees have been issued amounting to Rs. 52.173 million (2020: Rs. 23.168 million) against the performance of various contracts.

(ii) Letters of credit outstanding at year end amount to Rs. 43.70 million (2020: 47.76 million) which relates to import acceptance bills.

19.2 Subsidiaries

19.2.1 Contingencies

There is no contingency related to subsidiaries to report at year end (2020: Nil).

19.2.2 Commitments

Subsidiaries' commitments as at year end are as follows:	Note	2021	2020
		(Rupees in thousand)	
AVAC			
Bank guarantees		**74,027**	19,877
Post dated cheques issued against payment of rent		**24,692**	6,221
		98,719	26,098
FZE			
Bank guarantees	**19.2.2.1**	**259,348**	262,802
Letters of credit		**144,036**	155,071
Post dated cheques issued against payment of rent		**11,287**	15,994
		414,671	433,867

19.2.2.1 Guarantees are given by the bank on behalf of the Establishment in favor of Emirates Central Cooling Systems and Corporations (Empower), Oil and Gas Development Company Limited, Pak Arab Pipeline Company and other companies against the performance guarantee and bid bond guarantee.

20 PROPERTY AND EQUIPMENT

	Note	2021	2020
		(Rupees in thousand)	
Operating fixed assets	20.1	467,762	431,326

20.1 Operating fixed assets

	2021												
	Cost / revalued amount as at 01 Jan	Exchange adjustment on cost	Additions / transfers*	Deletions	Effect of revaluation during the year	Cost / revalued amount as at 31 Dec	Accumulated depreciation as at 01 Jan	Exchange adjustment on accumulated depreciation	Depreciation charge for the year / (Deletions)	Effect of revaluation / transfers	Accumulated depreciation as at 31 Dec	Net book value as at 31 Dec	Rate
	(Rupees in thousand)												%
Owned assets													
Freehold land	208,600	-	-	-	14,900	223,500	-	-	-	-	-	223,500	-
Buildings on freehold land	91,763	-		-	(1,342)	90,421	-	-	2,144	(2,144)	-	90,421	3.13
Tools and equipment	14,571	687	106	-	-	15,364	7,802	668	1,751	-	10,221	5,143	20
Office equipment and appliances	45,757	1,496	5,177	(2,200)	-	50,230	38,333	849	3,262 (2,200)	-	40,244	9,986	20
Furniture and fixture	26,039	1,217	-	(451)	-	26,805	23,201	729	1,453 (255)	-	25,128	1,677	20
Computers	42,698	1,723	21,023		-	65,444	30,636	1,949	10,921	-	43,505	21,939	33.33
Vehicles	49,116	294	74 19,089 *	(33,257)	-	35,316	46,268	293	2,374 (27,491)	- 13,785 *	35,229	87	20
	478,544	5,417	26,380 19,089 *	(35,908)	13,558	507,080	146,240	4,488	21,905 (29,946)	(2,144) 13,785 *	154,327	352,753	
Right of use assets													
Building	77,455	6,757	(17,710)	-	-	66,502	41,398	3,931	12,282 (17,710)	-	39,901	26,601	20
Vehicles	117,461	1,106	55,423 (19,089) *	(2,111)	-	152,790	54,496	684	23,761 (774)	- (13,785) *	64,382	88,408	20
	194,916	7,863	37,713 (19,089) *	(2,111)	-	219,292	95,894	4,615	36,043 (774)	- (13,785) *	104,283	115,009	
	673,460	13,280	64,093	(38,019)	13,558	726,372	242,134	9,103	57,948 (30,720)	(2,144)	258,610	467,762	

	2020												
	Cost / revalued amount as at 01 Jan	Exchange adjustment on cost	Additions / Transfers*	Deletions	Effect of revaluation during the year	Cost / revalued amount as at 31 Dec	Accumulated depreciation as at 01 Jan	Exchange adjustment on accumulate depreciation	Depreciation charge for the year / (Deletions)	Effect of revaluation / transfers	Accumulated depreciation as at 31 Dec	Net book value as at 31 Dec	Rate
	(Rupees in thousand)												%
Owned assets													
Freehold land	186,250	-	-	-	22,350	208,600	-	-	-	-	-	208,600	-
Buildings on freehold land	78,910	-	308	-	12,545	91,763	-	-	2,204	(2,204)	-	91,763	3.13
Tools and equipment	9,801	223	4,547	-	-	14,571	6,318	215	1,269	-	7,802	6,769	20
Office equipment and appliances	42,519	319	3,019	(100)	-	45,757	35,160	206	3,067 (100)	-	38,333	7,424	20
Furniture and fixture	25,516	414	109	-	-	26,039	21,519	333	1,349	-	23,201	2,838	20
Computers	38,435	510	5,951	(2,198)	-	42,698	23,720	345	8,745 (2,174)	-	30,636	12,062	33.33
Vehicles	12,603	96	- 41,174 *	(4,757)	-	49,116	11,803	97	582 (4,504)	- 38,290 *	46,268	2,848	20
	394,034	1,562	13,934 41,174 *	(7,055)	34,895	478,544	98,520	1,196	17,216 (6,778)	(2,204) 38,290	146,240	332,304	
Right of use assets													
Building	74,715	2,740	-	-	-	77,455	19,971	567	20,860	-	41,398	36,057	20
Vehicles	150,356	333	10,029 (41,174) *	(2,083)	-	117,461	66,785	92	27,402 (1,493)	- (38,290) *	54,496	62,965	20
	225,071	3,073	10,029 (41,174)	(2,083)	-	194,916	86,756 -	659	48,262 (1,493)	- (38,290)	95,894	99,022	
	619,105	4,635	23,963 -	(9,138)	34,895	673,460	185,276	1,855	65,478 (8,271)	(2,204)	242,134	431,326	

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

20.1.1 The depreciation charge has been allocated as follows:

	Note	2021	2020
		(Rupees in thousand)	
Cost of revenue	**32.1**	**28,974**	32,739
Administrative and selling expenses	**33**	**28,974**	32,739
		57,948	65,478

Fair value of the land and building as at 31 December 2021 was performed by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. The valuations have been performed based on proprietary databases of prices of transactions for assets of similar nature, location and condition. This revaluation resulted in Rs. 14.9 million surplus (2020: Rs. 22.35 million) on land and Rs. 0.802 million surplus (2020: Rs. 14.749 million) in respect of building. Detailed particulars are as follows:

	Depreciated cost	Revalued amount
	(Rupees in thousand)	
Freehold land	**208,600**	223,500
Buildings on freehold land	**89,619**	90,421
	298,219	313,921

Had the freehold land and building on freehold land not been revalued, their carrying amount would have been as follows:	2021	2020
	(Rupees in thousand)	
Freehold land	**8,647**	8,647
Buildings on freehold land	**31,162**	32,302
	39,809	40,949

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

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

20.1.4 **Disposal of property and equipment**

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

Particulars of assets	Sold to	2021 Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal
		------ Rupees in thousand ------					
Owned Vehicles							
Suzuki Swift DX 1328CC-LE-16-2907	Employee (Abdul Rehman Zia)	**1,316**	**1,316**	**-**	**256**	**256**	As per policy
Honda City White LEE-15-4089	Employee (Adeel Shehzad Baig)	**1,691**	**1,691**	**-**	**331**	**331**	As per policy
H.Civic 1.8 i-vtech-SR LEA-18-7074	Employee (Saqib Rauf)	**2,729**	**2,138**	**591**	**830**	**239**	As per policy
Audi A4 1.4 TFSI Mythos Black MY16	Employee (Junaid Mushtaq Paracha)	**6,072**	**6,072**	**-**	**2,795**	**2,795**	As per policy
Audi A414 Glacier White 1395cc LEH-17	Employee (Adeel Khalid)	**6,053**	**4,136**	**1,918**	**3,960**	**2,043**	As per policy
Suzuki Swift 1300cc LEH-18-3839	Employee (Waqas Khalid)	**1,477**	**935**	**542**	**807**	**265**	As per policy
Honda City 1.5 Prosmetec LEE-18-2516	Employee (M. Fahad Shabir)	**1,842**	**1,259**	**583**	**1,016**	**433**	As per policy
Honda Civic PT 1.8 Auto BDY-974	Employee (Muhammad Akmal)	**2,514**	**2,514**	**-**	**740**	**740**	As per policy
Suzuki Swift DX 1328CC-BDV-985	Employee (Maria Urooj)	**1,250**	**1,250**	**-**	**244**	**244**	As per policy
Rivo 4x4 super white AEW-725	Employee (Hussain Ahmad)	**4,458**	**3,863**	**594**	**2,490**	**1,896**	As per policy
Suzuki WaginR VXL MT-LEC-18A-8762	Employee (Shahid Ali)	**1,265**	**738**	**527**	**730**	**203**	As per policy
TOYOTA Vitz- LEE-16-2682	Mr. Abid Ansar (in open Market)	**1,326**	**862**	**464**	**1,560**	**1,096**	Bidding
Suzuki WaginR VXL MT-LEC-18A-3515	Employee (Arsalan Ghazi)	**1,265**	**717**	**548**	**1,375**	**827**	Negotiation
		33,258	**27,491**	**5,767**	**17,134**	**11,368**	
Leased Asset							
Honda city prosmatec Reg.(ANX-601)	Employee (Saad Noor)	**2,111**	**774**	**1,337**	**2,596**	**1,259**	As per policy
Other assets with book value less than Rs. 500,000		**2,651**	**2,455**	**196**	**528**	**333**	Bidding
		38,020	**30,721**	**7,300**	**20,258**	**12,960**	

Particulars of assets	Sold to	2020 Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal
		------ Rupees in thousand ------					
Owned Vehicles							
Toyota Corolla XLI AT 1299CC-LEH-15-8204	Employee (Muhammad Ishaq)	1,683	1,430	253	732	479	As per policy
Suzuki Cultus - Pool Car LED-10-5875	Employee (Saeed Ullah Khan Niazi - CFO)*	903	903	-	539	539	Bidding
Toyota Atlas Cruistronic LEC-7592	Rasheed Ahmad	2,171	2,171	-	1,834	1,834	Negotiation
		4,757	4,504	253	3,105	2,852	
Leased Asset							
Toyota Corolla Atlas 1.6 AT LEF-17-1286	Employee (Salah ud din)	2,083	1,493	590	898	308	As per policy
Other assets with book value less than Rs. 500,000		2,298	2,274	24	74	50	Negotiation
		9,138	8,271	867	4,077	3,210	

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

		Note	2021	2020
21	**INTANGIBLE ASSETS**		(Rupees in thousand)	
	Intangibles	21.1	**-**	-
	Capital work in progress	21.2	**51,722**	20,029
			51,722	20,029
21.1	**Cost**	21.1.1	**17,677**	17,677
	Less: Accumulated amortization	21.1.2	**(17,677)**	(17,677)
	Net book value as at 31 December		**-**	-
	Amortization rate		**33.33%**	**33.33%**
21.1.1	**Cost**			
	As at 01 January		**17,677**	17,677
	Additions during the year		**-**	-
	As at 31 December		**17,677**	17,677
21.1.2	**Amortization**			
	As at 01 January		**17,677**	17,677
	For the year		**-**	-
	As at 31 December		**17,677**	17,677

21.2 This relates to the development of software for providing digital services.

22 LONG TERM INVESTMENT

Unquoted - at fair value through other comprehensive income

	2021	2020
Avanceon LP	**967,659**	874,023

Octopus Digital Inc., USA has a 26.11% (2020: 26.11%) interest in profits/ losses of Avanceon LP. Avanceon LP is engaged in providing innovative technology solutions to clients in various industries. The partnership designs, develops, implements and provides support of automated manufacturing processes for its customers.

The group does not have significant influence over Avanceon LP. Accordingly, the management of the Group has elected to classify this investment to be measured at fair value through other comprehensive income.

23 DEFERRED TAXATION

	2021	2020
	(Rupees in thousand)	
The net asset / (liability) for deferred taxation comprises temporary differences relating to:		
Accelerated tax depreciation / amortization	**(2,965)**	(8,409)
Provision for expected credit losses	**43,245**	17,510
Provision for gratuity	**653**	714
Tax credits under Second Schedule	**116,182**	133,598
Surplus on revaluation of property and equipment during the year	**(233)**	(4,277)
Deferred tax on incremental depreciation	**(3,593)**	(3,360)
Unused tax losses	**12,457**	-
Income taxable on receipt basis	**(169,420)**	(76,923)
Net deferred tax (asset) / liability	**(3,673)**	58,853

23.1 Reconciliation of deferred tax (asset) / liability net

	2021	2020
As of 01 January	**58,853**	73,815
Tax income recognized in profit and loss	**(66,494)**	(10,727)
Tax income recognized in other comprehensive income	**3,811**	(4,278)
Exchange difference during the year	**157**	44
As at 31 December	**(3,673)**	58,853

23.2 Movement in deferred tax balances is as follows:

		(Reversal from) / charge to			
	Opening	Profit or loss	Equity	Other comprehensive income	Closing
2021	(Rupees in thousand)				
Deductible / (taxable) temporary difference					
Income taxable on receipt basis	**(76,923)**	**(92,497)**	**-**	**-**	**(169,420)**
Tax credit under Second Schedule	**133,598**	**(17,416)**	**-**	**-**	**116,182**
Unused tax losses	**-**	**12,457**	**-**	**-**	**12,457**
Employees end of service benefits	**714**	**(61)**			**653**
Provisions	**17,510**	**25,735**	**-**	**-**	**43,245**
Accelerated tax depreciation allowances	**(8,409)**	**5,444**	**-**	**-**	**(2,966)**
Deferred tax on incremental depreciation	**(4,277)**	**-**	**-**	**684**	**(3,593)**
Surplus on revaluation of property and equipment	**(3,360)**	**-**	**3,127**		**(233)**
	58,853	**(66,338)**	**3,127**	**684**	**(3,673)**

2020	Opening	Profit or loss	Equity	Other comprehensive income	Closing
	(Reversal from) / charge to				
	---------- (Rupees in thousand) ----------				
Deductible / (taxable) temporary difference					
Income taxable on receipt basis	(30,021)	(46,902)	-	-	(76,923)
Tax credit under Second Schedule	107,905	25,693	-	-	133,598
Provisions	21,017	(3,507)	-	-	17,510
Employees end of service benefits	457	257	-	-	714
Accelerated tax depreciation allowances	(20,361)	11,952	-	-	(8,409)
Deferred tax on incremental depreciation	(3,071)	-	-	(1,206)	(4,277)
Surplus on revaluation of property and equipment	(2,111)	-	(1,249)	-	(3,360)
	73,815	(12,507)	(1,249)	(1,206)	58,853

24 LONG-TERM LOANS AND DEPOSITS

	Note	2021	2020
		(Rupees in thousand)	
Security deposits	**24.1**	**35,784**	32,431
Loan to employees	**24.2**	**3,409**	618
		39,193	33,049
Current portion of loan to employees		**(800)**	(200)
		38,393	32,849

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

24.2 Reconciliation of carrying amount of loans to employees:

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

These represent interest free loans (as per Holding Company policy) provided to executives for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives on resignation / retirement. These are recoverable in equal monthly installments.

24.3 The present value adjustment in accordance with the requirements of IFRS 9: Recognition and Measurement' arising in respect of long term loans and security deposits are not considered material and hence not recognized.

25 STOCK-IN-TRADE

	Note	2021	2020
		(Rupees in thousand)	
Local		**16,313**	55,652
Imported		**56,500**	68,131
		72,813	123,783

26 TRADE DEBTS

	Note	2021	2020
Export		**5,208,748**	3,313,468
Local		**439,427**	312,351
	26.1	**5,648,175**	3,625,819
Less: Provision for expected credit loss	**26.2**	**(96,736)**	(39,792)
		5,551,439	3,586,027

26.1 Ageing of trade debts

	2021	2020
Less than one year	**2,825,575**	2,918,866
One to two years	**2,167,698**	624,676
Two to three years	**654,902**	82,277
	5,648,175	3,625,819

26.2 Provision for expected credit loss

	Note	2021	2020
Balance as at 01 January		**39,792**	32,909
Add: Provision for the year	**33**	**43,150**	18,988
Less: Reversal of provision for ECL		**(11)**	(12,920)
Foreign exchange movement		**13,805**	815
Balance as at 31 December		**96,736**	39,792

27 CONTRACT ASSETS

	Note	2021	2020
Earnings in excess of billings	**27.1**	**3,677,799**	3,681,180
Project deferred revenue		**524,402**	102,670
		4,202,201	3,783,850
Less: Provision for expected credit loss	**27.2**	**(81,846)**	(21,307)
		4,120,355	3,760,963

Ey

27.1 Ageing of earnings in excess of billings

	Note	2021	2020
		(Rupees in thousand)	
Less than one year		**2,234,081**	2,034,081
One to two years		**1,078,531**	1,278,531
Two to three years		**365,187**	368,568
		3,677,799	3,681,180

27.2 Provision for expected credit loss

	Note	2021	2020
Balance as at 01 January		**21,307**	42,906
Add: Provision for the year	35.1	**54,214**	617
Reversal of provision for ECL		**(28)**	(22,216)
Foreign exchange movement		**5,709**	1,597
Balance as at 31 December		**81,846**	21,307

28 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2021	2020
Advances - considered good			
- To employees		**109,825**	23,395
- To suppliers		**165,785**	145,932
		275,610	169,327
Prepayments		**58,200**	12,352
Bank guarantee / LC cash margin		**288,541**	236,192
Tax refunds due from government - considered good		**122,869**	71,143
Retention money - considered good		**-**	1,277
Earnest money - considered good		**301**	408
Receivable from related parties	28.1	**33,123**	7,618
Other receivables - considered good		**7,565**	3,922
		786,209	502,239

28.1 This represents incorporation charges incurred by Group Companies for formation of new entities in Saudi Arabia and Qatar.

29 SHORT TERM INVESTMENTS

	Note	2021	2020
		(Rupees in thousand)	
Investment in equity instrument		**185**	2,955
Term deposit receipts		**310,471**	73,788
		310,656	76,743

29.1 Investment in equity instruments

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

29.2 Term deposit receipts

	Note	2021	2020
National Bank of Fujairah	29.2.1	**10,471**	9,460
Bank of Singapore	29.2.2	**-**	64,328
JS Bank Limited	29.2.3	**300,000**	-
		310,471	73,788

29.2.1 These represent term deposits receipts of National Bank of Fujairah having maturity of 12 months (2020: 12 months) carrying mark-up at the rate of 0.51% per annum (2020: 0.51%) per annum. This is pledged against the trust receipts obtained from National Bank of Fujairah to the extent of AED 216,032.

29.2.2 These represented term deposit receipts of Bank of Singapore having maturity of 6 months carrying mark-up at the rate of 6.75% per annum respectively.

29.2.3 This represents term deposits receipts of JS Bank Limited having maturity of three months and carried mark-up at the rate of 8.5% per annum.

30 CASH AND BANK BALANCES

	Note	2021	2020
		(Rupees in thousand)	
Cash in hand		**26,643**	18,230
Cash with banks:			
Current accounts			
Local currency		**1,229,161**	129,956
Foreign currency		**39,542**	328,626
Savings accounts			
Local currency	30.1	**16,990**	50,517
		1,285,693	509,099
		1,312,336	527,329

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

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31 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

31.1 Disaggregation of revenue

	2021	2020
	(Rupees in thousand)	
Country wise breakup:		
Qatar	**3,394,653**	3,409,616
Nigeria	**503,727**	-
The Islamic Republic of Pakistan	**1,861,694**	1,912,213
Kingdom of Saudi Arabia	**679,846**	601,014
The United Arab Emirates	**677,974**	521,849
	7,117,894	6,444,692
Nature		
Sale of goods	**2,082,973**	576,349
Services	**578,647**	565,957
Project revenue	**4,456,274**	5,302,386
	7,117,894	6,444,692
Timing of revenue recognition		
At a point in time	**2,082,973**	576,349
Over the time	**5,034,921**	5,868,343
	7,117,894	6,444,692

31.2 Reconciliation with Segment Information

	Note	2021	2020
		(Rupees in thousand)	
Gross revenue	**31.2.1**	**8,591,671**	7,421,052
Intersegment elimination		**(1,473,777)**	(976,360)
		7,117,894	6,444,692

31.2.1 Break up of gross revenue

	2021			
	Sale of goods	Services	Project revenue	Total
	------------- (Rupees in thousand) -------------			
Core Business	**337,842**	**-**	**131,579**	**469,421**
Manufacturing and Assembling	**99,236**	**-**	**265,062**	**364,298**
Specialized Business	**23,816**	**-**	**402,829**	**426,645**
Engineering and Back Office	**-**	**639,033**	**-**	**639,033**
Middle East and USA	**1,409,833**	**605,534**	**4,282,107**	**6,297,473**
After Market Support	**212,246**	**(26,887)**	**209,442**	**394,801**
	2,082,973	**578,647**	**5,291,018**	**8,591,671**

	2020			
	Sale of goods	Services	Project revenue	Total
	------------- (Rupees in thousand) -------------			
Core Business	320,397	3,568	125,581	449,546
Manufacturing and Assembling	80,719	25,962	22,296	128,977
Specialized Business	189	2,420	788,607	791,216
Engineering and Back Office	-	602,513		602,513
Middle East and USA	1,831	1,164	4,534,461	4,537,456
After Market Support	173,213	522,695	215,436	911,344
	576,349	1,158,322	5,686,381	7,421,052

31.3 Contract balances

	2021	2020
	(Rupees in thousand)	
Trade receivables	**5,551,439**	3,586,027
Contract assets	**4,120,355**	3,760,963
Contract liabilities	**883,074**	902,093

The Group's trade debts increased due to an overall increase in business operations of all the entities within the Group.

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

Contract liabilities include billings in excess of earnings. This results from projects where the billing milestones are reached in advance of the Company's progress towards satisfaction of performance obligations. The outstanding balances of these accounts show nominal decrease in 2021 which is mainly due to satisfaction of performance obligations of majority of projects of Company due to which revenue relating to those projects has increased. However, billings of those projects have not increased with same effect due to the terms of contracts with customers where billings is deferred for future milestones.

31.4 Performance obligations

Sale of goods

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

Services

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

Project revenue

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

As at year end, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) amounted to Rs. 16,390.057 million (2020: Rs. 9,003.71 million) which is to be satisfied within one to four years.

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

32 COST OF REVENUE

	Note	2021	2020
		(Rupees in thousand)	
Materials consumed		**3,610,503**	3,283,615
Salaries, wages, allowances and other benefits	**32.1**	**384,546**	307,468
Employees' share option expense		**39,355**	9,154
Telephone, postage and telex		**15,733**	13,221
Utilities		**3,104**	2,138
Travelling and conveyance relating to engineering services		**164,966**	236,990
Back office support		**5,403**	-
Installation charges relating to engineering services	**32.2**	**477,029**	671,106
Entertainment relating to engineering services		**5,161**	4,053
Repairs and maintenance		**4,276**	3,009
Printing and stationery		**982**	625
Insurance		**37,305**	12,480
Office rent		**17,391**	13,079
Training		**711**	1,209
Fee and subscription		**3,574**	975
Depreciation on property and equipment	**20.1.1**	**28,975**	32,739
Miscellaneous expenses		**41,183**	11,286
		4,840,198	4,603,147

32.1 Salaries, wages and benefits include Rs. 11.76 million (2020: Rs. 9.9 million) and Rs. 0.99 million (2020: Rs. 0.432 million) representing provident fund contribution by the Holding Company and accumulating compensated absences respectively. It also includes provision for gratuity of subsidiary companies amounting to Rs. 8.94 million (2020: Rs. 10.30 million). Amount of Rs. 181.61 million (2020: Rs. 117.49 million) relates to project services revenue.

32.2 This includes commission expense of Rs.57.46 million (2020: 49.26 million) to Arkan Integrated Development L.L.C. as per the agreement between Holding Company and Arkan Integrated Development L.L.C.

33 ADMINISTRATIVE AND SELLING EXPENSES

	Note	2021	2020
		(Rupees in thousand)	
Salaries, wages, allowances and other benefits	**33.1**	**553,127**	484,294
Employees' share option expense		**59,032**	13,731
Telephone, postage and telex		**14,321**	12,345
Utilities		**3,101**	2,135
Entertainment		**991**	826
Repairs and maintenance		**6,798**	5,975
Sales promotion expenses		**5,881**	3,250
Printing, stationery and periodicals		**574**	622
Travelling, conveyance and vehicle maintenance		**34,664**	25,117
Office rent		**9,676**	7,844
Training		**350**	796
Insurance		**14,341**	5,599
Legal and professional charges		**23,561**	9,636
Auditors' remuneration	**33.2**	**9,271**	7,855
Fee and subscription		**28,962**	24,840
Corporate expenses		**11,254**	374
Late delivery charges		**-**	30
Depreciation on property and equipment	**20.1.1**	**28,974**	32,739
Bad debts write-off - specific		**2,384**	17,049
Provision for bad earning		**38,592**	1,179
Balances written off		**39,257**	-
Provision for expected credit losses - contract assets	**27.2**	**17,127**	-
Provision for expected credit losses - trade debts	**26.2**	**13,054**	6,070
Other expenses		**18,207**	22,218
		933,499	684,524

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33.1 Salaries, wages and benefits include Rs. 4.71 million (2020: Rs. 2.2 million) and Rs. 0.66 million (2020: Rs. 0.288 million) representing provident fund contribution by the Holding Company and accumulating compensated absences respectively. It also includes provision for gratuity of subsidiary companies amounting to Rs. 16.35 million (2020: Rs. 10.30 million).

33.2 Auditors' remuneration

	Note	2021	2020
		(Rupees in thousand)	
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Statutory audit		**7,189**	6,562
Half yearly review		**704**	641
Code of corporate governance		**310**	100
Other charges and out of pocket expenses		**337**	284
		8,540	7,587
Other firms annual audit fee relating to subsidiaries		**731**	267
		9,271	7,855

34 OTHER OPERATING EXPENSES

	Note	2021	2020
Donations	**34.1**	**4,617**	4,300

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

35 OTHER OPERATING INCOME

	Note	2021	2020
Income from financial assets	**35.1**	**499,267**	141,051
Income from non-financial assets	**35.2**	**44,478**	21,939
		543,746	162,990

35.1 Income from financial assets

	Note	2021	2020
Profit on bank deposits		**4,464**	7,306
Exchange gain		**494,521**	106,172
Reversal of provision for expected credit loss - contract assets	**27.2**	**-**	21,599
Reversal of provision for expected credit loss - long term deposit	**24.1**	**-**	4,458
Dividend on short term investment		**-**	5
Capital gain on short term investment		**282**	994
Fair value gain on short term investments		**-**	517
		499,267	141,051

35.2 Income from non-financial assets

	Note	2021	2020
Gain on disposal of property and equipment	**20.1.4**	**12,960**	3,210
Amortization of deferred grant	**14.1**	**1,466**	624
Others		**30,052**	18,105
		44,478	21,939

36 FINANCE COSTS

	Note	2021	2020
Mark up and interest on:			
- Long term loan		**5,950**	1,277
- Finances under mark up arrangements and other credit facilities - secured		**47,773**	85,327
- Finance lease		**4,893**	10,617
- Provident fund		**3,881**	6,179
Bank charges		**49,699**	20,008
Guarantee commission		**5,623**	3,468
Project financial cost		**6,803**	5,461
		124,621	132,337

37 TAXATION

	Note	2021	2020
Current			
- for the year		**91,883**	127,857
- for prior years		**-**	(189)
Deferred			
- for the year		**66,729**	10,727
		158,612	138,395

37.1 The Group is subject to taxation under jurisdictions of Pakistan and Qatar. Each of the Group's entities is subject to tax at varying tax regimes such as corporate tax and minimum taxation whereas one of the subsidiaries is exempt from taxation. Further, there are inter-company transactions which have been eliminated while computing the consolidated accounting profit. Due to this, a numerical reconciliation between accounting profit and tax expenses is not meaningful.

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38 EARNINGS PER SHARE

38.1 Basic earnings per share

		2021	2020
Net profit for the year	**Rupees in thousand**	**1,577,030**	1,044,979
			Restated
Weighted average number of ordinary shares	**Numbers in thousand**	**213,828**	211,790
Earnings per share	**Rupees**	**7.38**	4.93

38.2 Diluted earnings per share

		2021	2020
Net profit for the year	**Rupees in thousand**	**1,577,030**	1,044,979
			Restated
Weighted average number of ordinary shares	**Numbers in thousand**	**256,593**	211,790
Adjustment for share options	**Numbers in thousand**	**4,246**	4,862
Weighted average number of ordinary shares for diluted earnings per share	**Numbers in thousand**	**260,839**	216,652
Diluted earnings per share	**Rupees**	**6.05**	4.82

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

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

39 CASH FLOWS FROM OPERATING ACTIVITIES

	2021	2020
	(Rupees in thousand)	
Profit before tax	**1,758,705**	1,183,374
Adjustments for:		
Depreciation on property and equipment	**57,948**	65,478
Allowances for expected credit losses - contract assets	**17,127**	(21,599)
Allowances for expected credit losses - trade debts	**13,054**	6,070
Balances written off	**39,257**	-
Reversal of provision - long term deposits	**-**	(4,458)
Amortization of deferred grant	**(1,466)**	(624)
Employees' end of service benefits	**26,571**	20,603
Employees' share option expense	**98,388**	20,408
Bad debts written-off - specific	**2,384**	17,049
Capital gain on short term investment	**(282)**	(994)
Fair value gain on short term investments	**-**	(517)
Exchange gain	**(494,521)**	(6,235)
Gain on disposal of property and equipment	**(12,960)**	(3,210)
Finance costs	**124,621**	139,115
Profit on bank deposits	**(4,464)**	(7,306)
	(134,343)	223,780
Profit before working capital changes	**1,624,363**	1,407,154
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	**50,970**	37,146
- Trade debts	**(1,980,755)**	(1,177,742)
- Contract asset	**(376,520)**	(137,184)
- Advances, deposits, prepayments and other receivables	**268,815**	3,289
(decrease) / Increase in current liabilities		
- Creditors, accrued and other liabilities	**554,691**	931,171
- Contract liabilities	**(19,019)**	(225,249)
	(1,501,819)	(568,569)
Cash flows generated from operations	**122,544**	838,585

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40 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, post employment benefit plans, other related companies and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in Note 46. Other significant transactions with related parties are as follows:

Name of related party	Relationship with the Group	Basis of Relationship	Nature of transactions	2021	2020
				(Rupees in thousand)	
Innovative Travels (Private) Limited	Associated Company	Common directorship	Services rendered during the year	-	703
			Payment during the year	-	703
Arkan Integrated Development L.L.C.	Associated Company	Non controlling interest in AVAC	Commission expense	**57,458**	46,866
			Back office support	**10,806**	10,602
			Dividend	**8,617**	6,192
Contribution to staff provident fund	Provident fund	Provident fund	Expense charged in respect of retirements benefit plans	**15,247**	12,071

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

41 PROVIDENT FUND

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

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

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

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

42 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

CODM considers the business from the perspective of nature of products and business segments. Systems, engineering and export segments are also viewed in the geographic perspective by segregation of sales made to Middle Eastern countries and USA.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit and segment assets (stock in trade, trade debts and contract assets). Unallocated items comprise mainly of group corporate assets and liabilities.

The Group management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

42.1 Consolidated operating segment results

2021

Rupees in thousand

	AMS	Core Business		Specialized Business	Engineering and Back Office	Middle East	Elimination	Total
		Core Business	Manufacturing and Assembling					
SEGMENT PROFIT AND LOSS ACCOUNT								
Revenue from external customers	**1,229,042**	**469,421**	**363,803**	**426,983**	**639,033**	**5,463,390**	**(1,473,777)**	**7,117,894**
Cost of revenue	**(422,622)**	**(335,569)**	**(237,744)**	**(298,165)**	**(471,253)**	**(4,453,551)**	**1,378,706**	**(4,840,198)**
Gross profit	**806,420**	**133,852**	**126,059**	**128,819**	**167,780**	**1,009,839**	**(95,071)**	**2,277,697**
SEGMENT ASSETS								
Stock in trade	**15,313**	**19,316**	**7,313**	**15,070**	**-**	**15,801**	**-**	**72,813**
Trade debts	**485,801**	**211,517**	**191,802**	**262,478**	**328,435**	**5,376,594**	**(1,305,189)**	**5,551,439**
Contract assets	**206,908**	**126,255**	**135,349**	**150,801**	**213,238**	**3,287,805**	**-**	**4,120,355**
Segment total assets	**708,022**	**357,089**	**334,465**	**428,349**	**541,673**	**8,680,200**	**(1,305,189)**	**9,744,608**

2020

Rupees in thousand

	AMS	Core Business		Specialized Business	Engineering and Back Office	Middle East	Elimination	Total
		Core Business	Manufacturing and Assembling					
SEGMENT PROFIT AND LOSS ACCOUNT								
Revenue from external customers	911,344	449,546	128,977	791,215	602,513	4,537,457	(976,360)	6,444,692
Cost of revenue	(201,408)	(298,702)	(84,611)	(543,165)	(456,121)	(3,921,210)	902,070	(4,603,147)
Gross profit	709,936	150,844	44,366	248,050	146,392	616,247	(74,290)	1,841,545
SEGMENT ASSETS								
Stock in Trade	13,751	17,635	4,050	13,197	-	75,150	-	123,783
Trade debts	421,646	154,131	63,145	364,515	199,215	3,049,936	(666,561)	3,586,027
Contract assets	42,316	85,461	19,241	86,413	13,255	3,514,277		3,760,963
Segment total assets	477,713	257,227	86,436	464,125	212,470	6,639,363	(666,561)	7,470,773

42.2 For management purposes the Chief Operating Decision Maker (Board of Directors), views the activities of the Group organised into business units based on the nature of products and expertise required by with four groups containing eight reportable operating segments.

(i) After Marketing Support (AMS)

(a) After Marketing Support

AMS segment is the provision of services as technical supports and service level agreements (SLAs) and related spares.

(ii) Core Business

(a) Application Based Solutions (ABS)
ABS sales include the supply of patented systems, power products, software, Variable Speed Drives (VSDs) and Variable Frequency Drives (VFDs) procured mainly from Honeywell Systems and Rockwell Automation. Avanceon Limited acts as a sole distributor of Honeywell Systems and Rockwell Automation in Pakistan.

(b) Systems
Systems sales are embedded solutions of multiple Original Equipment Manufacturers (OEM) equipment, comprising Honeywell, Kobold, Samson and Weg products, along with engineering services to implement them. These solution sales fall in the domain of System Integration (SI) as defined globally.

(c) Products
Products segment includes sales of motors, analysers and other specialised products of OEMs. Major suppliers of products are Amatek Inc., Hyperwave solutions and Kobold Messrings.

(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

(b) High End Solutions (HES)
High End Solutions focuses on specialized areas i.e. Manufacturing Execution Systems, Plant Information Management Systems, and Advanced Process Control.

(iv) Engineering services

Engineering services business includes revenues from:

- man-hours charged to Avanceon FZE and Avanceon Automation and Control WLL for in-house engineering and development of Human Machine Interfaces (HMI), logic design, and development of engineering control mechanisms; and

- secondment of Avanceon Limited's engineers to Avanceon FZE and Avanceon Automation and Control WLL project sites for installation, commissioning and post implementation support of systems.

(v) Middle East

Middle East segment consists of core business, specialized business, and engineering services (as stated above) to UAE, Qatar, Pakistan and European Union countries.

42.3 Reconciliation of segment profit and loss

Reportable segments gross profit is reconciled to profit after tax as follows:

	Note	2021	2020
		(Rupees in thousand)	
Gross profit for reportable segments	42.1	**2,277,697**	1,841,545
Administrative and selling expenses		**(933,499)**	(684,524)
Other operating expenses		**(4,617)**	(4,300)
Other operating income		**543,746**	162,990
		(394,369)	(525,834)
Finance costs		**(124,621)**	(132,337)
Profit before tax		**1,758,706**	1,183,374
Taxation		**(158,612)**	(138,395)
Profit for the year		**1,600,094**	1,044,979

42.4 Reconciliation of segment assets

Reportable segments assets are reconciled to total assets as follows:

	Note	2021	2020
Assets			
Segment assets for reportable segments	42.1	**9,744,608**	7,470,773
Tangible(Property and equipment) and intangible assets		**519,483**	451,355
Other assets		**1,006,052**	965,725
		11,270,142	8,887,854
Unallocated portion of current assets			
Advances, deposits, prepayments and other receivables		**786,209**	502,239
Term deposits with banks		**-**	-
Short term investments		**310,656**	76,743
Cash and bank balances		**1,312,336**	527,329
		2,409,201	1,106,311
Total assets as per statement of financial position		**13,679,343**	9,994,165

Segment assets include the operating assets used by each segment and consist of stocks, trade debts and contract assets. All other assets and liabilities are not allocated to operating segments as such information is not presented separately for each segment for the purposes of management decision making.

All expenses and income other than revenue and cost of revenue are not allocated to segments, as this is driven by the central treasury function, which manages the cash position of the Group.

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43 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

43.1 Financial risk factors

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

The Group is exposed to currency risk arising primarily with respect to the United States Dollar (USD) and United Arab Emirates Dirham (AED). The Group's exposure to foreign currency changes for all other currencies is not material. Currently, the Group's foreign exchange risk exposure is restricted to foreign currency creditors, debtors and bank balances as shown below:

	2021						
	Rupees	**EUR**	**USD**	**AED**	**QAR**	**SGD**	**SAR**
	(in thousand)						
Investment in Avanceon LP	**967,659**	**-**	**5,440**	**-**	**-**	**-**	**-**
Trade debts	**5,208,748**	**692**	**7,919**	**41,961**	**50,688**	**-**	**11,649**
Short term investments	**10,471**	**-**	**-**	**216**	**-**	**-**	**-**
Bank balances	**39,542**	**97**	**38**	**-**	**2**	**-**	**262**
Trade Payables	**(2,299,567)**	**(187)**	**(10,948)**	**(5,549)**	**-**	**(5)**	**(959)**
Net Exposures	**3,926,852**	**602**	**2,449**	**36,628**	**50,690**	**(5)**	**10,952**

	2020						
	Rupees	EUR	USD	AED	QAR	SGD	SAR
	(in thousand)						
Investment in Avanceon LP	874,023	-	5,435	-	-	-	-
Trade debts	486,081	989	13,619	40	6,257	-	12,425
Short term investments		-	459	-	3,227	-	-
Bank balances	328,626	0.172	485	-	3	-	4
Trade payables	(15,592,193)	(24,833)	(66,211)	(24)	(39)	(8)	-
Net Exposures	(13,903,463)	(23,844)	(46,213)	16	9,448	(8)	10,971

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The following significant exchange rates were applied during the year:	**2021**	2020
Rupees per USD		
Average rate	**163.70**	162.14
Reporting date rate	**177.88**	160.80
Rupees per Euro		
Average rate	**197.50**	185.12
Reporting date rate	**198.50**	196.50
Rupees per AED		
Average rate	**44.73**	44.13
Reporting date rate	**48.47**	43.79
Rupees per QAR		
Average rate	**45.03**	44.53
Reporting date rate	**48.87**	44.17
Rupees per SGD		
Average rate	**126.18**	118.04
Reporting date rate	**131.49**	120.86
Rupees per SAR		
Average rate	**43.63**	41.89
Reporting date rate	**47.43**	42.55

At 31 December 2020, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar or AED with all other variables held constant, post tax profit / for the year would have been higher / (lower) as under:

Foreign currency sensitivity analysis

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

	AED		
	Change in Exchange rate	**Effect on profit/(loss) before tax**	**Effect on equity**
		(Rupees in thousand)	
2021	**5%**	**88,768**	**63,025**
	-5%	**(88,768)**	**(63,025)**
2020	5%	35	25
	-5%	(35)	(25)

	USD		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**21,781**	**15,464**
	-5%	**(21,781)**	**(15,464)**
2020	5%	(371,553)	(263,803)
	-5%	371,553	263,803

	EUR		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**5,975**	**4,242**
	-5%	**(5,975)**	**(4,242)**
2020	5%	(234,267)	(166,330)
	-5%	234,267	166,330

	QAR		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**123,861**	**87,942**
	-5%	**(123,861)**	**(87,942)**
2020	5%	20,866	14,815
	-5%	(20,866)	(14,815)

	SGD		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**(237)**	**(168)**
	-5%	**237**	**168**
2020	5%	(967)	(687)
	-5%	967	687

	SAR		
	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**5%**	**25,972**	**18,440**
	-5%	**(25,972)**	**(18,440)**
2020	5%	466,816	331,439
	-5%	(466,816)	(331,439)

(ii) Interest rate risk

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

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

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

	2021	2020
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances	**(16,990)**	(50,517)
Financial liabilities		
Long term loan	**23,551**	49,462
Lease liabilities	**116,384**	80,459
Finances under markup arrangements and other credit facilities - secured	**713,748**	487,386
Total exposure	**836,693**	566,790

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:

	Increase/ decrease in basis points	Effect of profit / (loss) before tax	Effect on equity
		(Rupees in thousand)	
2021	**+100**	**(8,537)**	**(6,061)**
	-100	**8,537**	**6,061**
2020	+100	(5,668)	(4,024)
	-100	5,668	4,024

(iii) Other price risk

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

(b) Credit risk

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

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:

	2021	2020
	(Rupees in thousand)	
Long term loans and deposits	**39,193**	32,849
Trade debts	**5,648,175**	3,586,027
Deposits and other receivables	**150,814**	249,417
Bank balances	**1,285,693**	509,099
	7,123,874	4,377,392

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

Domestic	**439,427**	310,702
Export	**5,208,748**	3,275,325

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

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

	0-90 days	**90-180 days**	**180-270 days**	**270 to 360 days**	**360 to 450 days**	**450 to 540 days**	**540 to 630 days**	**630 to 720 days**	**720 to 810 days**	**Total**
	Rupees in thousands									
	2021									
Estimated total gross carrying amount at default	**3,624,382**	**370,236**	**248,630**	**342,508**	**127,456**	**98,149**	**10,845**	**360,154**	**465,813**	**5,648,175**
Estimated total gross carrying amount - secured	**2,873,550**	**273,656**	**157,984**	**264,914**	**16,254**	**42,883**	**-**	**-**	**147,997**	**3,777,238**
Expected credit loss rate	**0.38%**	**0.63%**	**1.43%**	**2.60%**	**11.61%**	**8.32%**	**0.84%**	**5.73%**	**5.30%**	
Expected credit loss	**13,595**	**2,316**	**3,546**	**8,894**	**14,796**	**8,167**	**91**	**20,626**	**24,704**	**96,736**

	0-90 days	90-180 days	180-270 days	270 to 360 days	360 to 450 days	450 to 540 days	540 to 630 days	630 to 720 days	720 to 810 days	Total
	Rupees in thousands									
	2020									
Estimated total gross carrying amount at default	888,074	155	-	-	-	-	-	-	-	888,229
Estimated total gross carrying amount - secured	153,412	8,161	36,509	7,300	187,439	154,086	16,789	22,987	82,351	669,034
Expected credit loss rate	4%	5%	0%	0%	0%	0%	0%	0%	0%	
Expected credit loss	39,784	7	-	-	-	-	-	-	-	39,791

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

As at 31 December 2020, the Group has 23 customers owing more than Rs. 30 million each which account for 85% of total debtors.

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

	Rating Short Term	Rating Long Term	Rating Agency	Balances at banks	
				2021	2020
				(Rupees in thousand)	
Faysal Bank limited	A1+	AA	PACRA	**123,172**	1,326
Habib Bank limited	A-1+	AAA	JCR-VIS	**3,412**	40,512
Dubai Islamic Bank	A-1+	AA	JCR-VIS	**101,937**	-
National Bank of Pakistan	A1+	AAA	PACRA	**436**	344
MCB Bank Limited	A1+	AAA	PACRA	**229,151**	93
United Bank Limited	A-1+	AAA	JCR-VIS	**4,377**	68,944
JS Bank Limited	A1+	AA-	PACRA	**233,153**	5,181
Standard Chartered	A1+	AAA	PACRA	**18,223**	18,606
Bank of Singapore Limited	P-1	Aa1	Moody's	**328**	10,373
Habib Bank AG Zurich	A-1+	AAA	JCR-VIS	**42,305**	3,139
National Bank of Fujairah	P-2	Baa1	Moody's	**54,884**	197
Qatar International Islamic Bank	A2	A	Capital Intelligence	**87,003**	39,954
Doha Bank	F1	A	Fitch	**11,995**	245
Mashreq Bank	F1	A	Fitch	**24,277**	318,811
Qatar Islamic Bank	F1	A	Fitch	**71,764**	1,375
				1,006,416	509,099

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

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

(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:

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The following are the contractual maturities of financial liabilities:

	Carrying amount	On demand	Less than one year	Between one to five years	More than five years
2021	------------------	------------------	Rupees in thousand	------------------	------------------
Long term loan	**23,551**	**-**	**23,551**	**-**	**-**
Finances under mark up arrangements	**713,748**	**-**	**713,748**	**-**	**-**
Lease liabilities	**116,384**	**-**	**46,757**	**69,627**	**-**
Creditors, accrued and other liabilities	**3,034,956**	**-**	**3,034,956**	-	**-**
Unclaimed dividend	**153,095**	**153,095**	**153,095**	-	**-**
	4,041,734	**153,095**	**3,972,107**	**69,627**	**-**

	Carrying amount	On demand	Less than one year	Between one to five years	More than five years
2020	------------------	------------------	Rupees in thousand	------------------	------------------
Long term loan	49,462	51,822	25,911	25,911	-
Finances under mark up arrangements	487,386	487,386	487,386	-	-
Lease liabilities	80,459	88,833	42,535	46,298	-
Creditors, accrued and other liabilities	2,490,561	2,490,561	2,490,561	-	-
Unclaimed dividend	10,951	10,951	10,951	-	-
	3,118,819	3,129,553	3,057,344	72,209	-

43.2 Financial instruments by categories

	2021			
	At fair value through OCI	**At fair value through profit or loss**	**At amortized cost**	**Total**
	(Rupees in thousand)			
Financial assets				
Debt instruments				
Long term loans and deposits	**-**	**-**	**38,393**	**38,393**
Long term investments	**967,659**	**-**	**-**	**967,659**
Trade debts	**-**	**-**	**5,551,439**	**5,551,439**
Deposits and other receivables				
- Bank guarantee margin	**-**	**-**	**288,541**	**288,541**
- Earnest money	**-**	**-**	**301**	**301**
- Retention money	**-**	**-**		
- Due from related parties	**-**	**-**	**33,123**	**33,123**
- Others	**-**	**-**	**7,565**	**7,565**
Cash and bank balances	**-**	**-**	**1,312,336**	**1,312,336**
Equity instruments				
Short term investment	**-**	**185**	**310,471**	**310,656**
	967,659	**185**	**7,542,169**	**8,510,012**
Total current				**7,503,960**
Total non current				**1,006,052**

Financial instruments by categories

	2020			
	At fair value through OCI / Available for sale	At fair value through profit or loss	At amortized cost	Total
	(Rupees in thousand)			
Financial assets				
Debt instruments				
Long term loans and deposits	-	-	32,849	32,849
Long term investments	874,023	-	-	874,023
Trade debts	-	-	3,586,027	3,586,027
Deposits and other receivables				
- Bank guarantee margin	-	-	236,192	236,192
- Earnest money	-	-	408	408
- Retention money	-	-	1,277	1,277
- Due from related parties	-	-	7,618	7,618
- Others	-	-	3,922	3,922
Cash and bank balances	-	-	527,329	527,329
Equity instruments				
Short term investment	-	2,955	-	2,955
	874,023	2,955	4,395,622	5,272,600
Total current				4,365,728
Total non current				906,872

	2021	2020
Financial liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Long term loan	**23,551**	49,462
Lease liabilities	**80,459**	80,459
Finances under mark up arrangements and other credit facilities - secured	**487,386**	487,386
Creditors, accrued and other liabilities	**3,034,956**	2,490,561
Unclaimed dividend	**153,095**	10,951
	3,779,447	3,118,819
Total current	**3,745,745**	3,052,968
Total non current	**33,702**	65,851

43.3 Fair values of assets and liabilities

Fair value of financial assets at fair value through profit or loss is derived from quoted market prices in active markets.

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

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43.4 Fair value hierarchy

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

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

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

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

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

Recurring fair value measurements of assets:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
31 December 2021				
Freehold land	**-**	**-**	**223,500**	**223,500**
Buildings on freehold land	**-**	**-**	**90,422**	**90,422**
Long term investments	**-**	**-**	**874,023**	**874,023**
Short term investment	**185**	**-**	**-**	**185**
	185	**-**	**1,187,945**	**1,188,130**
31 December 2020				
Freehold land	-	-	208,600	208,600
Buildings on freehold land	-	-	91,763	91,763
Long term investments	-	-	874,023	874,023
Short term investment	2,955	-	-	2,955
	2,955	-	1,174,386	1,177,341

44 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratio as at year ended 31 December 2020 and 2019 are as follows:

	2021	2020
	(Rupees in thousand)	
Borrowings	**617,307**	617,307
Less: Cash and bank balances	**(527,329)**	(527,329)
Net debt	**89,978**	89,978
Total equity - excluding surplus on revaluation and exchange revaluation reserve	**4,745,895**	4,745,895
Total capital	**4,835,873**	4,835,873
Gearing ratio	**1.86%**	1.86%

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45 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	31 December 2021						
	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	------------------------------------- Rupees -------------------------------------						
Balance as at 01 January 2021	**2,117,900**	**80,459**	**49,462**	**487,386**	**13,679**	**10,951**	**2,759,837**
<u>Cash flows</u>							
Repayment of loans	**-**	**-**	**(25,911)**		**-**	**-**	**(25,911)**
Lease payments	**-**	**(66,475)**	**-**	**-**	**-**	**-**	**(66,475)**
Issuance of shares	**20,378**	**-**	**-**	**-**	**-**	**-**	**20,378**
Proceeds from loans	**-**	**-**	**-**	**226,362**	**-**	**-**	**226,362**
Finance cost paid	**-**	**-**	**-**	**-**	**(122,561)**	**-**	**(122,561)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(82,525)**	**(82,525)**
Total changes from financing cash flows	**20,378**	**(66,475)**	**(25,911)**	**226,362**	**(122,561)**	**(82,525)**	**(50,731)**
<u>Other changes including non-cash</u>							
Dividend declared						**224,669**	**224,669**
Bonus shares issuance	**427,656**	**-**	**-**	**-**	**-**	**-**	**427,656**
Addition in lease	**-**	**90,763**	**-**	**-**	**-**	**-**	**90,763**
Finance cost	**-**	**7,473**	**-**	**-**	**119,728**	**-**	**127,201**
Foreign exchange movement	**-**	**4,164**	**-**	**-**	**-**	**-**	**4,164**
Total liability related other changes	**427,656**	**102,400**		**-**	**119,728**	**224,669**	**874,452**
Closing as at 31 December 2021	**2,565,934**	**116,384**	**23,551**	**713,748**	**10,846**	**153,095**	**3,583,558**

	31 December 2020						
	Issuance of shares	Lease liabilities	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	------------------------------------- Rupees -------------------------------------						
Balance as at 01 January 2020	1,925,364	113,191	1,515	599,339	12,099	256,763	2,908,271
<u>Cash flows</u>							
Repayment of loans	-	-		(111,953)	-	-	(111,953)
Lease payments	-	(55,586)	-	-	-	-	(55,586)
Issuance of shares	-	-	-	-	-	-	
Proceeds from loans	-	-	50,307,000		-	-	50,307
Finance cost paid	-	-	-	-	(126,920)	-	(126,920)
Dividends paid	-	-	-	-	-	(245,812)	(245,812)
Total changes from financing cash flows	-	(55,586)	50,307	(111,953)	(126,920)	(245,812)	(489,964)
<u>Other changes including non-cash</u>							
Changes in running finances	-	-	-	-	-	-	-
Bonus shares issuance	192,536	-	-	-	-	-	192,536
Recognition of deferred grant	-	-	(2,360,000)	-	-	-	(2,360,000)
Addition in lease	-	10,029,000	-	-	-	-	10,029,000
Finance cost	-	10,616	-	-	128,499,000	-	139,115
Foreign exchange movement	-	2,209	-			-	2,209
Total liability related other changes	192,536	22,854	(2,360,000)	-	128,499		341,529
Closing as at 31 December 2020	2,117,900	80,459	49,462	487,386	13,678	10,951	2,759,836

46 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES

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

	Chief Executive		Director		Other Executives	
	2021	2020	2021	2020	2021	2020
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	**63,994**	59,840	**11,562**	7,167	**270,891**	211,613
House rent	**17,157**	16,946	**3,499**	1,808	**91,782**	72,981
Utilities	**9,651**	9,532	**875**	452	**22,781**	18,894
Contribution to provident fund	**5,065**	5,000	**1,107**	673	**22,527**	13,882
Others	**1,608**	1,589	**1,205**	3	**18,556**	16,177
	97,476	92,907	**18,247**	10,103	**426,537**	333,547
Number of persons	**1**	1	**4**	1	**65**	43

46.1 Salary of the Chief Executive Officer is paid by subsidiary; Avanceon FZE. The Holding Company also provides Director and certain executives with Holding Company maintained vehicles. No remuneration has been paid to non-executive Directors of the Holding Company.

47 NUMBER OF EMPLOYEES

	2021	2020
Average number of employees	**281**	242
Closing number of employees	**304**	258

48 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified and restated, wherever necessary. However, no significant rearrangement, reclassification and restatement have been made.

49 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on 01 April 2022 has proposed bonus shares issue at the rate of 25% (2020: 20%) and final cash dividend at the rate of Rs. 1 per share (2020: Rs. 1 per share) in respect of the year ended 31 December 2021 for the approval by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

50 DATE OF AUTHORIZATION FOR ISSUE

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

Chief Executive | **Chief Financial Officer** | **Director**