

ANNUAL
REPORT
2023



LETTER FROM THE FOUNDER & CEO

Dear Shareholders, Partners, Customers and Team,

Welcome to Avanceon Limited's 2023 Annual Report.

As we reflect on the past year, I am pleased to share with you the progress and achievements of your company. Despite the challenges posed by slowing down of our key regional economies, high inflation, and reduction of consumer spending, we have remained resilient, adaptive, and focused on our strategic goal – Road to 100.

In 2023, Avanceon exceeded its Order Generation targets by \$2.9 m making it the highest in the company's history with \$68.9 m. This is a big achievement and I would like to congratulate the entire Avanceon team for their commitment to innovation, sustainability, and delivering value to our customers, shareholders, and communities. Our relentless pursuit of excellence has driven growth across all facets of our operations.

Pakistan Highlights – In 2022, Avanceon faced restrictions on LCs imposed by the State Bank of Pakistan which had an adverse effect on our projects. In my last communication with you, I claimed the following,

- a. *If not for import restrictions, our Pakistan region would have had the best business year.*

I was also confident in saying the following,

- b. *the silver lining however is that business is not lost but overflowed into 2023 which essentially means that Pakistan business can expect a bumper year in 2023.*

Year 2023 did prove to be a bumper year for Pakistan, and I am happy to report that we exceeded all expectations by raking in \$15.38m worth of orders. We particularly saw gains in our Building Management Solutions division which overshot its order generation target by an impressive +200%. Our ABS & Products division also saw healthy gains with +8% in order generation target in 2023.

The targets are set for Year 2024, and I am confident that Pakistan region will again exceed expectations through careful planning and determination.

MENA Region Highlights – I am thrilled to report that our MENA region also outperformed its regional order generation targets for 2023 with \$53.8m. We saw healthy gains in Qatar and KSA regions with +40% and +39% increase respectively. We have always believed that expansion is just as integral as diversification. This is why it gives me great pleasure to report we have ventured into the Smart City and Process Skids Solutions realm. With the world now committed to sustainable and environmentally conscious solutions, Avanceon will be perfectly positioned to help municipalities around the world reduce their carbon footprint.

Our North Africa operation is also making headway with new projects in Nigeria. I see huge potential here, and we will see significant improvement in acquiring new partners and projects in 2024.

Emphasis on Liquidity – Liquidity is a crucial aspect for Avanceon Operations in all regions. It is essential for the smooth operation, flexibility, risk management, and growth of project-based businesses such as ours. It enables us to meet our financial obligations, seize opportunities, and navigate challenges effectively, ultimately contributing to their success and sustainability. To ensure all our teams and regions are at the top of all aspects of their obligations, we are now conducting stewardship meetings focused on liquidity. Our emphasis on liquidity is not only on a holistic level. We ensure the liquidity of all our projects to avoid any delays due to financial constraints.

Year Three on the Road to 100 – We launched the Road to 100 Plan in 2020. As we conclude the third year of this five-year endeavor, I am glad to see that we are on track to reach the \$100m Revenue target by 2025. Avanceon 2024 target will be \$84m which has been communicated to all teams and we are geared up to accomplish it. Our financial performance has been robust, with profitability and revenue growth steadily increasing every year. This achievement reflects the effectiveness of our strategic initiatives and the strong relationships we have cultivated with our customers, partners, and stakeholders.

Looking ahead, we remain cautiously

optimistic about the future. While uncertainties persist, we are confident in our ability to seize opportunities and overcome challenges as they arise. With a strong foundation, a talented team, and a clear strategic direction, we are well-positioned to deliver value for our shareholders and stakeholders in the years to come.

I would like to express my sincere gratitude to our colleagues, customers, partners, and shareholders for their continued support and dedication. Together, we have achieved remarkable success, and I am excited about the journey ahead.

Till we meet again.

Yours Sincerely,



Bakhtiar H. Wain
CEO & Founder



COMPANY INFORMATION

Board of Directors

Khalid Hamid Wain
Director / Chairman

Bakhtiar Hameed Wain
Director / Chief Executive Officer

Amir Waheed Wain
Director

Tanveer Karamat
Director

Mohammad Shahid Mir
Director

Omer Iqbal Khan
Director

Hanan Darwish
Director

Ahsan Khalil (ACA-FPFA)
Chief Financial Officer/Company Secretary

Board Audit Committee

M. Shahid Mir
Chairman

Amir Waheed Wain
Member

Khalid Hamid Wain
Member

Human Resource & Remuneration Committee

M. Shahid Mir
Chairman

Khalid Hamid Wain
Member

Hanan Darwish
Member

Auditors

BDO Ebrahim & Co.
Chartered Accountants



Legal Advisor

Chima & Ibrahim
Advocates and Corporate Counsel

Web Presence

www.avanceon.ae

www.avanceon.qa

www.octopusdtl.com



Bankers

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

Share Registrar

FAMCO Share Registration Services (Pvt.) Ltd.

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

Registered Office

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

Regional Headquarters - Middle East

Avanceon FZE - Dubai, UAE
 Office/Plot No. Mo-0240,
 Street No. N 403, Jebel Ali Free Zone,
 JAFZA P.O. Box 18590
 Dubai, United Arab Emirates
 Phone: +971 4 88 60 277
 Email: support.mea@avanceon.ae

Doha, Qatar

Avanceon Automation & Control WLL
 Office No. RA16, Ras Bufontas,
 Qatar Free Zone, Doha, Qatar
 P.O. Box 13565
 Office B1-A6-31, Al Wukair Logistics,
 Park Doha, Qatar P.O. Box 15976
 Phone: +974 4141 7300

Jeddah, Saudia Arabia

Kuwait St. Faisalayah District
 P.O. Box 1298
 Jeddah, KSA.
 Phone: +966-12-6912204 x 127
 Email: support.mea@avanceon.ae

Riyadh, Saudia Arabia

Avanceon Saudi for Energy Company
 3141 Anas Ibn Malik-Al Malqa Dist.
 Unit no. 718, Riyadh 13521 - 8292
 Kingdom of Saudi Arabia
 Phone: +966-5674 16724
 Email: support.mea@avanceon.ae



AVANCEON

Tomorrow's solutions, today.

BOARD OF DIRECTORS' PROFILE

BOARD OF DIRECTORS STRUCTURE & CORPORATE GOVERNANCE

Composition of Board and Directors' Independence

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

Chairman of the Board

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

Directors' Profile

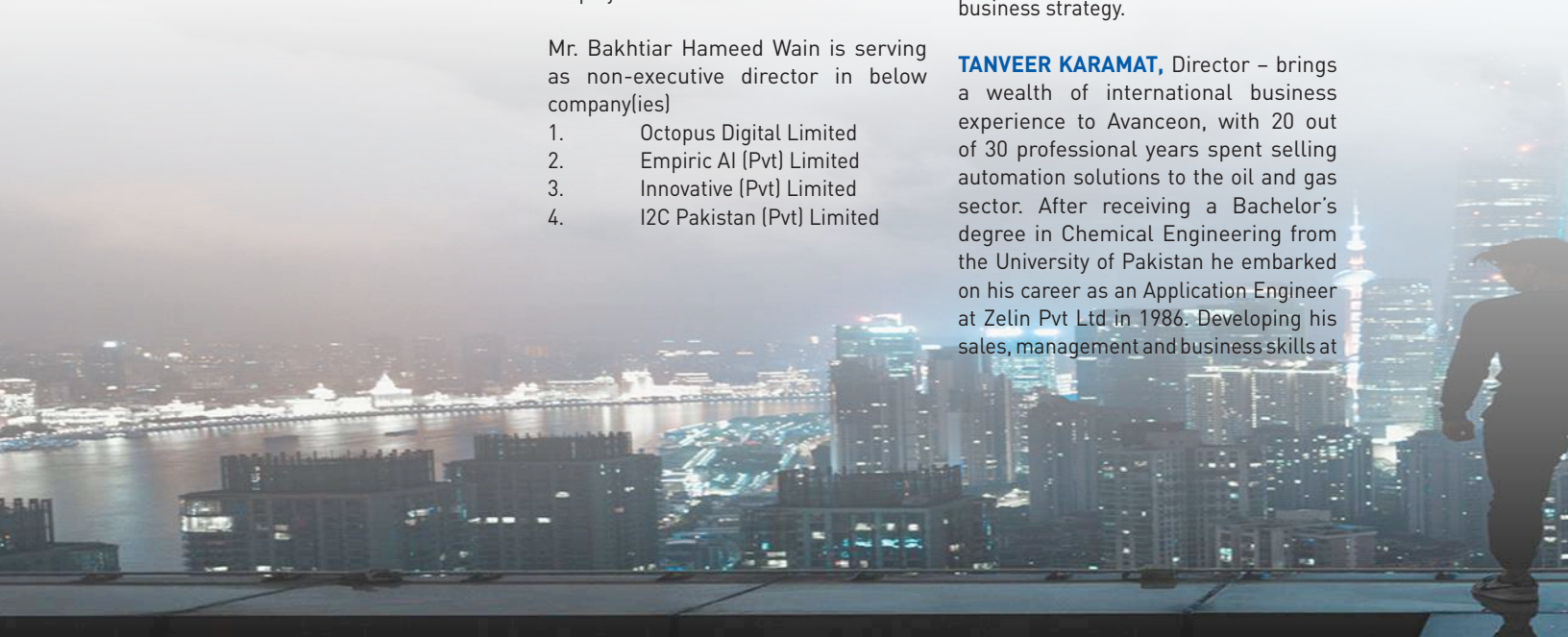
BAKHTIAR H. WAIN, Founder and Chief Executive Officer– brings over 30 years of exemplary leadership. An engineer with experience in leading global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd, he founded Avanceon in 1984 and currently holds the position of Chief Executive Officer. His entrepreneurial drive found its roots in his faith towards the educated and technically qualified human resource of Pakistan. Mr. Bakhtiar Hameed Wain Bachelor of Engineering in Mechanical engineering from University of Engineering and Technology, Lahore, in 1983. From the onset, he wanted to build a company that could capitalize and promote this conviction globally, which he has implemented successfully ever since. Appointed CEO by the Board of Directors, he has spearheaded Avanceon towards market leadership in Pakistan and beyond. Mr. Bakhtiar Hameed Wain also serves in the capacity of Chairman of the Board of Directors of Octopus Digital Limited, Non-Executive Directors of Empiric AI (Private) Limited and also serve as a trustee of Avanceon Limited Employees Provident Fund.

Mr. Bakhtiar Hameed Wain is serving as non-executive director in below company(ies)

1. Octopus Digital Limited
2. Empiric AI (Pvt) Limited
3. Innovative (Pvt) Limited
4. I2C Pakistan (Pvt) Limited

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

TANVEER KARAMAT, Director – brings a wealth of international business experience to Avanceon, with 20 out of 30 professional years spent selling automation solutions to the oil and gas sector. After receiving a Bachelor's degree in Chemical Engineering from the University of Pakistan he embarked on his career as an Application Engineer at Zelin Pvt Ltd in 1986. Developing his sales, management and business skills at



key industry companies such as Wartsila NSD as well as Honeywell where he held the position of Country Head, Tanveer joined Avanceon in 2003 as Regional Manager. He transformed the South Region revenues in less than three years with wise strategic counsel, capitalizing on a dormant customer base and an internal reshuffle. He was promoted to GM Operations in 2006 before becoming COO in 2011. Over the past decade, Tanveer's leadership has been a major contribution towards building value for the company. He was nominated as a member of the Board of Directors to help make informed decisions. In year 2023, Mr. Tanveer Karamat was appointed as Chief Executive Officer of Octopus Digital Limited and Empiric AI (Private) Limited. He now serves as non-executive director on the Avanceon Limited Board and also serve as a trustee of Avanceon Limited Employees Provident Fund.

MOHAMMAD SHAHID MIR, Independent Director – A senior management professional with 32 years of experience in Corporate and Commercial banking, Risk Management, Credit Administration and Trade Finance. Over the last sixteen years, Mr. Mohammad Shahid Mir has held senior positions in Wholesale Banking and Risk Management. On the business side he has a proven track record of growing business and exceeding budgets whilst ensuring portfolio health remained within accepted parameters. Mr. Mir has strong knowledge of Economy & Banking in Pakistan and the GCC region. Mr. Mohammad Shahid Mir graduated with a BA (Hons) in Economics from the University of Sussex, Brighton, England, in 1985. He furthered his credentials by becoming a Certified Credit Risk Professional from American Express Bank in 1996. Mr. Mohammad Shahid Mir also serves in the capacity of

the Board of Directors of Octopus Digital Limited.

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

HANAN DARWISH, Independent Director – Hanan Darwish is a C-Level Executive Thought Leader in global energy with a history of driving growth and profitability through consult to execution approach. She is skilled in establishing and growing executive and other strategic partnerships. Her senior-level people management experience and skill in launching new sites and ventures will add value to the Avanceon Board. Hanan has previously served in senior-level strategic positions for Schneider

Electric and Procter & Gamble. She is a graduate of the American University of Cairo in Human Resource Development and has a master's from INSEAD. Her expertise in leading through acquisitions and other transitions with strong change management aptitude will bring a new perspective to the Avanceon Board. Her role within the Board will be to perform independent, quarterly, and HR policy reviews to ensure strategic decisions are aligned with Avanceon objectives and key results.

AHSAN KHALIL, Chief Financial Officer, is a seasoned C-level executive with a distinguished career spanning over 19 years in financial leadership roles. As a qualified Chartered Accountant, he possesses a wealth of expertise in financial operations, enterprise resource planning (ERP), and internal control systems.

With a robust foundation in financial management, Ahsan is adept at leveraging his strong business acumen to evaluate financial data and identify opportunities for enhancing profitability. His proven track record underscores his proficiency in streamlining processes, optimizing costs, and implementing rigorous financial controls to drive organizational success.

Ahsan Khalil is currently serving as the Company Secretary of Octopus Digital Limited, Empiric AI (Pvt) Limited, and Avanceon Limited. He also fulfils the crucial role of trustee for the Avanceon Limited Employees Provident Fund. His multifaceted responsibilities exemplify his commitment to governance and strategic oversight across diverse business entities.

CHAIRMAN REVIEW

REPORT ON BOARD PERFORMANCE

Dear Shareholder,

It gives me great pleasure to present you the Chairman's Review Report on Avanceon Limited's Board Performance for the financial year ended on December 31, 2023. Year 2023 has been marked by significant challenges and opportunities, and I am proud to report that Avanceon has navigated them with resilience and agility. Allow me to begin my Review Report of the Avanceon Limited's Board Performance for the Year 2023.

Joint Venture with ZOMCO

Avanceon Saudi for Energy Company, a 100% wholly owned subsidiary of Avanceon Limited, and ZOMCO (Zamil Operations & Maintenance), fully owned subsidiary of the Zamil Group, have entered into a Joint Venture Agreement to Expand Project Execution Footprint in KSA. The Joint Venture Agreement will be conducted through a newly formed liability company named Avanceon Arabia Information Technology.

Appointment of New Financial Officer (Ahsan Khalil)

The board unanimously decided on the appointment of Ahsan Khalil as the Chief Financial Officer of Avanceon Limited. Ahsan Khalil is a seasoned C-level executive with a distinguished career spanning over 19 years in financial leadership roles. As a qualified Chartered Accountant, he possesses a wealth of expertise in financial operations, enterprise resource planning (ERP), and internal control systems. The Board wishes Ahsan Khalil success in his new role.

Transfer of Empiric AI Private Limited to Octopus Digital

The Board of Directors of the Avanceon Limited approved the Sale/Transfer/Dispose of the entire shareholding in its wholly owned subsidiary Empiric AI (Private) Limited to Octopus Digital Limited, under EPL Business Transfer/Sale Agreement, on mutually agreed terms and conditions.

Your Company's Performance in 2023

Here is a rundown of how your company performed in FY 2023 as compared to FY 2022.

- Profit after Tax (PAT) increased by 181% at 2,610 million PKR.
- Net Sales increased by 86% to 17,767 million PKR and
- Earnings Per Share increased by 197% at 6.70 PKR.

The Board has declared a final dividend @ Rs. 2/- per share i.e. 20%.

The Board has issued bonus shares in the proportion of 10 shares for every 100 shares held i.e. 10%.

Khalid H. Wain

(Chairman of the Board – Non-Executive)

Bakhtiar H. Wain

(Director and Chief Executive Officer)

Tanveer Karamat

(Director – Non-Executive)

Amir W. Wain

(Director – Non-Executive)

Hanan Darwish

(Director – Non-Executive/Independent)

Omer Iqbal Khan

(Director – Non-Executive/Independent)

Mohammad Shahid Mir

(Director – Non-Executive/Independent)

In 2023, the Board of Directors for Avanceon Limited met on four occasions in person and online for the approval of financial statements quarterly, half yearly and annual. The Board also met online for various occasion for approvals and business strategical / operations decisions plus Business decisions were taken via circulation of board resolutions. The Board carries out a review of its effectiveness and performance each year after the closure of the fiscal year, on a self-assessment basis. The overall effectiveness of the Board was assessed as satisfactory. Suitable action plans were formulated and communicated to the concerned personnel regarding areas needing improvement.

Thank you for your support.

Best Regards,



Khalid H. Wain

Chairman of the board – Non-Executive

Lahore, Pakistan

Dated: April 2024

NOTICE OF 21ST ANNUAL GENERAL MEETING



Notice is hereby given that the 21st Annual General Meeting of Avanceon Limited "Company" will be held on Monday, 29 April 2024 at 03:30 P.M. at Nishat Hotel, Gate No. 7, Imperial Ball Room - B, Adjacent to Emporium Mall, Abdul Haq Road, Johar Town, Lahore, to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on 22 December 2023.
2. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2023 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

As required under section 223(7) of the Companies Act 2017, Financial Statements of the Company have been uploaded on the website of the Company which can be downloaded from the following link:

<https://www.avanceon.ae/investor-information/>



3. To appoint Auditors of the Company and fix their remuneration. The Members are hereby notified that the Board Audit Committee and the Board of Directors have recommended the name of M/s BDO Ebrahim & Co. Chartered Accountants for re-appointment as auditors of

the Company for the year ending 31 December 2024.

4. To consider and approve, as recommended by the Board of Directors, the payment of a final cash dividend at the rate of Rs. 2/- (20%) for the year ended 31 December 2023.
5. To consider and approve, as recommended by the Board of Directors, the issue of bonus shares @ 10% and pass the following resolution;

"RESOLVED that Ordinary Shares of Rs. 10/- each to be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Company whose names appear on the Register of Members as at the close of the business on Friday, 19 April 2024 in the proportion of 10 Bonus Share for every 100 Shares held, that is at the rate of 10%.

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

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

B. ANY OTHER BUSINESS:

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

By Order of the Board

Ahsan Khalil
Company Secretary

Lahore | Dated: 08 April 2024

WEBLINK FOR ONLINE MEETING VIA ZOOM:

Members are encouraged to attend the AGM through video conference facility managed by the Company, follow the below link:

https://us06web.zoom.us/webinar/register/WN_hKvRDTeVRBC_moA3EQGs-Q

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address agm@avanceon.ae.

Guidance as how-to login on Zoom to attend the AGM link:

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

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

NOTES:

1. The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Monday, 22 April 2024 to Monday, 29 April 2024 (both days inclusive). Transfer received in order at our Registrar, M/S FAMCO Share Registration Services (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi by the close of business hours on Friday, 19 April 2024 will be treated to have been in time for the purposes of entitlement of dividend and bonus shares to the transferees and to attend & vote at the meeting.
2. A member entitled to attend and vote at this meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking, and voting at the Meeting as are available to a member. Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the company.
3. Members are required to timely notify any change in their address to Company's Shares Registrar, M/S FAMCO Share Registration Services (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

FOR ATTENDING THE SHAREHOLDERS' MEETING

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his/her identity by his/her Computerized National Identity Card (CNIC) or

passport at the time of online registration/attending the meeting.

2. The shareholders registered on CDC are also requested to provide their particulars ID numbers and account numbers in CDS at the time of online registration/attending the meeting.
3. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be provided at the time of online registration/attending the meeting.

FOR APPOINTING PROXIES:

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

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

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

PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY):

1. In accordance with the provisions of section 242 of the Companies Act 2017, a listed Company is required to pay cash dividend only through electronic mode directly in to the bank account designated by the entitled shareholders. For the convenience of shareholders, the Company's

Notice of 21ST Annual General Meeting

e-Dividend Mandate Form is available on the Company's website i.e. <https://www.avanceon.ae>. The CDC account holders must submit their information directly to their broker (participant)/Central Depository Company of Pakistan Limited.

- Please note that as per Section 243(3) of the Companies Act, 2017, the Company is entitled to withhold payment of dividend if the requisite information is not provided by the Shareholders.

In compliance with Section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for 'filer' and 'non-filer' shareholders at 15% and 30% respectively. A 'filer' is a taxpayer whose name appears in the Active Taxpayers List (ATL) issued by the FBR from time to time and a 'non-filer' is a person other than a

filer. To enable the Company to withhold tax at 15% for filers, all shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted at 30% for non-filers. Withholding tax exemption from the dividend income shall only be allowed if a copy of valid tax exemption certificate is made available to the share registrar of the Company by the first day of book closure.

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

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

SHAREHOLDERS INFORMATION

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Webink For Online Meeting Via Zoom:

Members are encouraged to attend the AGM through video conference facility managed by the Company, follow the below link:

https://us06web.zoom.us/webinar/register/WN_hKvRDTeVRBC_moA3EQGs-Q

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address agm@avanceon.ae

Guidance as how-to login on Zoom to attend the AGM link: <http://www.avanceon.ae/investor-relations/>

Guidance as how-to login on Zoom to attend the AGM link: <http://www.avanceon.ae/investor-relations/>

Resolutions proposed - Shareholders information

1. Approval of minutes of the Extraordinary General Meeting held on 22 December 2023.
2. Approval of Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2023.
3. Appointment as external auditors of the Company for the year ending 31 December 2024.
4. Approval of final cash dividend at the rate of Rs. 2/- (20%) for the year ended 31 December 2023 as recommended by the Board of Directors, the payment of a final cash dividend at the rate of Rs. 2/- (20%) for the year ended 31 December 2023.
5. The Board of Directors recommended 10% Bonus share issue i.e. 10 shares for every 100 shares held to the

members of the company.

The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Friday, 22 April 2024 to 29 April 2024 (both days inclusive). Transfer received in order at our Registrar, M/S FAMCO Share Registration Services (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business hours on Friday, 19 April 2024 will be treated to have been in time for the purposes of entitlement of dividend and bonus shares to the transferees and to attend & vote at the meeting.

Ownership

As on 31 December 2023 there were 11,725 holders on record of the Company's ordinary shares.

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in FY 2024 are

1st quarter	: 30 April 2024
Half yearly	: 29 August 2024
3rd quarter	: 30 October 2024

All our quarterly reports are regularly posted to Pakistan Stock Exchange, all annual/quarterly reports are also placed at the Company's website: www.avanceon.ae The Company reserves the right to change any of the above dates.

As required under section 223(7) of the Companies Act 2017, Financial Statements of the Company have been uploaded on the website of the Company which can be downloaded from the following link: <https://www.avanceon.ae/investor-information/>



The shareholders are encouraged to send/update their email addresses on the above-mentioned link or email or postal address. The Annual Report has also been uploaded at the Company's

website www.avanceon.ae and is readily accessible to the shareholders.

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

FAMCO Share Registration Services (Pvt) Ltd.

8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

Phone: +92 [21] 3438 0101-5

Fax No: +92 [21] 3438 0106

www.famcosrs.com.pk

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KEY HIGHLIGHTS

GLOBAL PRESENCE

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

Affiliate Office
North America
Regional Operations Center
Exton, PA, USA

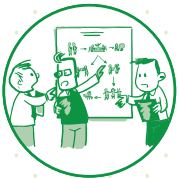
Africa
Regional Operations Center
Nigeria



+30 years
of commitment



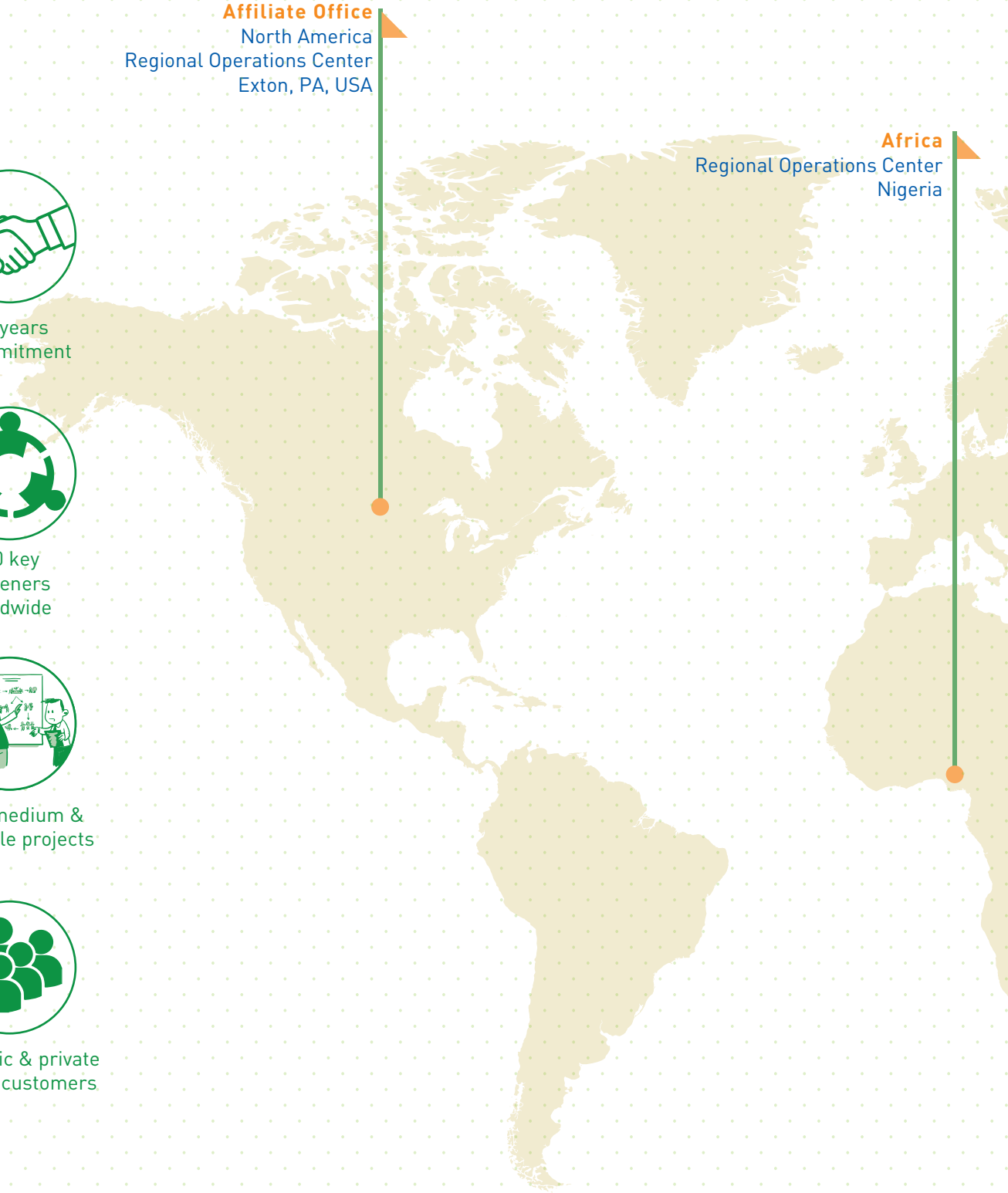
+10 key
Parteners
worldwide



+1,000 medium &
large scale projects



+150 public & private
blue chip customers





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



AVANCEON
Tomorrow's solutions, today.

Middle East

Regional Operations Centers

Dubai, UAE,
Doha, Qatar
Riyadh, KSA

Sutheast Asia

Regional Operations Center

Lahore, Pakistan
Karachi, Pakistan
Islamabad, Pakistan



+200
employee



+10 offices,
3 operating centers

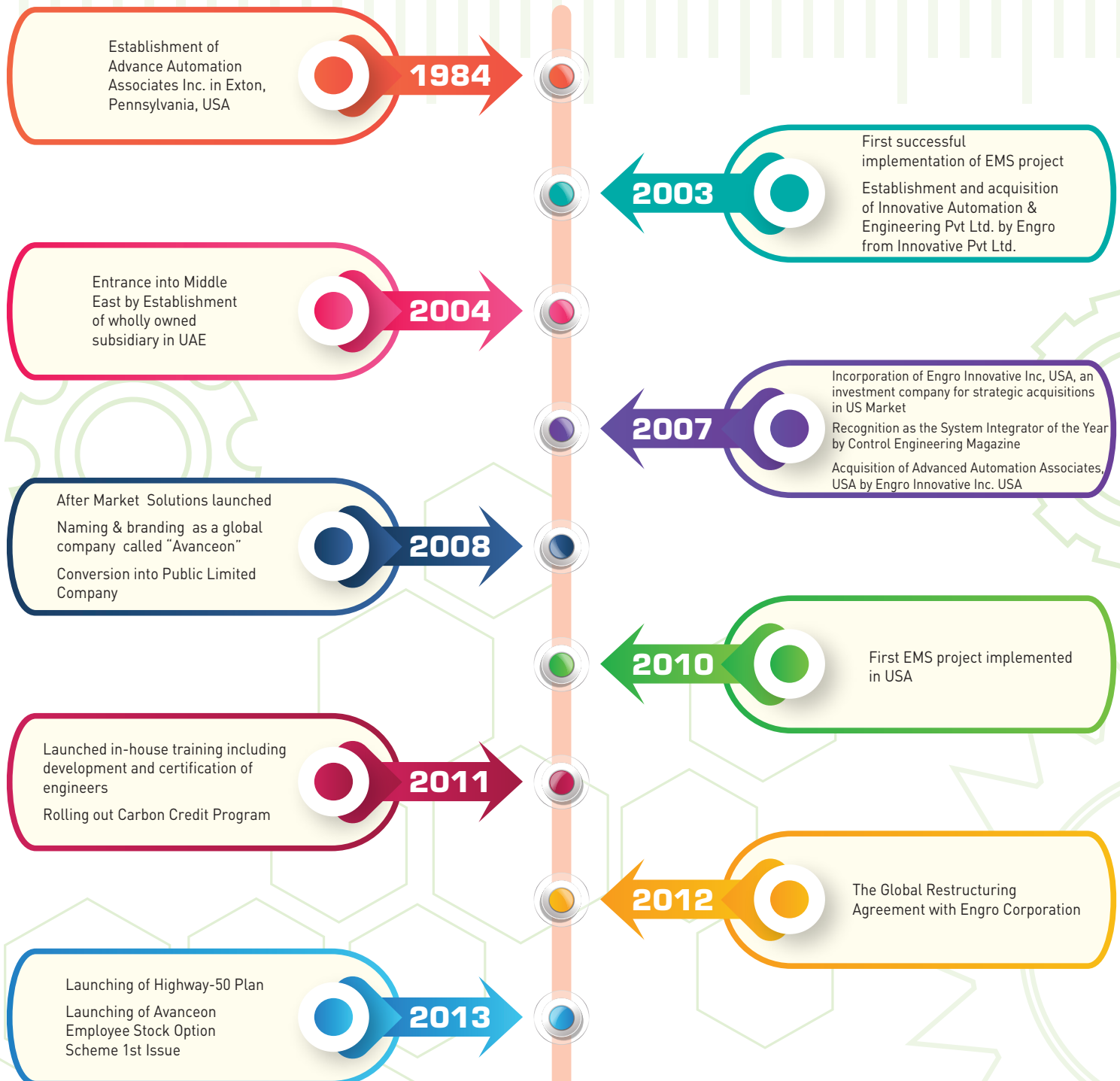


+15 industrial
segments served



+70% control
system engineering

OUR HISTORY





Achieved Highest Ever PO & Revenue in Pakistan Region
Acquired New Highly Lucrative Projects in the Middle East Region

2023

Avanceon FZE Dubai, UAE, incorporated a wholly owned subsidiary in Riyadh, Kingdom of Saudi Arabia with the name and style of Avanceon Saudi for Energy Co
Launching of Road to 100 Plan

2021

Sale of AMS from Avanceon Limited to Octopus Digital
Avanceon Ltd Partners with PE Energy in Nigeria

2019

Incorporation of subsidiary Octopus Digital
Incorporation of subsidiary Avanceon Automation and Control LLC in Qatar
Launch of IAAS Business and BMS

2017

Won NFEH's CSR award 2015
Launching of Avanceon ESOP II
SE Alliance Partner Excellence Award, Middle East

2015

Acquisition of Empiric AI

Joint Venture Agreement with Zamil Operations & Maintenance Co. Ltd

2022

Establishment of a new wholly owned subsidiary Avanceon QFZ LLC under the Companies Regulations of Qatar Free Zones Authority (QFZA)

2020

Maturity of ESOS (1st Issue)

2018

Issuance of Avanceon ESOS-2nd Issue after successful launching of ESOS-1st Issue in 2013

2016

Initial Public Offering (IPO) of Avanceon along with listing of Avanceon at PSX (formerly KSE and LSE)
Joint Venture with ATCO, KSA

2014

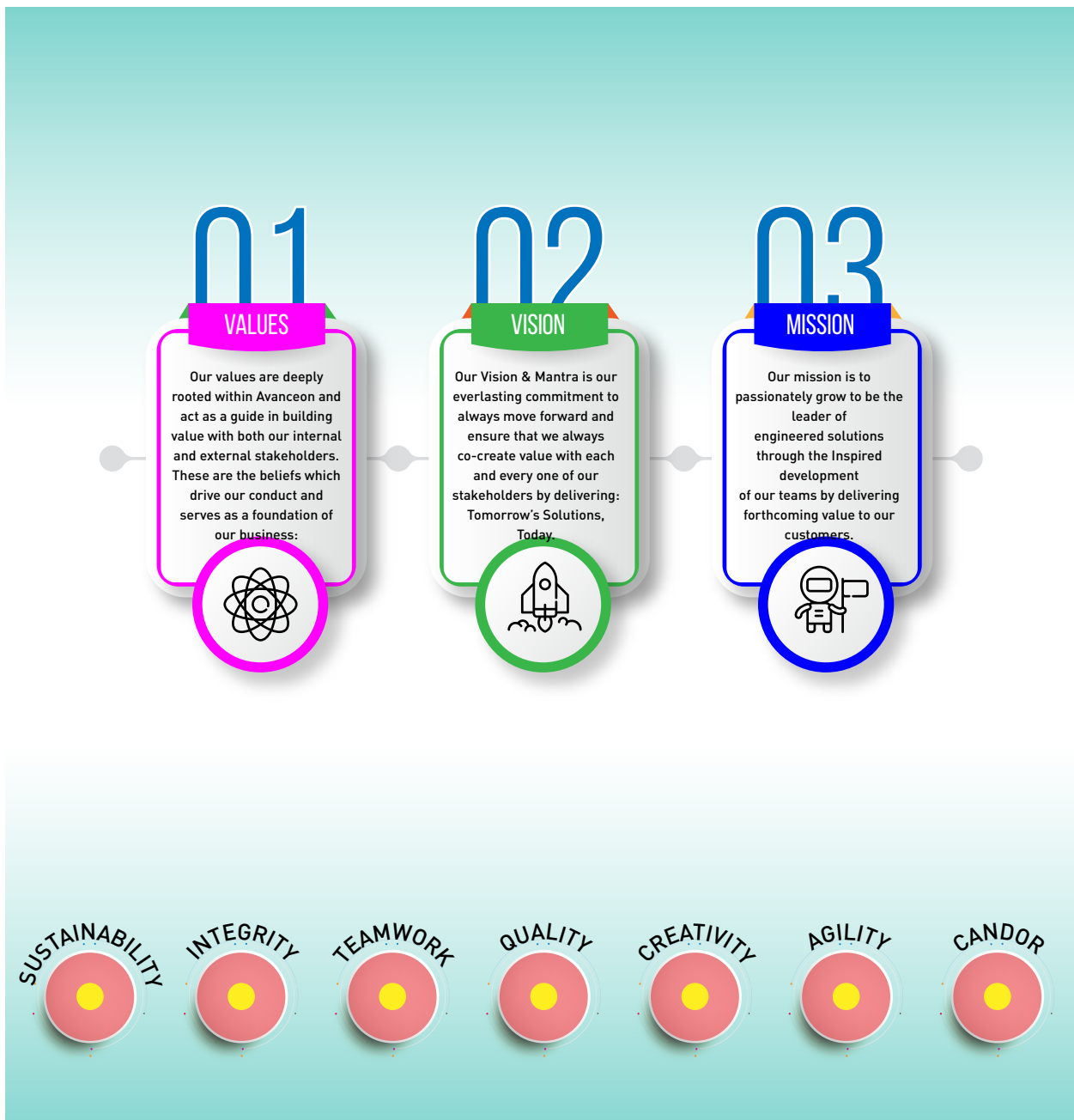


INTRODUCTORY

VISION & MISSION STATEMENT

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

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



PROFILE & GROUP STRUCTURE

CORPORATE PROFILE

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

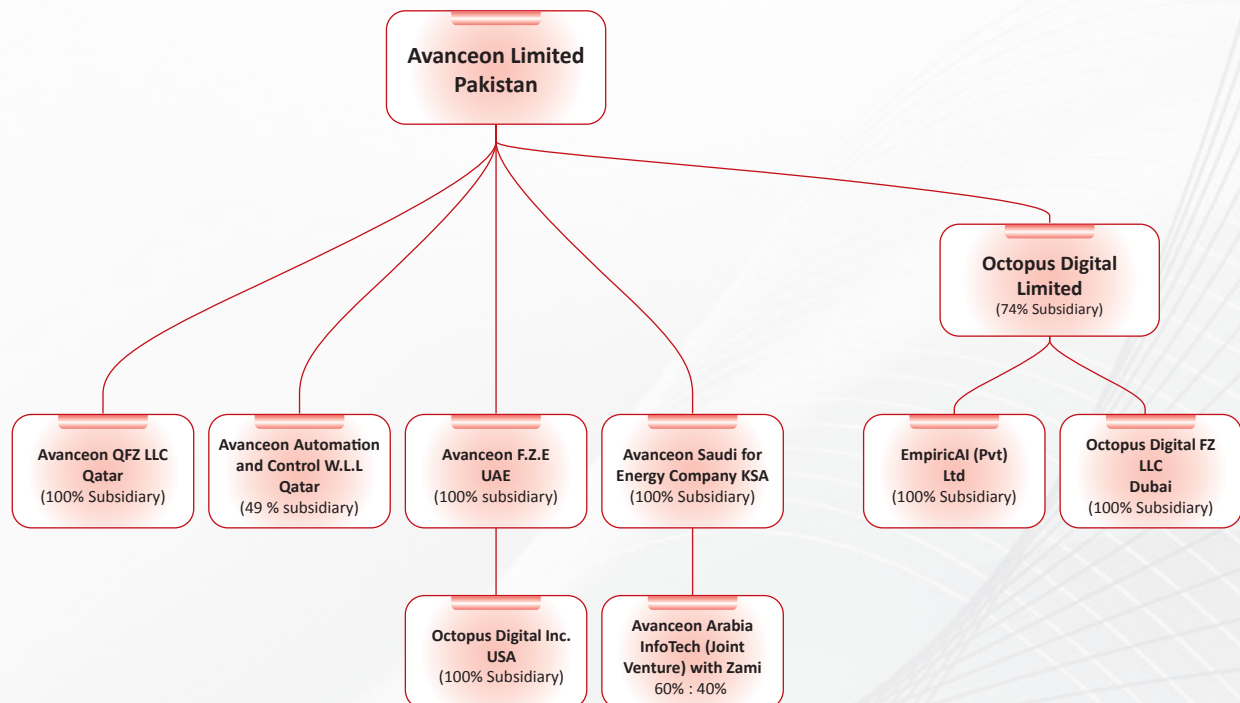
Avanceon has been in the automation business for the last 30 years and has transformed into a 360-degree solution provider for automation, energy management, engineering services and maintenance for major blue-chip companies. A certified member of the select group of Control System Integrators Association,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

ORGANIZATIONAL STRUCTURE

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

Updates in 2023:

Dispose-off / Transfer of Empiric AI – Avanceon Limited, dispose-off / transfer of entire shareholding of Empiric AI (Private) Limited, constituting 100% of the outstanding paid-up capital to Octopus Digital Limited. The transfer was executed as per the terms and conditions specified under the EPL Business transfer/sale agreement between the Octopus Digital Limited and Avanceon Limited.



MESSAGE FROM THE PRESIDENT

President (South Asia Region)



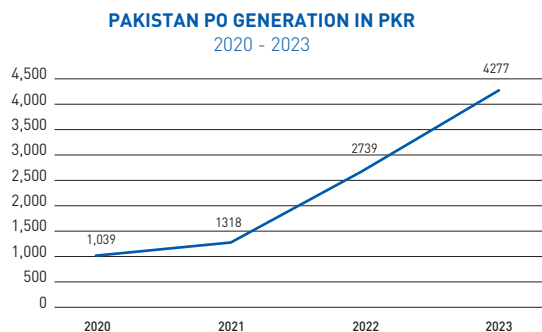
Dear Friends & Colleagues,

I am pleased to present to you the Annual Report of Avanceon Limited for the year 2023, highlighting our endeavours, achievements, and contributions.

This past year has been marked by significant challenges, yet our commitment to excellence and unwavering dedication to our mission have enabled us to navigate through obstacles and emerge stronger than ever. As a responsible corporate entity, Avanceon has continued to uphold its commitment to sustainability, and innovation.

Business Highlights in 2023 – Avanceon Pakistan operates in a number of business segments showcasing the diversity of our solutions portfolio. Here is a brief rundown of the performance of our divisions in 2023.

Business Segment	Order Generation in US\$ Millions in 2023
Products	\$4.72 M
Systems + Retail	\$4.82 M
Business Development	\$0.35 M
Building Management Systems	\$5.49 M
Total	\$15.38M



Highest Ever Order Generation & Revenue

The Avanceon team generated highest ever Orders and Revenue numbers in its history in 2023. This was a collective team effort, and I would like to applaud everyone's performance to make this milestone a reality.

Pakistan Economic Highlights 2023

Apart from external shocks, Pakistan's economy also confronted multiple domestic shocks. Flood damages affected the Large-Scale Manufacturing (LSM) which slowed down the overall economy and GDP growth. SBP's restrictive policies to correct the balance of payment crisis and control inflation, such as high interest rates and import restrictions have created headwinds for business and consumer confidence, as well as

investment. LSM growth during Jul-Mar FY 2023 declined by 8.11% as compared to growth of 10.6% in the same period last year. Lack of foreign exchange and LC restrictions also affected the economic growth in Pakistan.

Untangling Financial Processes

In 2023, my first order of business was to streamline all our financial processes. This was essential for enhancing efficiency, reducing costs, improving decision-making, ensuring compliance, promoting transparency, facilitating scalability, and ultimately enhancing the overall performance of the company. By adapting to the changing economic environment, we established new lines of credits and banks into our portfolio. We Implemented measures to improve and optimize banking facilities to enhance the overall efficiency of financial transactions and processes. We improved our planning and monitoring capabilities as well. This resulted in smooth project execution. By adapting to the various economic challenges, we successfully demonstrated resilience in navigating adverse economic conditions.

Streamlining for Agility

In my previous letter, I explained the critical role Pakistan region plays in supporting our global operations. Pakistan serves as a backbone for the organization, providing essential support to enable front-line operations and strategic decision-making. In 2023, we streamlined the following operations for our local and international teams.

Restructuring Key Functions

The purpose behind the restructuring of key departments was to improve efficiency and productivity. Our regions success depends on the efficiency and productivity of the back office in Pakistan.

We also wanted to increase customer satisfaction to realign our focus on their needs and preferences. This required integrating customer feedback mechanisms into existing departments to improve customer satisfaction and loyalty. As a result, we restructured key functions such as Engineering, International Execution, and Supply Chain Management with weekly Stewardship meetings for better planning and monitoring.

QHSE & HR

Avanceon QHSE and Human Resource Departments performed extremely well in 2023. The QHSE dept. delivered 845k safe manhours and was selected as the HSE Best Performing Vendor for one of the largest Oil Retail Company in Pakistan. We also qualified the HSE Assessment for another oil retail company in Pakistan. In addition to arranging Stress Management and Breast Cancer Awareness sessions, Avanceon QHSE completed 40 Plus HSE Pre qualifications, conducted 23 HSE trainings company wide. The NM/PI (Near Miss/Potential Incident) in 2023 increased by 92% from 8% in 2022.

In 2023, Avanceon onboarded 123 new associates. This is a direct

result of the growth all our regions are experiencing. The Human Resource dept conducted trainings on Business Etiquettes and Values and Selling with Stories. Human Resource also revised key policies to ensure employee satisfaction and growth.

Year 2024 Expectations from the Team

I gather my team at the start of every year to clearly communicate targets and objectives. Our region's next target in the Road to 100 Plan will require us to stay vigilant and focused. This helps in bringing everyone on the same page. I have asked my team to instil a CEO mentality in themselves and use rigor and disciplined approach to enable creativity and entrepreneurship. Some of the ways in which the Avanceon team is now approaching their targets and objectives are,

The New Way - A Culture of Discipline with Entrepreneurial Ethic Religious Focus on Systems

We are developing systems, processes, framework, and our management is promoting freedom with responsibility for better performance.

We currently hold monthly international execution sessions, receivables meetings, bi-weekly sales stewardship meetings, and regular project management committee sessions, among other engagements.

Self Disciplined Resources

I believe self-discipline is better than imposed discipline. Systems and framework without self-disciplined people is impossible to sustain. This is why our priority is to hire and develop self-disciplined people, who need minimal management. Managing systems is much easier than managing people. The mantra we must religiously follow is to get organized, be on time, stay true to our word, prioritize closure and correction, and take ownership.

Rinse Your Cottage Cheese

Disciplined people lead to disciplined thought and action which results in required output. I am training my team to adopt the concept of "Rinsing your Cottage Cheese" which requires attention to detail. Super-disciplined people and super-disciplined organizations who go more than the extra mile always create impact.

I would like to express my heartfelt gratitude to our stakeholders, partners, and colleagues for their unwavering support and dedication. Together, we have achieved remarkable success, and I am confident that by working collaboratively, we will overcome any challenges that lie ahead and achieve even greater heights of excellence.

Thank you for your continued trust and confidence in Avanceon. We look forward to another year of progress, partnership, and prosperity.

Till we meet again.



Yours Sincerely,

Junaid Mushtaq Paracha
President (South East Asia Region)
Avanceon Limited

MESSAGE FROM THE PRESIDENT

President (Middle East & Africa Region)



Dear Friends & Colleagues,

I am pleased to present to you the Avanceon Limited Annual Report for the 2023 fiscal year. This message encapsulates our achievements, challenges, and strategic directions over the past year, underscoring our commitment to excellence and sustained growth.

2023 has been a transformative period for us in MEA, marked by significant accomplishments across all facets of our operations. Due to the prevailing challenges posed by oil production cuts amidst subdued oil prices, tight global financial conditions, and high inflation, the middle east region's gross domestic product (GDP) plummeted to 1.9% in 2023 from 6% in 2022. Despite adverse conditions, we have remained resilient, adaptive, and innovative in our approach, ensuring continued progress and success.

Business Highlights for 2023

In 2023, the MEA (Middle East and Africa) region experienced several noteworthy business highlights. The MENA region continued to emerge as a hub for technology innovation, with startups and tech companies attracting significant investments. Countries like the United Arab Emirates (UAE), Saudi Arabia, and Qatar led the way in fostering tech ecosystems and supporting entrepreneurship.

With a growing focus on sustainability and reducing dependence on fossil fuels, many region's countries ramped up investments in renewable energy projects. Solar and wind energy initiatives gained traction, supported by favorable government policies and partnerships with international organizations.

Infrastructure development remained a priority across the region, with major projects in transportation, urban development, and tourism. The Gulf Cooperation Council (GCC) countries continued to invest in large-scale infrastructure projects to diversify their economies and enhance connectivity.

Sustainability and environmental conservation gained prominence, with governments and businesses taking steps to address pressing issues such as water scarcity, waste management, and climate change. Green initiatives and regulations were implemented to promote sustainable practices across industries.

These highlights demonstrate the resilience and dynamism of the region's business landscape, characterized by innovation, diversification, and a commitment to sustainable development.

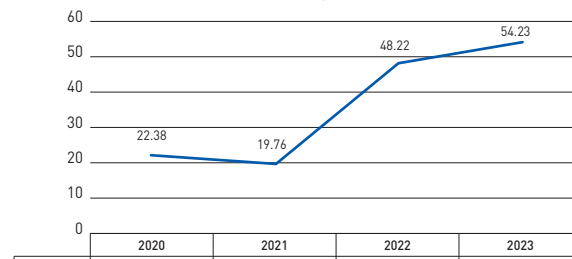
Presented below is the breakdown of Avanceon's Middle East business order generation in 2023 region-wise.

Region/Business

Order Generation in US\$ Millions in 2023

United Arab Emirates	5.76
Qatar	22.32
KSA	19.71
Process Skids Business (O&G)	6.44
Total	54.23

ORDER GENERATION MIDDLE EAST REGION 2020 - 2023 in \$ Millions



I would like to take this opportunity to congratulate everyone on an outstanding year of order generation, historically the best! Particularly our KSA and Process Skids Business teams who have increased their order generation by an impressive 18% and 445% respectively. Your hard work, dedication, and innovative strategies have propelled us to remarkable success. Together, we've achieved impressive results and demonstrated the power of teamwork. Qatar as always has shown a steady concrete performance, despite market expansion challenges, they have emerged as real market leaders.

Regional Expansion Plans

I see huge potential in the MEA region over the next few years. This is mainly due to the regional growth and development initiatives respective governments have announced. Furthermore, the shift to smart and greener infrastructures is proof of the region's voracious appetite for a sustainable future.

We are keenly focused on Smart Digital Solutions which will include smart cities, digital twins, change management, cyber security, disaster recovery and strategic key partnerships with hyper cloud providers and joining hands with cloud software OEMs becoming their SI to develop SaaS based solutions.

Our Process Skids business is in full swing, and the Nigeria team deployment has been completed with a full fledge Nigeria office startup which has already commenced. We have invested in a purpose-built state of the art staging & testing facilities for Automation & Process Skids in UAE & Qatar. In 2024 we will build for the same facility in KSA,

In KSA our focus is on Smart City Projects. In 2023, we have already acquired a lucrative Smart City project with MASAR

destination. We have a healthy pipeline of projects in place for Year 2024 in UAE, Qatar, KSA, Kuwait and Nigeria. We are venturing into a new region Kuwait for which we have already appointed a partner. I will report more on this expansion in 2024. KSA would be our major growth focus area in 2024.

Overall, Avanceon is engaged in diverse projects across various regions, focusing on cutting-edge technologies and solutions for sectors like energy, infrastructure, and smart cities.

Year 2024 Expectations

I had an all-hands-on deck meeting at the start of 2024 to discuss our business plan moving forward. All teams must be on the same page to achieve our 2024 targets. Our sales teams must meet targets, additionally, explore avenues for new revenue streams through territorial expansion, regional penetration, entering new markets, and product diversification.

Engineering teams must ensure 100% execution of projects by Project Management Teams (PMT), while maintaining factory model standards and enhancing quality to achieve cost savings. Procurement and Supply Chain Management will negotiate cash-positive deals with international suppliers, expediting deliveries, focusing on cost savings, and fostering strong relationships with vendors. Each Business Unit Head has been tasked with announcing new initiatives for FY 2024 to drive growth and innovation. We have kept a close eye on our International Execution (IX) operations as well as supply chain, so as design & estimation teams (RPS) to meet the future requirements of the MENA operations and are consistently improving upon.

New Horizons in MENA

We are actively seizing opportunities in the MENA region, including involvement in large-scale smart digitalization initiatives and venture into new technologies and their respective operations management. Other opportunities include enterprise asset management, maintenance management, process skids, and upstream opportunities in Kuwait, and participation in NEOM, another significant smart city initiative in the Middle East.

These new horizons in the MENA region signify Avanceon's commitment to strategic expansion and innovation, positioning the company as a key player in driving technological advancement and economic growth in the region.

The Next Step Forward

Looking ahead, we are poised for further growth and success, guided by our steadfast commitment to excellence, innovation, and integrity. As we navigate the evolving business landscape, we remain focused on delivering value and reaching our designated target aligned with the Road to 100 Plan.

I extend my heartfelt gratitude to our valued stakeholders, including shareholders, customers, colleagues, and partners, for their unwavering support and dedication. Together, we have achieved remarkable milestones and positioned Avanceon for a future filled with promise and possibilities. We are determined to continue our march towards our next goal in the Road to 100 Plan.

Till we meet again.



Yours Sincerely,
Sarmad Mahmood Qureshi
President (Middle East & Africa Region)
Avanceon Limited

CODE OF BUSINESS CONDUCT & ETHICAL PRINCIPLES

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

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

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



CORRUPTION AND BRIBERY PREVENTION

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

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

INFORMATION TECHNOLOGY & COMMUNICATIONS

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

- Information Security Governing Policy

EMPLOYEE EMPOWERMENT FRAMEWORK

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

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

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

EQUAL EMPLOYMENT AND ANTI-HARASSMENT

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

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

CUSTOMER CENTRICITY AND SUSTAINABILITY

Avanceon's way of expressing our commitment towards our customers is accomplished through the qualitative execution of our sound solutions and strong work ethics, which are encapsulated in our Customer Bill of Rights & our Customer Project Bill of Rights. In order to achieve sustainable growth, we

place sustainability at the center of what we do by making a positive difference in the lives of the people and communities we work with through sound and impactful investments:

- Customer Bill of Rights
- Customer Projects Bill of Rights

QUALITY, HEALTH, SAFETY AND ENVIRONMENT

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

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

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

CUSTOMER BILL OF RIGHTS

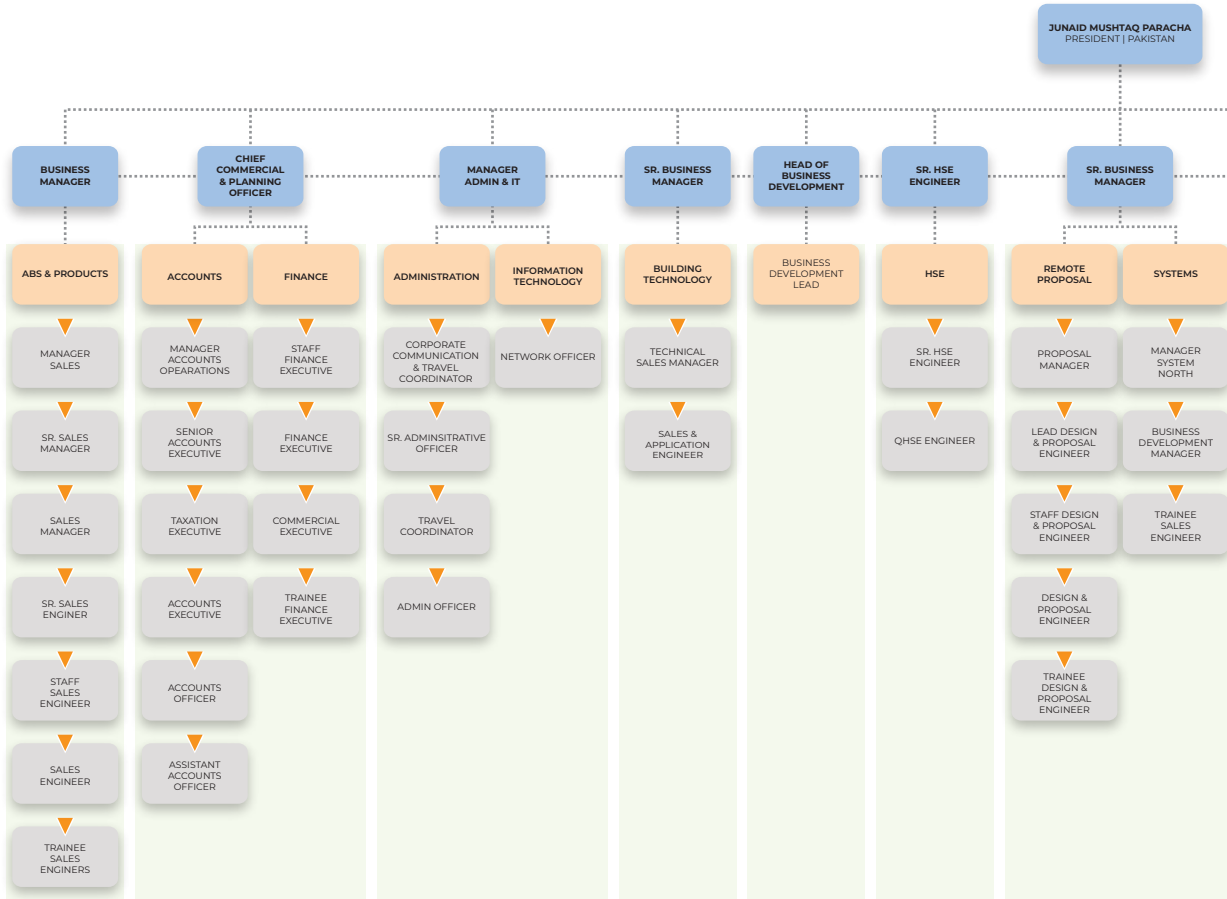
- A harmonious and professional business relationship
- A prompt and honest response to all questions
- Superior product and solution performance
- Quality supplies and materials
- Professional innovative and expert guidance
- Every Avanceon associate will manage the customer's money as they would their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

CUSTOMER PROJECT BILL OF RIGHTS

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

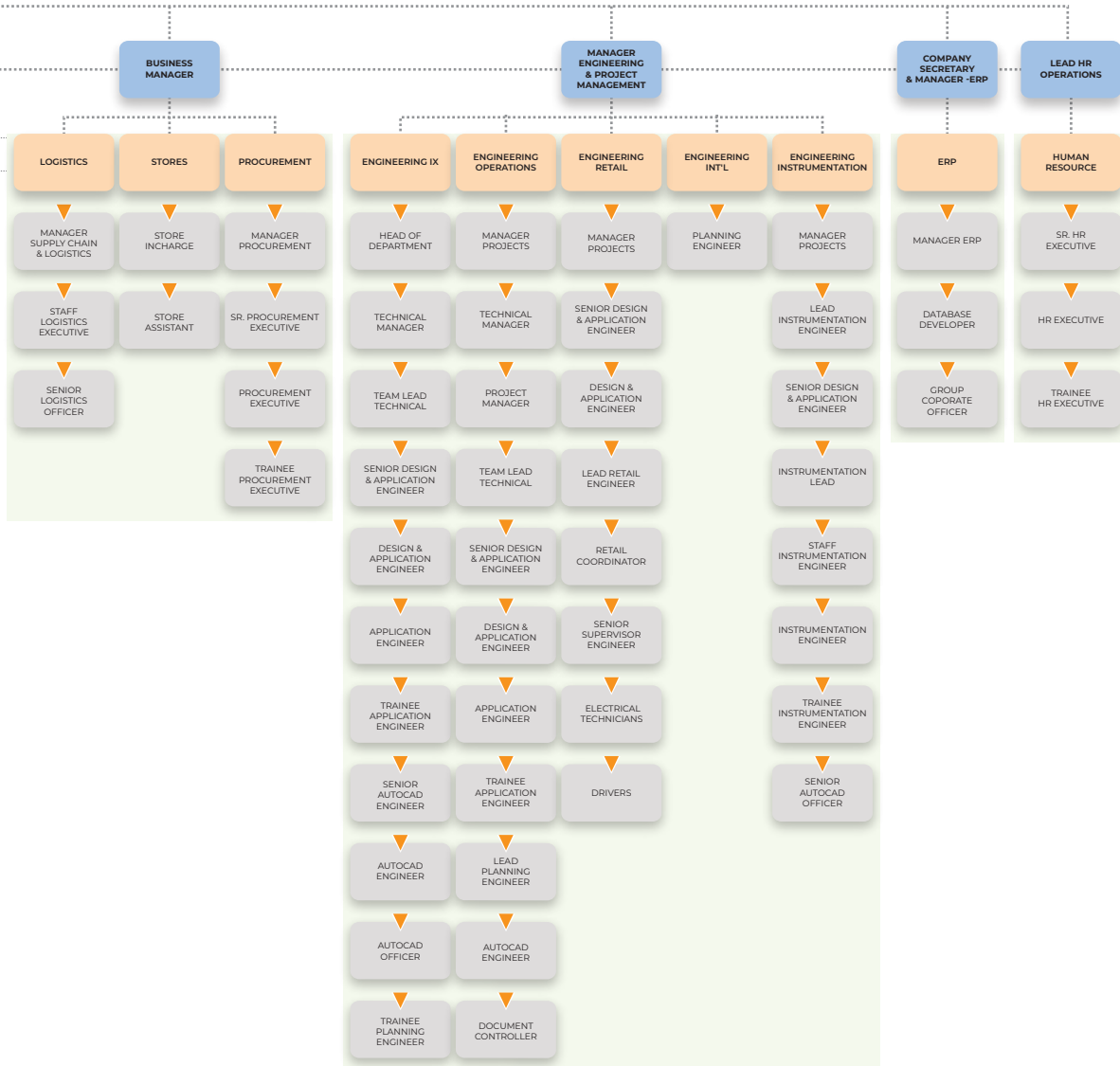


ORGANIZATIONAL CHART PAKISTAN



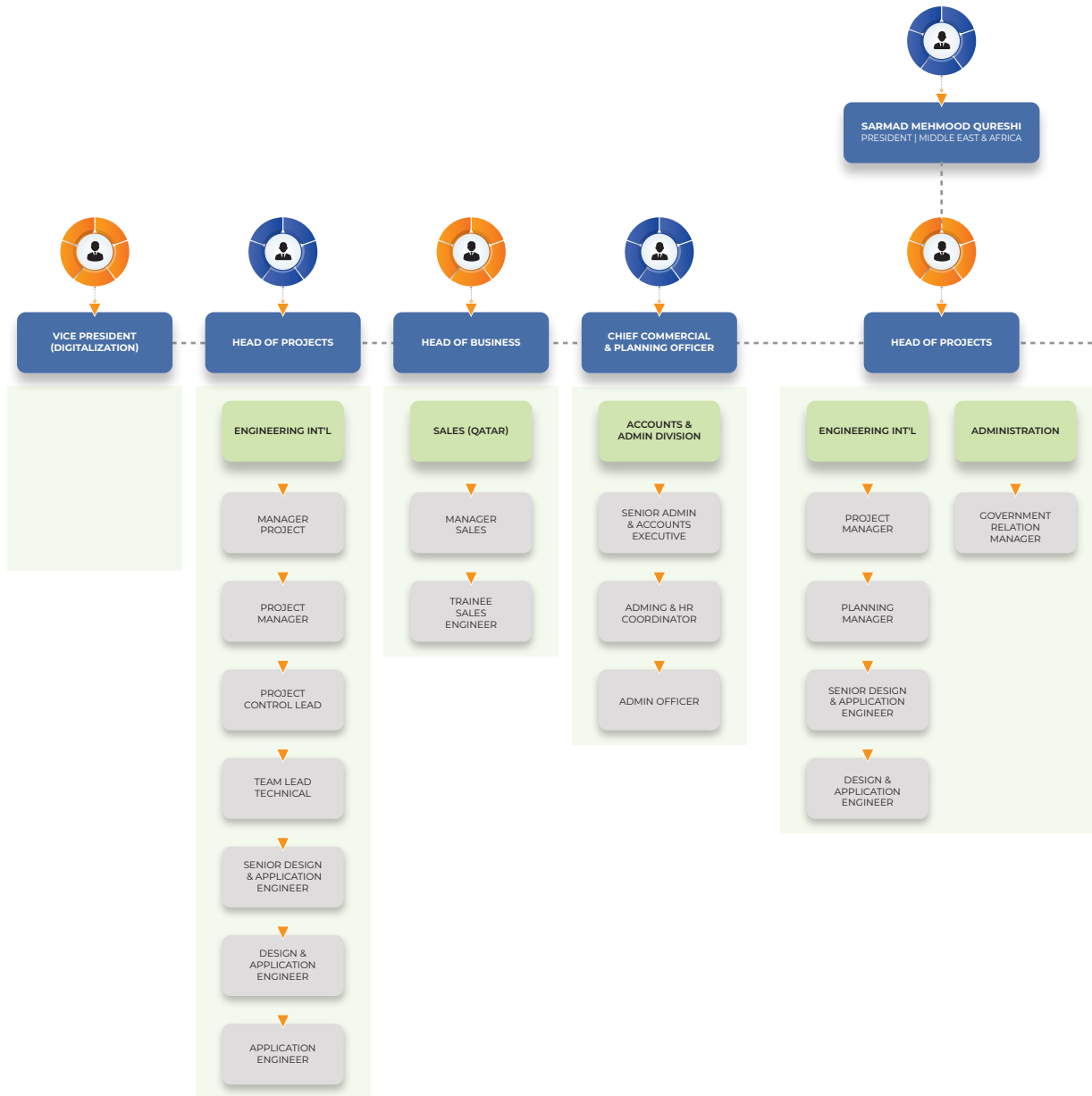
BAKHTIAR H.WAIN
Founder & CEO

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



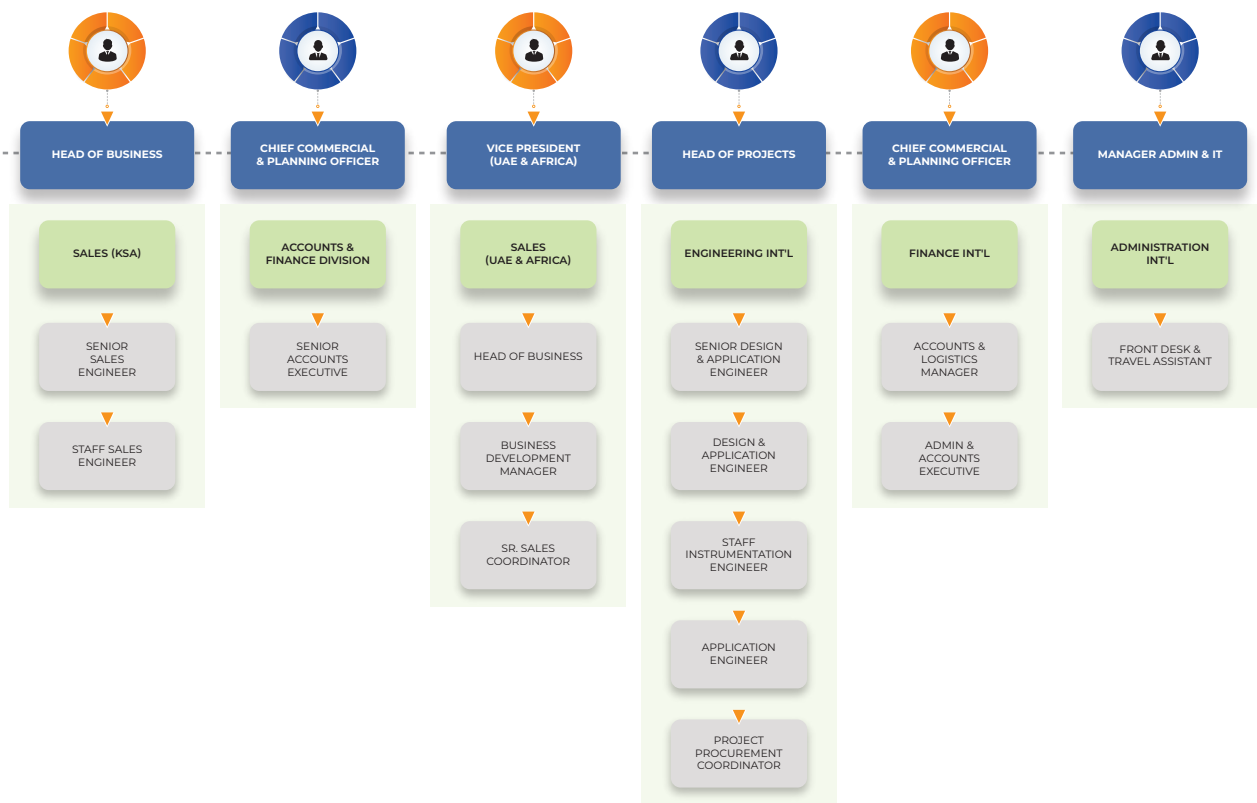
JUNAID MUSHTAQ PARACHA
President (South Asia Region)

ORGANIZATIONAL CHART MIDDLE EAST



BAKHTIAR H. WAIN
Founder & CEO

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



INTERNAL AND EXTERNAL ENVIRONMENT

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

Porter's Five Forces is a framework for analyzing the competitive environment of an industry. It helps businesses understand the dynamics at play and formulate strategies accordingly. Let's apply it to Avanceon, a company that provides automation, control systems, and engineering services:

THREAT OF NEW ENTRANTS

Avanceon operates in a specialized industry requiring expertise in automation and control systems. The threat of new entrants is moderate. While the barriers to entry are relatively high due to the need for specialized knowledge, established relationships with clients, and significant initial investments in technology and talent, there is still potential for new players, especially those with innovative technologies or niche expertise, to enter the market.

BARGAINING POWER OF SUPPLIERS

Avanceon relies on various suppliers for components and technology inputs necessary for its solutions. The bargaining power of suppliers can vary depending on factors such as the availability of alternative suppliers, the uniqueness of the components, and the importance of these components to Avanceon's solutions. Overall, with multiple suppliers in the market and the ability to negotiate contracts, Avanceon likely has moderate to high bargaining power over its suppliers.

BARGAINING POWER OF BUYERS

Avanceon's clients, which include companies in industries such as manufacturing, utilities, and infrastructure, have some bargaining power, especially if they are large and can procure similar services from multiple vendors. However, the criticality and specialized nature of Avanceon's services may mitigate this power to some extent. Additionally, long-term relationships, quality service, and customization capabilities can reduce the bargaining power of buyers.

THREAT OF SUBSTITUTE PRODUCTS OR SERVICES

The threat of substitutes for Avanceon's services depends on the specific needs of its clients and the availability of alternative solutions. While there may be alternative providers of automation and control systems, Avanceon's expertise, reputation, and tailored solutions may differentiate it from competitors and reduce the threat of substitutes. However, advancements in technology and the emergence of new solutions could pose a moderate threat.

COMPETITIVE RIVALRY

Avanceon competes with other engineering and automation firms that offer similar services. The competitive rivalry in this industry can be intense, with competitors vying for contracts based on factors such as price, quality, innovation, and industry expertise. Differentiation through innovation, service quality, and specialization can help Avanceon maintain a competitive edge in the market.

Overall, while Avanceon faces challenges from various forces in its industry, its expertise, specialization, and established client relationships position it well to navigate these dynamics and maintain a competitive position in the market.

INTERNAL AND EXTERNAL ENVIRONMENT

MACRO ENVIRONMENTAL ANALYSIS – PESTEL ANALYSIS

Avanceon is a global technology solutions provider, primarily in the automation, control, and information technology sectors. Conducting a PESTEL analysis for Avanceon would involve examining the various external factors that could impact its operations and business environment. Here's a breakdown of each component:

<p>POLITICAL FACTORS</p>	<p>Government regulations and policies related to technology, automation, and industrial sectors can affect Avanceon's operations.</p> <p>Political stability and geopolitical tensions in regions where Avanceon operates could impact its projects and investments.</p> <p>Government incentives and initiatives promoting automation and digitalization can create opportunities for Avanceon.</p>
<p>ECONOMIC FACTORS</p>	<p>Economic conditions such as GDP growth, inflation rates, and exchange rates can influence Avanceon's financial performance.</p> <p>Availability of credit and financing options for clients can affect their willingness to invest in automation solutions.</p> <p>Economic downturns may lead to reduced spending by industries on automation projects, impacting Avanceon's revenue.</p>
<p>SOCIAL FACTORS</p>	<p>Demographic trends such as population growth, urbanization, and workforce dynamics can shape demand for Avanceon's solutions.</p> <p>Changing consumer preferences and attitudes towards automation and technology adoption can influence market demand.</p> <p>Social factors may also impact labor availability and skillsets required for implementing Avanceon's solutions.</p>
<p>TECHNOLOGICAL FACTORS</p>	<p>Rapid technological advancements in automation, AI, IoT, and data analytics drive innovation within Avanceon's industry.</p> <p>Adoption rates of emerging technologies and the pace of technological change can affect the relevance and competitiveness of Avanceon's offerings.</p> <p>Intellectual property rights and protection of technology assets are crucial considerations for Avanceon's R&D efforts.</p>
<p>ENVIRONMENTAL FACTORS</p>	<p>Increasing emphasis on sustainability and environmental regulations may drive demand for Avanceon's energy-efficient solutions.</p> <p>Environmental concerns such as climate change can impact industries differently, influencing their investment priorities in automation and control systems.</p>
<p>LEGAL FACTORS</p>	<p>Compliance with industry-specific regulations and standards, such as safety regulations in manufacturing, is essential for Avanceon's operations.</p> <p>Contractual obligations, intellectual property laws, and legal frameworks governing business practices in different countries affect Avanceon's global operations.</p> <p>Changes in employment laws, taxation policies, and import/export regulations can also impact Avanceon's business activities.</p>

Analyzing these factors helps Avanceon anticipate challenges, identify opportunities, and adapt its strategies to navigate the dynamic external environment effectively.

INTERNAL AND EXTERNAL ENVIRONMENT

SWOT ANALYSIS

Strengths:

- 1. Industry Expertise:** Avanceon has extensive experience and expertise in providing automation and control solutions across a wide range of industries including oil & gas, power, food & beverage, and pharmaceuticals.
- 2. Innovative Solutions:** The company is known for its innovative approach to automation, incorporating the latest technologies such as IoT, AI, and machine learning to optimize processes and increase efficiency for its clients.
- 3. Strong Client Base:** Avanceon has built a strong client base over the years, including multinational corporations and major players in various industries. This provides a steady revenue stream and opportunities for expansion.
- 4. Global Presence:** Avanceon operates internationally, with offices and projects in multiple countries. This global presence enhances its reputation and allows it to tap into diverse markets.

Weaknesses:

- 1. Dependency on Specific Industries:** Avanceon's revenue may be vulnerable to economic downturns or fluctuations in industries it serves, such as oil & gas or manufacturing. Over-reliance on specific sectors could pose a risk to its financial stability.
- 2. Highly Technical Solutions:** The complexity of Avanceon's solutions may be a barrier to entry for some clients, especially smaller businesses with limited technical expertise or budget constraints.
- 3. Competition:** The automation and control systems industry is competitive, with several established players and new entrants constantly emerging. Avanceon needs to continually innovate and differentiate itself to maintain its market position.

Opportunities:

- 1. Expansion into Emerging Markets:** Avanceon can explore opportunities in emerging markets where industrial automation adoption is growing, such as Asia-Pacific and Latin America. These regions offer significant potential for business expansion.
- 2. Diversification of Services:** There is an opportunity for Avanceon to diversify its service offerings beyond automation and control systems, such as consultancy services, maintenance contracts, or software solutions.
- 3. Technological Advancements:** Continued advancements in technology, such as Industry 4.0,

present opportunities for Avanceon to develop new solutions and expand its portfolio to meet evolving client needs.

Threats:

- 1. Economic Uncertainty:** Economic downturns or recessions could lead to reduced spending by clients on automation projects, impacting Avanceon's revenue and profitability.
- 2. Regulatory Changes:** Changes in regulations related to industry standards or environmental requirements may necessitate costly updates to Avanceon's solutions, affecting both costs and timelines.
- 3. Cybersecurity Risks:** As industrial systems become increasingly interconnected, the risk of cybersecurity threats and attacks on Avanceon's solutions could pose significant challenges to its reputation and operations.

By considering these factors, Avanceon can better understand its position in the market and identify strategies to capitalize on its strengths while mitigating its weaknesses and addressing potential threats.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR) BOARD'S STATEMENT FOR ADOPTION OF BEST PRACTICES FOR CSR.

Avanceon recognizes that sustainable development is an important and integral part of the pursuit of value creation for customers, employees, shareholders, and society at large. Avanceon ambition is to create long-term value from an economic, ethical, social and environmental perspective. Avanceon strives to address sustainability issues that are relevant and meaningful for Avanceon as an industry and the markets in which Avanceon operates. Avanceon shall:

- Integrates sustainability throughout its business, taking responsibility for acting, living, and striving for simplicity and transparency.
- Influences through dialogue and develops solutions and offerings that provide opportunities for Avanceon Limited customers, other key stakeholders, and Avanceon to make positive contributions to a sustainable future for Humanity.
- Manages risks, including those related to environmental, social, governance, financial and technological aspects.
- Contributes to the development of society and future generations

Board's statement about the company's strategic objectives on ESG (environmental, social and governance) / sustainability reporting.

At Avanceon, our strategic objectives in ESG (Environmental, Social, and Governance) and sustainability reporting underscore our commitment to responsible corporate citizenship. We prioritize environmental sustainability by minimizing our ecological footprint, emphasize social sustainability through inclusive and safe workplaces, and uphold the highest governance standards for transparency and ethical conduct. By integrating sustainability into our core business practices, we aim to create long-term value for stakeholders and contribute to a sustainable future

A chairman's overview on how the company's sustainable practices can affect their financial performance.

In recognizing the symbiotic relationship between sustainability and financial success, our commitment to responsible practices is paramount. Embracing sustainability not only optimizes operational efficiency, minimizing costs, and ensuring compliance but also enhances our brand value, attracting customers and investors alike. As the business landscape evolves, our strategic focus on sustainability positions us at the forefront of emerging markets, fostering innovation and growth. Moreover, our workforce, motivated by purpose-driven initiatives, becomes a driving force behind increased productivity and operational effectiveness. In essence, our dedication to sustainability is not just a corporate

responsibility; it's a strategic imperative shaping enduring financial prosperity for Avanceon

Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and CSR as per best business practices including:

- a) environment related obligations applicable on the company;
- b) company progress towards ESG initiatives during the year; and
- c) company's responsibility towards the staff, health & safety.

At Avanceon Limited, we are committed to upholding the highest standards of corporate sustainability and social responsibility (CSR) across all facets of our operations. Through strategic initiatives and diligent adherence to regulatory standards, we strive to create a positive impact on the environment, society, and economy while ensuring the well-being of our employees and stakeholders.

1. Environmental Stewardship:

We have implemented rigorous measures to reduce our carbon footprint, including the meticulous management of air emissions from generators and vehicles, as well as the adoption of energy-efficient technologies and practices. Through continuous monitoring and preventive maintenance, we maintain compliance with National Environmental Quality Standards (NEQS) and actively invest in sustainable solutions such as indoor air purifiers and wastewater treatment systems. Avanceon has significantly contributed to climate change mitigation by reducing carbon emissions, planting trees on-premises, and advocating for sustainable practices within our supply chain. In line with our commitment to sustainability, we have invested in various initiatives to reduce paper consumption, implement energy-efficient technologies, and manage air emissions. Additionally, we have replaced single-use plastic cutlery with reusable, sustainable alternatives to minimize ecological impact.

2. Social Responsibility:

Our commitment to social responsibility extends to our employees, communities, and beyond. We ensure fair wages, equal opportunities, and a supportive work environment, adhering to the Minimum Wage Act/ Ordinance and offering market-competitive compensation packages. Avanceon actively participates in Corporate Social Responsibility (CSR) initiatives, including educational programs, subsidized meal plans, and promoting work/life balance to support Sustainable Development Goals

(SDGs) such as zero hunger and quality education. We prioritize employee well-being through comprehensive health insurance coverage, mental wellness programs, and initiatives aimed at fostering diversity, inclusion, and safety culture across all levels of the organization. We ensure our operations are free of any type of Child Labour and follow Global Welfare policy for our employees at all levels. Our company, strategically located for accessibility, offers transportation services and policies to ensure all employees can access our operations affordably.

3. Ethical Governance and Compliance:

Upholding ethical governance and compliance is paramount to Avanceon's values. We strictly adhere to anti-bribery laws and policies, exceeding regulatory requirements in various regions. Our commitment to transparency and accountability is evident through the implementation of whistle-blowing policies, online platforms for monitoring workforce well-being, and companywide critical risk incident reporting systems.

4. Innovation and Industry Leadership:

Avanceon is at the forefront of innovation, leveraging Industry 4.0 technologies through subsidiaries like Octopus Digital Limited to drive energy efficiency, productivity, and real-time monitoring of emissions and energy performance. We continuously invest in research and development to provide cutting-edge solutions that not only meet our client's needs but also contribute to sustainable industrial practices and environmental conservation.

5. Partnerships and Collaborations:

Collaboration is key to our success. Avanceon partners with non-profit organizations, governmental agencies, and stakeholders to address societal challenges, support community development, and advance sustainable initiatives. Through strategic alliances and vendor evaluations, we ensure that our supply chain aligns with our commitment to sustainability and quality, promoting responsible sourcing and procurement practices.

6. Security

Avanceon prioritizes data security and customer confidentiality, evidenced by our implementation of ISO 27001 Information Security Management Systems.

7. Quality

We are also ISO 9001 certified, guaranteeing the delivery of quality products and services at competitive prices.

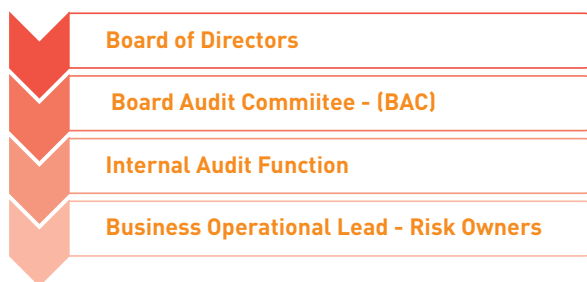
8. Supply Chain Management

Furthermore, our commitment to sustainability extends to our supply chain management, vendor evaluation processes, and efforts to reduce carbon emissions. We actively support the Sustainable Development Goals (SDGs) through various CSR initiatives and internal programs aimed at employee development and well-being.

RISK MANAGEMENT FRAMEWORK

At Avanceon the board believes that Risk Management is pivotal in attainment of organizational objectives. Risk Management is an on-going activity parallel to business operations as it is focused on mitigating potential interruption in the realization of organizational objectives.

Therefore, Board has formulated an in-house Internal Audit function in 2023 under the framework as set out in Code of Corporate Governance following a structured approach as under:



The Charter of Internal Audit is defined by the Board Audit Committee of the Board of Directors, to provide an independent & effective corporate governance through risk mitigation, adding value within the business process and creating synergies at group level.

Internal Audit function under the Charter as approved by Board Audit Committee, Institute of Internal Auditors (IIA) guidelines & Enterprise Risk Management (ERM) Framework as per COSO standards is effectively utilizing Risk Control Matrices (RCM), to prioritize and develop its Annual Plan to evaluate & strengthen the Internal Controls through periodic test of controls, reviews of functions / processes in the organization.

Moreover, Under Enterprise Risk Management (ERM) framework, Internal Audit also emphasizes mitigation of risks through robust Internal Control System to have seamless operations ensuring the business continuity & accomplishment of organizational objectives at enterprise level.

Principal Risks and Uncertainties:

Avanceon faces a spectrum of risks associated with its core business operations and the prevailing business environment. The primary risks identified include:

- Risk for Loss of Intellectual Skillset/Competencies of Manpower
- Volatile Macro-Economic Environment, Inconsistent Fiscal Policies & Continuous Devaluation of Currency
- Risks associated with supply chain & logistics are categorized as:
 - ◊ Natural Disasters
 - ◊ Inter-border trade agreements between different countries

- ◊ Modifications & formation of new laws and regulations
- ◊ Risks Associated with Shipments & Logistics

Strategy for Risk Mitigation

- Employee Retention Strategies encompassing meticulously formulated Key Performance Indicators (KPIs) linked with rewarding system.
- Utilizing Talent Acquisition from top-tier universities to ensure a high-caliber workforce.
- Implementing human resource policies dedicated to the development and retention of skilled professionals.
- Identifying key personnel and establishing a robust succession planning mechanism.
- Establishing a Joint Venture with Zamil Group to enhance financial resilience.
- Negotiating US-Dollar Parity agreements with clients for current business arrangements.
- For mitigation of risks linked with supply chain & logistics and its impacts on business profitability:
 - ◊ Proactively engaged World Class Tier-I logistics providers
 - ◊ Ensuring implementation of ISO 9001 certification on Quality Management Systems (QMS).

These measures indicate our commitment to proactively address, manage & prevent risks, ensuring the sustained success and resilience of the organization in a dynamic business landscape.

Within this framework, Avanceon has established a dedicated delegation committee known as the Stewardship Board at both the corporate and regional levels. The primary mandate of this board is to perpetually monitor and track:

- **New Business Horizons** – Assessing and strategizing for emerging business opportunities beyond the current scope.
- **New Regional Territories** – Identifying and evaluating potential in new regional markets for business expansion.
- **Developing Additional Business Lines** – Exploring and establishing supplementary business lines to diversify and strengthen the organizational portfolio.

The Stewardship Board plays a crucial role in ensuring a vigilant oversight mechanism, fostering adaptability to dynamic business landscapes, and aligning organizational efforts with strategic objectives for sustained growth and risk mitigation.

NATURE OF OUR BUSINESS

Economic Outlook of the Regions We Operate In

When devising future plans, businesses meticulously examine market conditions, economic trends, risk management, strategic planning, and competitive advantage. Understanding the economic outlook of a region aids in identifying potential risks and uncertainties that may affect operations.

Avanceon, with its execution footprint spanning three continents, relies on this understanding to identify competitive advantages and adapt its operations accordingly. Making informed decisions, pinpointing market opportunities, managing risks, and sustaining competitiveness are vital aspects for businesses.

Pakistan Economic Outlook

Pakistan faced unprecedented challenges during FY23 due to political uncertainty and devastating floods. Legacy issues like fiscal mismanagement, energy crisis, weak tax system, low human development, corruption and governance issues, infrastructure deficiencies, security concerns, and trade imbalances cannot be ignored.

In addition, the Ukraine – Russia war severely disrupted the global demand-supply balance which led to a commodity super-cycle resulting in slow down of the global economic growth. The inability of authorities in finalizing agreement with IMF compounded difficulties faced by the economy.

Consequently, there was immense pressure on foreign exchange reserves resulting in significant depreciation of PKR against USD and rising inflation for an import driven economy.

Here are some highlights of the Pakistan economy in FY23.

1. Pakistan's gross domestic product (GDP) grew by 0.29% to Rs84.7 trillion
2. Industrial growth contracted to 2.94% in fiscal year 2022-23 against growth of 6.83% in 2021-22.
3. Services sector witnessed meagre growth of 0.86% in the ongoing fiscal year compared to 6.59% in last fiscal year
4. Headline inflation averaged 29.2% during July-May FY23 (average of 28.2% during July-April) against 11.3% in the same period last year
5. Per capita income fell from \$1,765 in fiscal year 2021-22 to \$1,568 in 2022-23
6. SBP's foreign exchange reserves declined to \$4.5 billion by end of April 2023 mainly on account of amortization of official loans and liabilities during this fiscal year
7. Total public debt stood at Rs59.25 trillion by end-March 2023

Growth is projected to remain subdued in FY2024 and pick up in FY2025, provided economic reforms take effect. Real GDP is projected to grow by 1.9% in FY2024 (Figure 2.20.8), driven by a rebound in private sector investment linked to progress on reform measures and transition to a new and more stable government. An expansion in private consumption and a rise in workers' remittances from a move toward a market-determined exchange rate should buttress growth. However, low confidence, a surge in living costs, and the implementation of tighter macroeconomic policies under the IMF SBA will restrain domestic demand. In FY2025, growth is projected to reach 2.8% (Table 2.20.1), driven by higher confidence, reduced macroeconomic imbalances, adequate progress on structural reforms, greater political stability, and improved external conditions. to support recovery in industrial output in the latter half of the year. Construction will remain weak due to elevated construction costs, higher tax rates on property transfers implemented in the FY2024 budget, and rationalization of public investment to consolidate the fiscal position. Growth in services is projected to strengthen in FY2024 as recovery in agriculture and industry benefit services.

Oil & Gas Sector (2023)

The energy landscape continues to be shaped largely by four disruptors: geopolitical factors, macroeconomic variables such as high interest rates and rising materials costs, evolving policies and regulations, and the emergence of new technologies. These disruptors can have a significant impact on demand and supply, and trade and investment within the crude oil and natural gas (O&G) industry. The addition of OPEC+'s output cuts of 2.5 million barrels per day (mbpd) pushed Brent oil prices past US\$90/bbl, while US Henry Hub natural gas prices rebounded to US\$3.50/mmBtu in early November 2023.

Despite these disruptions, global oil demand remains on track to grow by 2.3 mbpd in 2023 and cross the 100 mbpd mark for the first time in history. At a global level, electric vehicle (EV) sales grew by over 35% in 2023, with one in seven cars sold being an EV.⁴ This simultaneous growth in both petroleum-powered vehicles and EVs reflects regional disparities in demand structure, infrastructure readiness, technology adoption, regulatory policies, and socioeconomic considerations.

The industry is expected to have a solid start in 2024 due in part to its strong financial position and high oil prices, barring further deterioration in the macroeconomic environment. This strength of the industry will likely enable it to finance both investments and dividends, and thus support its disciplined capital program and shareholder-focused strategy. The global upstream industry, for example, is projected to maintain its 2023 hydrocarbon

investment level of about US\$580 billion (an increase of 11% year over year) and generate over US\$800 billion in free cash flows in 2024.⁵

However, this continued financial strength of the industry is likely to raise expectations of investors, regulators, and other stakeholders, who may anticipate further progress in emissions reduction, augmented investments in low-carbon energies, and amplified returns for shareholders. These expectations may serve as a driving force, spurring companies to focus even further on both emission reduction and economic performance.

Qatar Economic Outlook

After expanding 1.6% in January–June, GDP likely continued to grow moderately in the final six months of 2023. On a positive note, business conditions in the non-oil sector grew roughly as much as they did in the prior six months, according to PMI data. In addition, visitor arrivals shot up above pre-pandemic levels. Less positively, year on year, energy output—which makes up a significant share of Qatar’s economy—shrank and merchandise exports continued to tank at a double-digit pace. Furthermore, short-run interest rates remained at the highest levels since the series began in 2017, pointing to restrained financial conditions that likely hit domestic demand. In other news, Qatar will double down on its plan to hike LNG output by 2030, according to comments made by the energy minister in February; the plan is expected to lead to GDP growth spiking in 2026–2027.

Qatar’s nominal GDP has been estimated to reach \$233.1bn this year and \$246.1bn in 2025, according to an Emirates NBD forecast. The country’s real GDP growth has been estimated at 1.7% this year and 2.2% in 2025, according to the regional banking group. Emirates NBD forecasts Qatar’s current account (as a percentage of country’s GDP) at 18.8% this year and 19.2% in 2025. The budget balance (as a percentage of country’s GDP) has been estimated at 4.2% this year and 4.7% in 2025.

In its regional outlook for 2024 issued in January, Emirates NBD had noted global growth is expected to slow slightly to 2.9% from 3.0% in 2023 as tight monetary policy continues to weigh on demand and investment, particularly in the first half of the year. This scenario is consistent with softer demand for oil, particularly in the advanced economies, and oil GDP growth in the GCC region will remain a drag on headline GDP growth in 2024. Emirates NBD expects oil prices to average \$82.5/b this year, similar to 2023.

However, it thinks non-oil growth will remain relatively robust, averaging 3.6% across the GCC in 2024, underpinned by continued investment as oil exporting countries push ahead with ambitious economic diversification programmes. While government expenditure growth will likely be more modest in 2024 than over the last couple of years, it does not expect governments to cut spending or tighten fiscal policy through higher taxes (other than those already announced such as the UAE’s corporate income tax, which came into effect in mid-2023).

United Arab Emirates Outlook

GDP growth is projected to have more than halved in 2023, as OPEC+ production curbs dragged on the oil sector and a post-pandemic normalization of domestic demand constrained the non-oil sector. Looking at available data, oil output fell, while economic growth in Abu Dhabi and Dubai—which account for over two-thirds of the UAE’s GDP—weakens in the first nine months of the year from 2022. In Q1 2024, activity will likely slow as the 5% crude output cut agreed by the UAE with OPEC+ takes effect.

However, this should be partially offset by robust non-energy production thanks to the government’s diversification program, with non-oil business activity in January continuing to rise at one of the fastest levels since the end of the pandemic. In other news, the UAE was removed from a “dirty money” list in February by the FATF, a global watchdog, likely boosting investment and trade ahead.

KSA Economic Outlook

After declining 4.4% in Q3, GDP shrank another 3.7% in annual terms in Q4 as the oil sector contracted again. Turning to Q1 2024, our panelists expect GDP to roughly stagnate. Thanks to a lower base of comparison, crude output fell at the slowest year-on-year pace since June—the month before the government began its ongoing one million barrel per day (mbpd) cut to production—during January. Less positively, non-oil business activity dipped to the lowest level in two years in the same month, with stubbornly high interest rates likely weighing on domestic demand. In other news, in February, the government accelerated its drive to diversify the economy away from oil with two actions: Firstly, it scrapped plans to expand crude output capacity by 1.00 mbpd; secondly, it entered talks with investment banks for a share offering worth up to USD 20 billion in Aramco, the national oil firm.

Disclaimer:

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

1. https://www.finance.gov.pk/survey_2022.html
2. <https://www.worldbank.org/en/country/saudi Arabia/publication/economic-update-april-2022>
3. <https://www.worldbank.org/en/country/gcc/publication/economic-update-april-2022>
4. <https://www.adb.org/news/adb-approves-flood-ssistance-package-pakistan>

STRATEGIC PARTNERSHIPS



Strategic partnerships, or cooperation between organisations with similar capabilities and aims, have various potential benefits, ranging from brand improvement to access to new markets and additional knowledge. Avanceon aims to collaborate with like-minded businesses who are interested in creating value for their customers.

Here are a few highlights from the Year 2023 -

Salam Petroleum & Rockwell Automation: Avanceon joined Rockwell Automation and Salam Petroleum Services W.L.L. at a recent Digital Transformation event in Qatar. The event focused on digital transformation and the process of integrating digital technologies and solutions into various aspects of industrial operations and processes. Avanceon Automation and Control WLL presented the critical need for careful planning, robust cybersecurity measures, and a change in organizational culture, with a focus on improving efficiency, productivity, safety, and sustainability.

TrendMiner: To a brighter, smarter, and more connected future in Industry 4.0!

Avanceon is excited to announce its Partnership with TrendMiner, a leading Advanced Industrial Analytics provider with experience and successes in a wide variety of industries.

At Avanceon, we've always believed in the power of collaboration to drive innovation and transform industries. Today, we're taking a giant leap forward by joining forces with TrendMiner to shape the future of Industry 4.0 together!

AVEVA SELECT – AVEVA: Our meeting with Avanceon Middle East & South Asia team was extremely delightful. We're excited to implement the discussed plan and achieve additional mutual success, especially for the Saudi market. AVEVA Select Gulf is a Valued Partner and Collaborator of Avanceon. As a Global Leader in Industrial Automation Solutions both AVEVA and Avanceon have delivered state of the art Infrastructure Solutions in the Middle East region. We are All Geared Up for KSA!

Vice President for Digital Transformation Omer Bin Abdul Aziz, CEng, PMP, FS Eng (TUV) represented Avanceon at the AVEVA World Conference in San Francisco to showcase the Ashghal's achievements in digital transformation.

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

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

SCHNEIDER ELECTRIC [EPA: SU] Since 2019, Schneider Electric has recognized Avanceon as its preferred Alliance System Integrator Partner for Water & Wastewater Projects in Middle East & Africa. Avanceon has been certified at Control System & SCADA levels for this elite program. Schneider Electric's Alliance Integration Partnership Program is a strategic combination of innovative technology, domain expertise, and select system integrator partners, coupled with a solid interoperable architecture which ensures maximized performance, increased profitability, and timely delivery of projects.

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

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

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

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



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

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

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

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

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

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

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

Dover Fueling Solutions: Avanceon has a distributorship agreement with Dover Fueling Solutions ("DFS") to offer high-end integrated control and automation solutions for the retail

fueling stations in Pakistan. Under this agreement, Avanceon will serve as a local distributor, sales representative, and service provider for all the DFS product brands, promoting all of DFS' products, services and solutions including the product brands of OPW FMS, ProGauge, Tokheim, and Wayne Fueling Systems.

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

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

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

ACHILLES: Achilles is one of the world's largest service providers of global supply chain risk management solutions with more than 1,000 people working in 22 countries. Achilles works on behalf of over 860 buying organizations, from 9 industry sectors, to collect, validate and maintain essential data about more than 133,000 suppliers. This allows buying organizations to gain visibility of their suppliers' capabilities

and compliance before making important sourcing decisions. With an understanding of their supply chains, buying organizations can proactively identify and mitigate potential risks to protect people, planet, and profit.

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

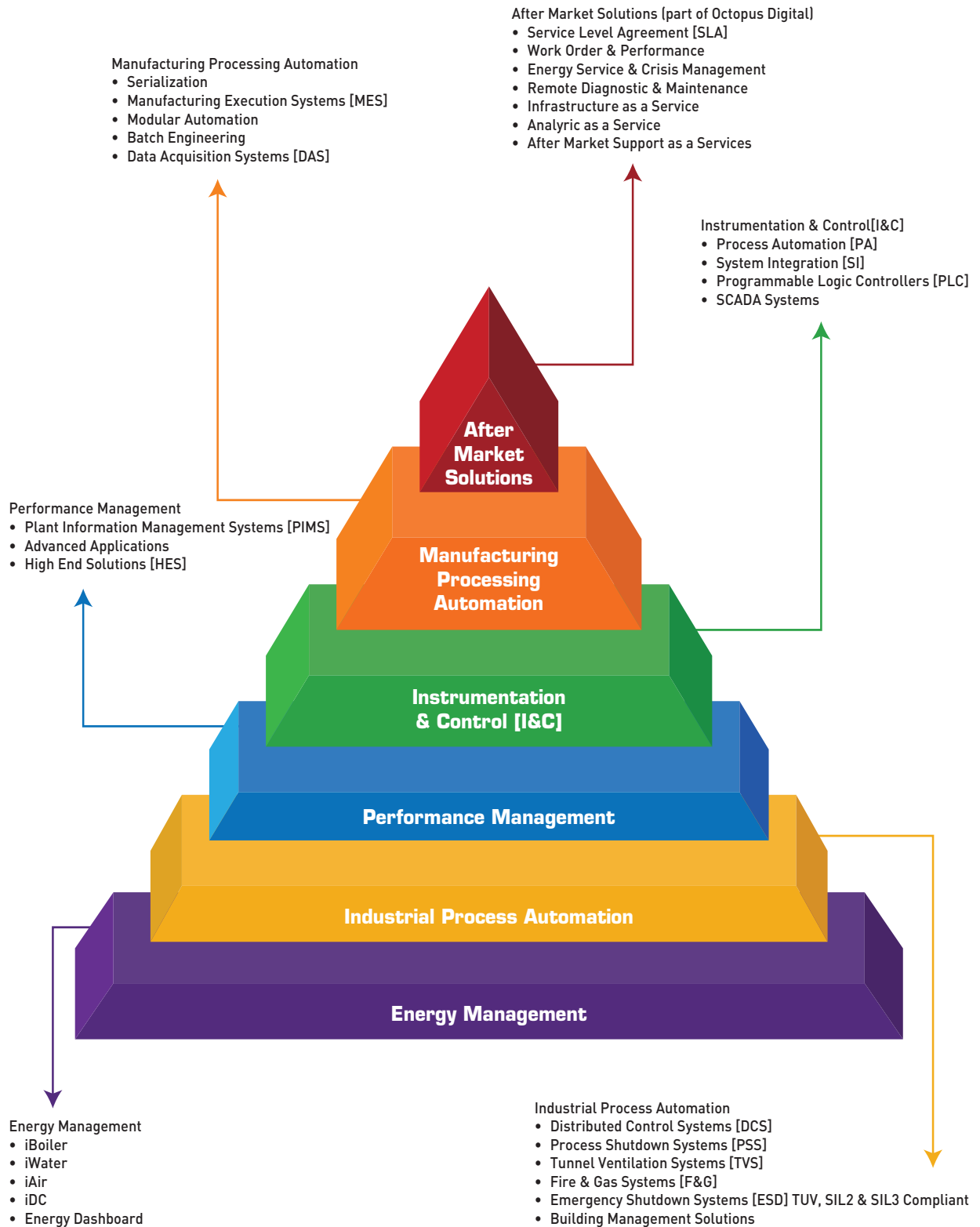
EMERSON: Emerson is a global software technology and engineering leader providing innovative solutions for customers in industrial, commercial, and residential markets. Emerson’s Automation Solutions business helps process, hybrid and discrete manufacturers maximize production, protect personnel and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

TrendMiner: TrendMiner delivers advanced analytics software to optimize process performance in industries such as chemical, petrochemical, oil & gas, pharmaceutical, food & beverages, metals & mining, water & wastewater, and other process manufacturing industries. TrendMiner unlocks the full advantage of their (IIoT) data infrastructure, regardless of vendor, and taps into the available human intelligence for making data-driven decisions. We offer standard integrations with a wide range of data sources such as OSIsoft PI, Yokogawa Exaquantum, AspenTech IP.21, Honeywell PHD, GE Proficy Historian and Wonderware InSQL, Cumulocity, OSIsoft OCS, AWS S3, SiteWise, Timestream, Microsoft ADL, ADX, TSI, SAP S/4 HANA DMC, and Siemens SIMATIC PCS 7 process historian. Visit www.trendminer.com.



CORE COMPETENCIES

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



Core Competencies

CORE SERVICES

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

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

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

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

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

SPECIALIZED SOLUTIONS

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

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

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

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

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

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

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

Our information management tools create custom displays for process and operations data, including schematics, animations, trends, alerts, notifications and custom reports.

Advanced Process Control – The key challenge for operators of refining, chemical and petrochemical plants is to maintain processes at their optimal operating point while simultaneously maintaining multiple safety margins at acceptable levels. Our solutions helped customers achieve:

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

By implementing advanced process control, benefits ranging from 1-2 years of return on investments can be achieved. These benefits are clearly enormous allowing plants to be

operated to their designed capacity and increase customer bottom line.

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

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



CUSTOMER PORTFOLIO

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

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

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

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

SECTOR

OVERVIEW

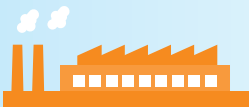
Oil & Gas



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

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

Utilities & Industries



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

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

FMCG



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

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

Chemicals



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

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

Pharmaceuticals



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

Pfizer, USA
Astra Zeneca, USA
Boehringer Ingelheim, USA

QHSE UPDATES



Digital Initiatives 2023

Ensuring the safety and well-being of its employees is paramount to Avanceon's success as an organization. Avanceon QHSE is dedicated to crafting comprehensive Health and Safety programs aimed at fostering a secure working atmosphere. These initiatives concentrate on empowering employees across manufacturing sites, installations, and service sectors to actively contribute to a hazard-free environment by identifying and mitigating risks and unsafe circumstances.

Here are a few highlights of the efforts put forth by Avanceon's QHSE Dept in 2023.

1. Preliminary Incident and Accident Reporting.
2. Prequalification and HSE Plans tracking.
3. NCR Form Tracking.
4. Project Safety Audit, Management Safety Audit (Office and Project)
5. Audits Observation and Timely Closure Mechanism.
6. Digitalization of Building and Assets' Maintenance Process.

HSE Initiatives in 2023

1. HSE Reward and Recognition at Corporate Level.
2. Driving Safety Talk.
3. Master the Stress Management Session.
4. Pink Ribbon Awareness Session.
5. Safety Talks Series.
6. Employee HSE Certification Training Program.
7. Plastic Free Avanceon.
8. Performance Tracking of all Active Project Sites.
9. Monitoring of Projects through whatsapp and teams.



Appreciation from Clients

1. HSE Best Performing Vendor for a Major Oil & Gas Company in Pakistan.
2. HSE Performance Audit by a Major Fuel Retail Company in Pakistan.
3. Contractors Audit of Avanceon by a Major Middle Eastern Company
4. Maintaining ISO Certified Business for Pak, FZE, Qatar, KSA - 2023.





CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance refers to a standard document that set forth principles, the systems of rules, practices and processes issued according to the company's authority and in accordance with the provisions of the governing corporate Law from time to time. A sustainable level of corporate governance is to be transparent about the information to all stake holders, which ensures strong ethics prevail within the organization.

A high grade of governance is achieved by balancing the interests of shareholders, investors, business partners, regulators, money lenders, customers, vendors, and the community in general.

The stakeholder's expectations of effective management & supervision of the affairs of the Company are ensured by proper internal controls and risk management policies and procedures in place. In this regard, the Board is committed to the principles and compliance with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. This ensures efficient and effective operations of the Company, safeguarding of assets and shareholder wealth, compliance with the local laws, regulations and proper financial accounting and reporting in accordance with the International Accounting Standards [IAS] and International Financial Reporting Standards [IFRS].

ROLE OF THE BOARD OF DIRECTORS

The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and clear transparent reporting to shareholders. The Board accepts its primary responsibility for the overall control architecture of the Company. The system of internal controls includes procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a program of internal audit, manning of all key functions by qualified personnel and continuous training.

STATEMENT OF DIRECTORS'

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

Following are the Statements on Corporate and Financial Reporting Framework:

- a. The financial statements prepared by the management

of the company presents its state of affairs fairly, the results, its operations, cash flows, and changes in equity

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

RESPECTIVE ROLE OF THE CHAIRMAN & THE CEO

Role of the Chairman of the Board

The Chairman of the Board manages and provides leadership to the Board of Directors of Avanceon, with its focus on all strategic matters. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer.

Role of the CEO

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

The Board comprises of two executive and five non-executive directors including three independent directors. All the directors keenly take interest in the proper stewardship of the Company's affairs. The non-executive directors are independent of management of the Company, the existing director's tenure will complete three years period on 29 May 2023. The Board has constituted the following committees:

- Audit Committee
- Human Resource and emuneration Committee /

Compensation committee of ESOS

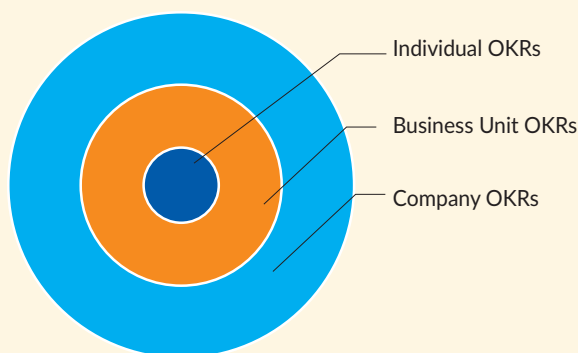
- Executive[s] / Stewardship Board

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

THE EXECUTIVE BOARD

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

The Executive Board Comprises of key management leadership across the board from sales, engineering, finance, HR and Corporate globally. In 2022 a new role of Chief Commercial & Planning Officer was introduced. The objectives of this new appointment is to identify and plan activities on special initiatives to achieve the Road to US\$ 100m plan.



The Executive Board's mandate is to steward the corporate plan, via monthly/quarterly meetings, ensuring projects delivery on time, improving execution, and removing any hitches, availability of free cashflows, fixed cost event-oriented analysis, taking preventive/corrective actions and increasing the wealth of shareholders. The main driving factors include

- PO Generation
- Revenue recognition
- Invoicing
- Collection

CEO PERFORMANCE REVIEW BY THE BOARD

The Board of Directors evaluates the chief executive officer annually in light of corporate goals and objectives including

performance of the business, accomplishment of long-term strategic objectives, development of management, etc., as established. The evaluation has been communicated to the chief executive officer and the chairman of the Board.

MANAGEMENT INITIATIVES ON CORPORATE GOVERNANCE

To orient the key management personnel of the corporate governance concepts and best practices, the company plans for training of its directors and key Executives. It also covers programs on different moderators covered varied topics on corporate governance: the role, importance & structure of the board; strategic planning through various models and analysis matrices; succession planning; risk management and internal controls

ETHICS

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

The ethics program includes:

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

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

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

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

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

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

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

Corporate Governance

BUSINESS GOVERNING PRINCIPLES AND VALUES

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

INTEGRITY

We at Avanceon do not engaged in any unfair means / instrument for any business or financial gains. Gifts form customers / vendors etc. follow a control policy to be accepted by the employees, which may be construed as such. Employees are also required to avoid engaging in any personal activity or financial interests/gains which would conflict with their responsibility to the Company.

CODE OF CONDUCT

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

Avanceon, as a socially responsible organization, has persistently worked towards increasing our emphasis on giving back to the community where we operate. The company has enrolled all the children of its support staff to a wholly funded education program that covers all aspects of their educational journey including school fees, books, uniforms, home tutors and transportation. Avanceon supports the children all the way from primary school up to university level, and not only that, but also work towards finding them a suitable job. This company initiative was recognized by the National Forum for Education and Health in January 2017. This program enabled the children of our support staff members to be the future Avanceoners and few of them are currently employed in the Company.

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

ENVIRONMENTAL PROTECTION

As a service-providing company, our activities do not directly harm the environment, but the Company appreciates and takes part in several "green" initiatives. Recently a plantation drive was created under which more than 50 employees participated in the three plantation within office and their homes.

The Company believes in paperless working processes to preserve nature and is reducing physical administrative forms by utilizing the company intranet, encouraging on-demand printing only. Avanceon also started a campaign across all offices to generate environmental awareness amongst employees and their family members.

EQUAL OPPORTUNITY EMPLOYER

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

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



The most critical factor for any business strategy & long-term sustainability is robust corporate governance practices. Avanceon's overall governance framework is devised to ensure a strong oversight, board and management accountability. We believe bottom line demonstrates commitment to transparency, independence, and diversity.

Ahsan Khalil (ACA-FPFA)
Chief Financial Officer/Company Secretary

AVANCEON'S WHISTLEBLOWER POLICY – “SPEAK OUT!”

The Core Values that we talk about is the “Candor & Ethics”, The Company and all its subsidiaries have applied a number of policies related to ethics and responsible behavior which define the high standard of governance and business conduct.

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

“Speak-out !”

about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance. about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance.

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

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

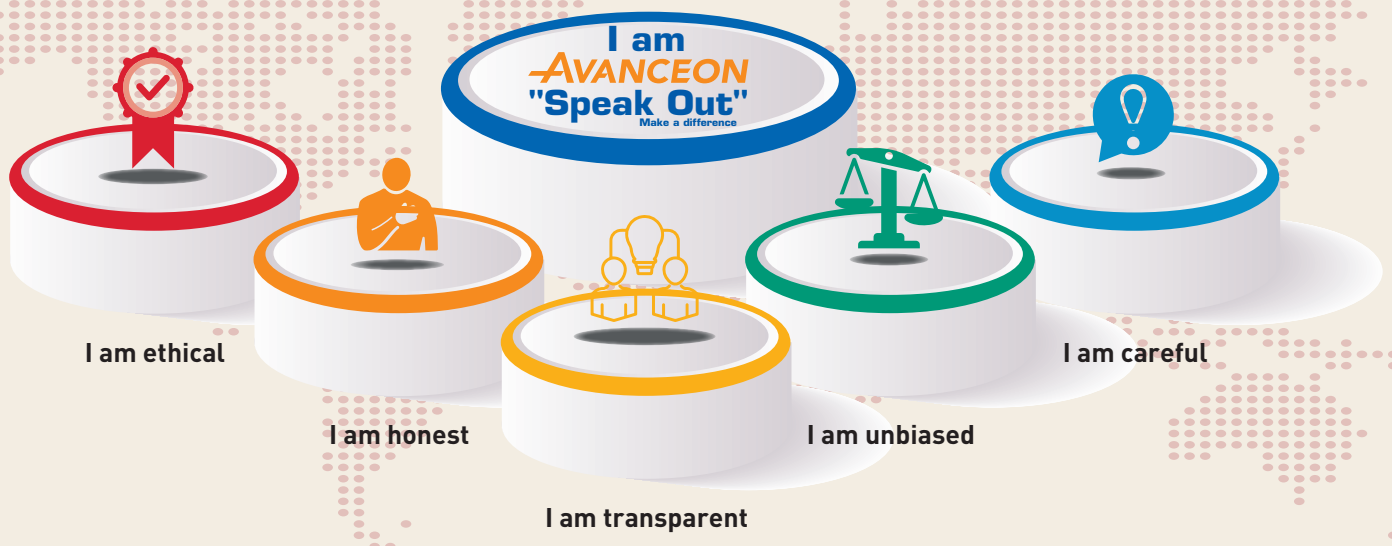
- are unlawful or may damage the reputation of Avanceon or an affiliate.
- are fraudulent and lead to a loss of assets
- may be intended to result in incorrect financial reporting
- are in violation of various corporate policies governing business conduct.
- are in violation of Safety Health & Environmental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

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

Note: During the year 2023, no cases were reported, highlighting ethical commitment of Company's stakeholder s..

AVANCEON

Tomorrow's solutions, today.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AVANCEON LIMITED

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Avanceon Limited (the Company) for the year ended December 31, 2023 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2023.



Chartered Accountants

Engagement Partner: Sajjad Hussain Gill

Lahore: April 26, 2024

UDIN: CR202310087DtJvFclpa

STATEMENT OF COMPLIANCE

LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: Avanceon Limited
For the year ended: December 31, 2023

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

1. The total number of directors are seven as per the following, -
 - a. Male: Six (06)
 - b. Female: One (01)

2. The composition of Board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. No Directors' Training Program has been arranged during the year, The Company is focused towards professional grooming of all its directors and take initiative to arrange training programs for all the

Directors as encouraged the Listed Companies (Code of Corporate Governance) Regulations, 2019, except below Directors who are already trained as per the Regulations.

Mr. Bakhtiar Hameed Wain	Executive Director
Mr. Tanveer Karamat	Non-Executive Director
Mr. Mohammad Shahid Mir	Independent Director

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The board has formed committees comprising of members given below:
 - a) **Audit Committee**
 - Mr. Mohammad Shahid Mir
Chairman/Independent Director
 - Mr. Khalid Hamid Wain
Member/Non-Executive Director
 - Mr. Amir Waheed Wain
Member/Non-Executive Director
 - b) **HR and Remuneration Committee**
 - Mr. Mohammad Shahid Mir
Chairman/Independent Director
 - Mr. Khalid Hamid Wain
Member/Non-Executive Director
 - Ms. Hanan Darwish
Member/Independent Director
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following,
 - a) Audit Committee Quarterly 4
 - b) HR and Remuneration Committee Yearly 2
15. The Board has set up an effective internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

Statement of Compliance



16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;
19. We confirm that all other requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Regulations") have been complied with except for the requirement under Regulation 24. The Company has adopted explanation approach as the Regulations allowed the Companies to either comply or explain the reason otherwise. The management is of the view, that the employee holding the position of Chief Financial Officer and Company Secretary is suitably qualified and professionally capable with the relevant experience to act and fulfill the duties and responsibilities of both the roles.

On behalf of the Board

Lahore
Date: January 18, 2024

Khalid
Mr. Khalid Hamid Wain
Chairman

Bakhtiar
Bakhtiar Hameed Wain
Chief Executive Officer

CORPORATE POLICIES

DISCLOSURE OF POLICY FOR ACTUAL AND PERCEIVED CONFLICTS OF INTEREST

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

DISCLOSURE FOR IT GOVERNANCE POLICY

Information Security governing policy is covered in the Acceptable Use of IT

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

AVANCEON'S WHISTLEBLOWER POLICY – "SPEAK OUT!"

The BOD of Avanceon and its subsidiaries have adopted several policies related to ethics and responsible behavior which define the high standard of governance and business conduct to which we pledge ourselves as an organization. This has

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

As an additional measure a Whistleblower system has also been established. The Company expects employees, suppliers, and contractors at all affiliated companies to not only abide by our standards of business conduct but also to speak out about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance. They can use the independent "Speak Out" hotline 0092-42- 37515129 or email to speakout@avanceon.ae to raise their concerns.

They can also write to Speak Out (PO Box 4012, Lahore - Pakistan.)

Every effort is made to maintain the confidentiality of complainants and to protect them from any form of retaliation or victimization for genuinely

**KEY TO
SME
SUCCESS**



Corporate Policies

held concerns raised in good faith.

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

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

HUMAN RESOURCE MANAGEMENT POLICIES INCLUDING PREPARATION OF SUCCESSION PLAN

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

Compensation encompasses 10 policies, the purpose of which is to ensure employee's wellbeing and growth. These include Vehicle Benefit, Education Allowance, Employee Professional Accreditations, Performance Bonus, Sales Incentive, Technical Services Employee Incentive, Performance bonus, Variable Pay Plan for managers and support staff, Umrah as well as Employee Stock Option Plan amongst others. Human Resources management that encompasses Salaries, Attendance, Asset Utilization, Rewards, health, and other guidelines such as Mobile Usage are covered across 11 policies.

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

MEDICAL AND INSURANCE POLICY

One of the most important tasks in creating a high- performance culture is taking care of your employees.

When employees' needs are met, they feel aligned with the mission, vision, and values of the organization. This results in high levels of engagement and commitment. They come to work with enthusiasm and are willing to go the extra mile to support the organization.

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

Life insurance is also available to our employees under which they are covered for permanent partial disability, temporary total disability, accidental death, and extended death benefit.

Two years ago, Avanceon increased the room limit allowance by 22% and 16% for Plan A and B respectively. Furthermore, Avanceoners also receive clinic/lab, these centers are known as discount center where employees can avail discount from 10% to 25 % by showing their medical insurance cards.

COMPASSIONATE LEAVES

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

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

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

PAY CONTINUATION PLAN

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

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

EDUCATION ALLOWANCE POLICY

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

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

SUCCESSION PLANNING POLICIES

Succession Planning Policy for Avanceon encompasses the Company's best practice in terms of Human Resources Management. The purpose of the policy is to ensure replacement for key executive, management, and technical positions within the organization. This policy covers middle management positions and above in Avanceon Ltd. The point is to identify high-potential employees, ensure



systematic and long-term development and provide a continuous flow of talent. The business-critical engineering skill set is being maintained through an engineering skill set matrix and managed for all engineering resources.

SOCIAL & ENVIRONMENTAL POLICY

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

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

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

POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

Stakeholder engagement policies and procedures map out all aspects of outreach with the broader audience interested in Avanceon. The Company involves committees at regular points throughout the year both for specific projects and general insights. The policies ensure that different parties are aware of the conduct and the

function of the Company including Institutional Investors, Customers & Suppliers, Banks and other lenders, Media, regulators, and analysts. Business Conduct for Avanceon addresses Stakeholder Engagement through five key commitments: Ethics, Ownership, Customer Delight, Continuous Improvement and Community Care, which need to be translated across all its communications.

INVESTOR GRIEVANCE POLICY

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

SAFETY OF RECORD

Safety of Record is ensured by the Information Security Governing Policy, which provides a framework for Information privacy, accessibility and integrity to the operation and management of Avanceon, which are of great importance. Failure in any of these areas can result in disruption to the services, can hurt

company business and can shake the confidence of existing and potential clients. Information and asset security therefore play a critical role in the successful operation of the company. The purpose of the Information Security Policy is to guarantee business continuity and curtail business damage by minimizing information security incidents to an acceptable level. Superior information security provision for our customers and employees is Avanceon's commitment to protect from internal or external information security threats, whether deliberate or accidental. Adherence to this policy is crucial to safeguarding these interests.

WORK FROM HOME POLICY

In 2020, Avanceon developed a comprehensive work from home Policy & Guide. Avanceon became heavily dependent on online collaboration tools with more than 90% of its workforce working from home. The purpose of this policy and procedure is to provide a framework of understanding about how home working operates at Avanceon. Due to COVID-19, there can be scenarios where an individual, group of people, a regional office or whole company is required to work from home. This policy provides clear guidelines on how to effectively manage work from home.

DIRECTORS REPORT

The directors of the company are pleased to present their report together with the Company's audited annual financial statements along with consolidated financials for the year ended December 31, 2023, all financial statements and notes to the accounts have been prepared by the management of the company as under:

1. They presented fairly its state of affairs, the result of its operations, cash flows and all changes in equity,
2. Proper books of account of the company have been maintained,
3. Appropriate accounting policies have been adopted and consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments,
4. All International Accounting Standards and Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored
6. There are no significant doubts upon the company's ability to continue as a going concern
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of Pakistan Stock Exchange.
8. Where any statutory payment on account of taxes, duties, levies and changes is outstanding, the amount together with a brief description and reasons for the same has been disclosed

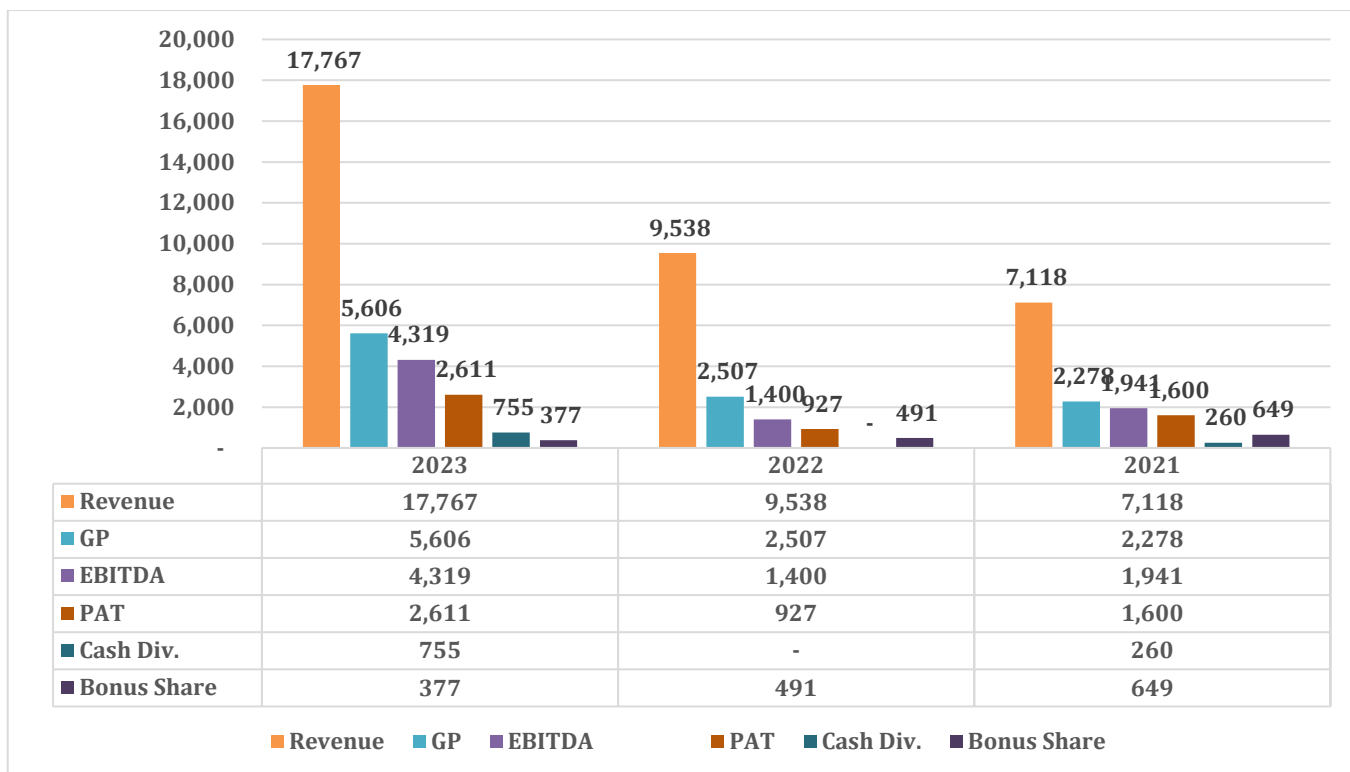
The Directors' Report, prepared under relevant sections of the Companies Ordinance, in Pakistan, will be put forward to the members at the 21st Annual General Meeting of Avanceon Limited "Company" will be held on Monday, 29 April 2024 at 03:30 P.M. at Nishat Hotel, Gate No. 7, Imperial Ball Room - B, Adjacent to Emporium Mall, Abdul Haq Road, Johar Town, Lahore.

THE REPORT:

The performance of the Company remained on the upswing in terms of order generation, revenues, profit before and after tax, control over fixed costs (as per corporate plan) as compared to last financial year, excellent management of liquidity, maintenance of sufficient banking facilities at very competitive costs, timely repayments of working capital and commitments. All business segments performed well in terms of order generation with all-time high figures. The revenues and net profits grew with high pace and the current year group revenue was at the highest ever of USD 61 million, and with a very strong backlog amounting to USD 63.

Operating results (consolidated)

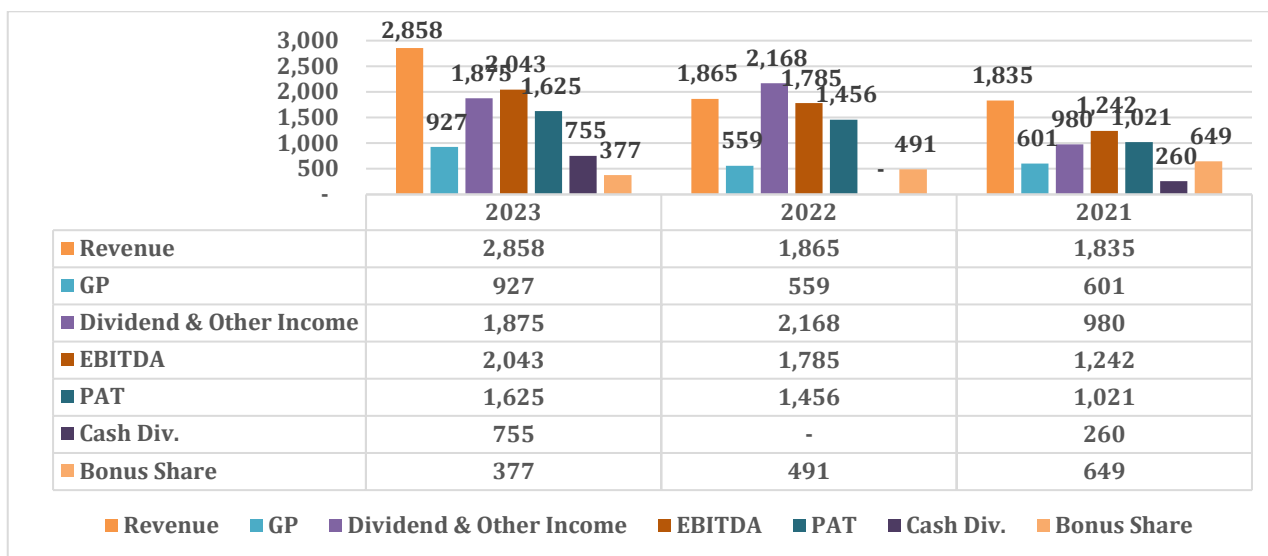
(Rupees in '000)	2023	2022	Variation	% Variation
Revenue	17,767,312	9,538,499	8,228,813	86%
Profit before tax	3,720,439	1,081,743	2,638,696	244%
Profit after tax	2,610,738	927,076	1,683,662	182%



Operating results (standalone)

(Rupees in '000)

	2023	2022	Variation	% Variation
Revenue	2,857,594	1,864,524	993,070	53%
Profit before tax	1,737,300	1,568,524	168,776	11%
Profit after tax	1,625,082	1,456,123	168,959	12%

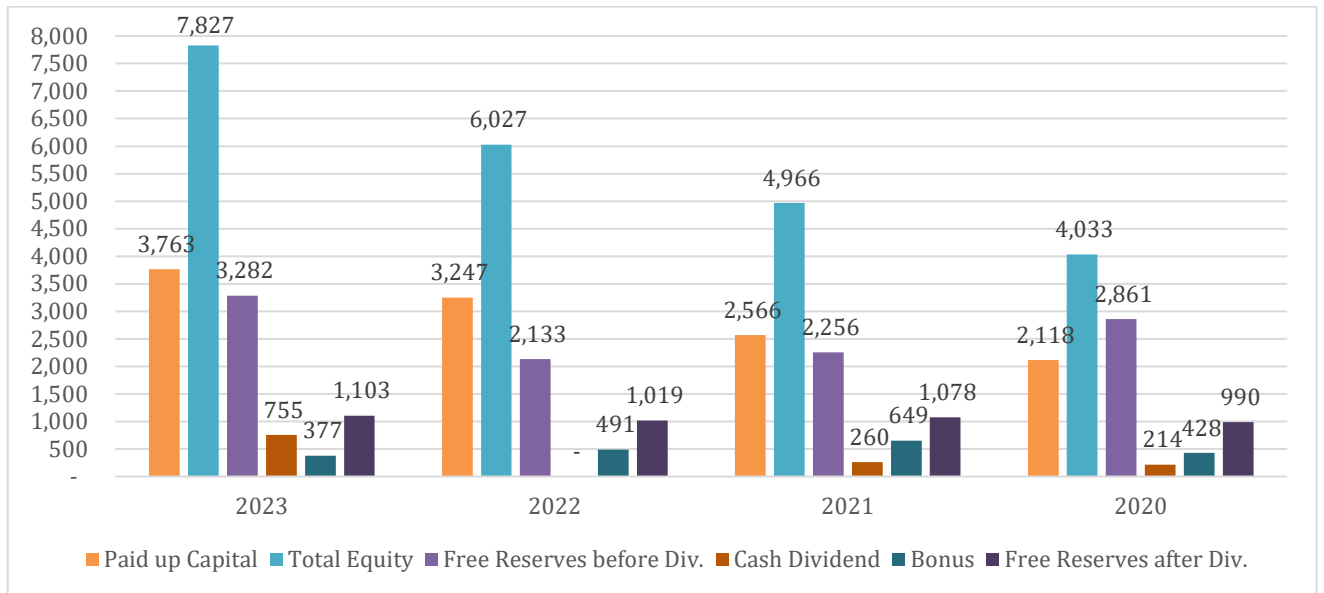


SUBSEQUENT APPROPRIATIONS

The Directors have recommended a cash dividend 20% (2022: 0%) and bonus shares 10% (2022: 15%)

The following appropriations have been made:

(Rupees in '000)	2023	2022
Reserve available for appropriations (at standalone financials)	2,791,288	3,282,111
Appropriation:		
Proposed Dividend: @ 20% (2022: 0%)	(754,587)	-
Proposed Bonus: @ 10% (2022: 15%)	(377,293)	(490,823)
Unappropriated reserve carried forward	1,659,408	2,791,288



EARNINGS PER SHARE (EPS)

Earnings per share of the Company observed on a positive trend over the last five years and for the current year it was Rs. 4.33, this indicates a consistent performance of all business segments & across regions. The current year EPS was 12% higher as compared to year 2022. Despite of the fact that during the 1st quarter 2023 the import L/Cs were not available from the State Bank of Pakistan which hampered our supplies of imported automation equipment's to the local customers, the Pakistan and group performance exceeded the management targets. This was all achieved by managements robust planning and keen operational stewardship during the last quarter of the year 2023.

Consolidated

The basic earnings per share after tax is Rs. 6.7 (2022: Rs. 2.25 - restated).

Standalone

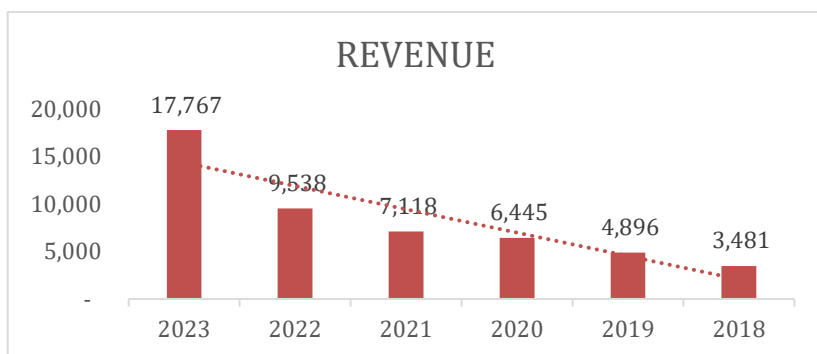
The basic earnings per share after tax is Rs. 4.33 (2022: Rs. 3.88 - restated)

FINANCIAL PERFORMANCE (CONSOLIDATED)

Revenue

The company has witnessed remarkable financial performance in the past fiscal year, with its revenue soaring to Rs. 17 billion (USD 61 million). This figure represents a substantial 87% increase, driven primarily by two key factors: a nearly 50% boost stemming from currency devaluation and a commendable 37% surge in overall revenue growth. Notably, this revenue achievement marks the highest ever recorded for the group as a whole. However, there was a slight setback, with a 15% shortfall compared to the corporate plan 2023. This shortfall was predominantly observed in the Dubai region, attributed to a timing discrepancy in order generation. Nevertheless, other key regions such as Pakistan, Qatar, and Saudi Arabia managed to meet or exceed their revenue targets.

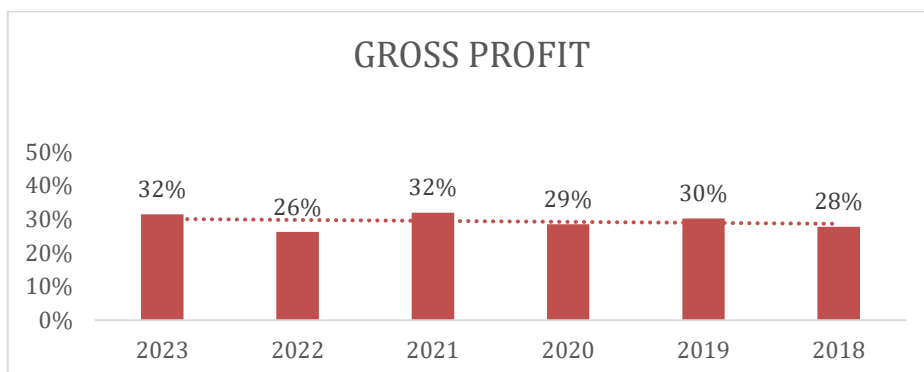
The Company's revenues maintained a positive trajectory throughout the financial year(s) depicting a positive growth from 2019 to 2023.

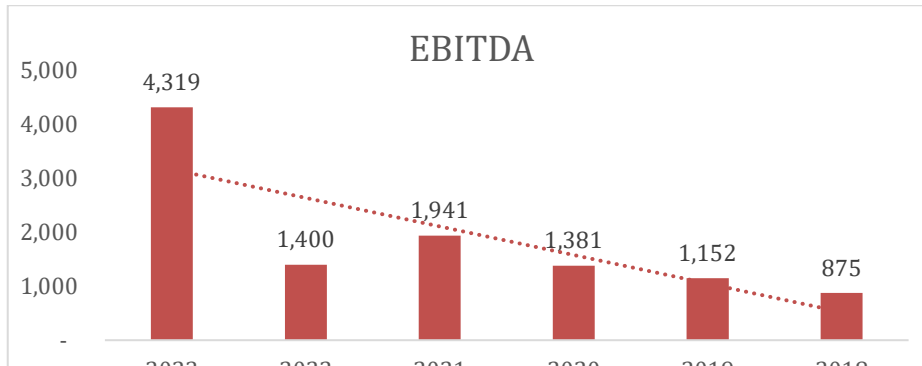


Gross Profits

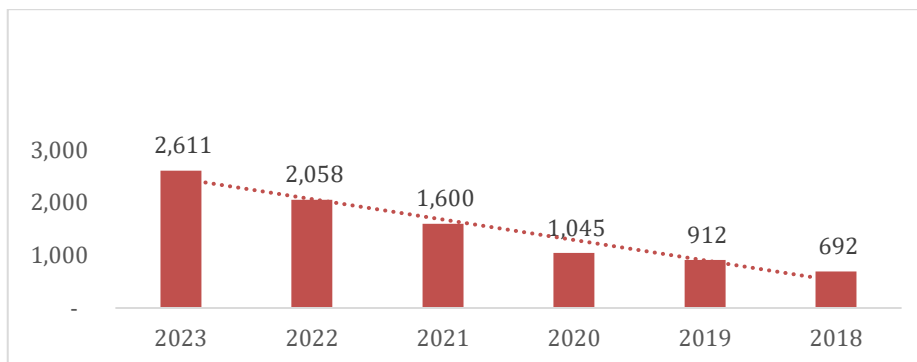
We're delighted to share that our current year's gross margin has seen a significant improvement, standing at 32% compared to 26% in 2022. This impressive uptick can be largely attributed to the execution of high-margin projects in our Pakistan and Qatar regions, coupled with enhanced operational efficiency and strategic cost-saving initiatives across our services. Despite facing challenges posed by the devaluation of the USD, particularly impacting direct costs in our Pakistan operations, we've successfully mitigated these effects by quoting and delivering in USD terms. This proactive approach has enabled us to either maintain or enhance our margins in the face of currency fluctuations.

Central to our success has been our lean operational model, which centralizes key functions such as engineering, procurement & logistics, HSE & quality, and finance & support. This streamlined approach has played a pivotal role in enhancing margins and ultimately increasing shareholder wealth. Furthermore, the recent establishment of a joint venture with the Zamil Group in the KSA region has yielded notable margin improvements, further underscoring our dedication to fostering strategic partnerships for mutual benefit.

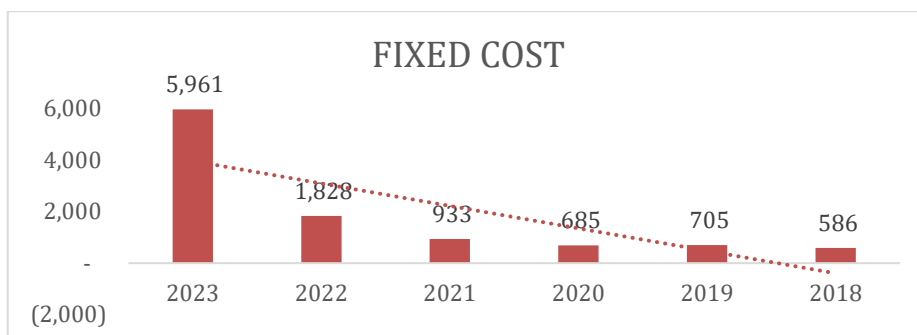


Earnings before Interest, Taxes, depreciation and amortization (EBITDA)**Profit after taxation**

The directors are pleased to announce the current profit after taxation (PAT) Rs. 2.6 billion, which is more than double to the last year 2022. This is mainly due to the fact of double revenue growth coupled with gross margin improvement and controlled fixed costs. This PAT also includes a major portion of gain attributable to disposal of our investment in Avanceon LP, and related consideration received in the form of cash and in kind (Trademark "AVANCEON").

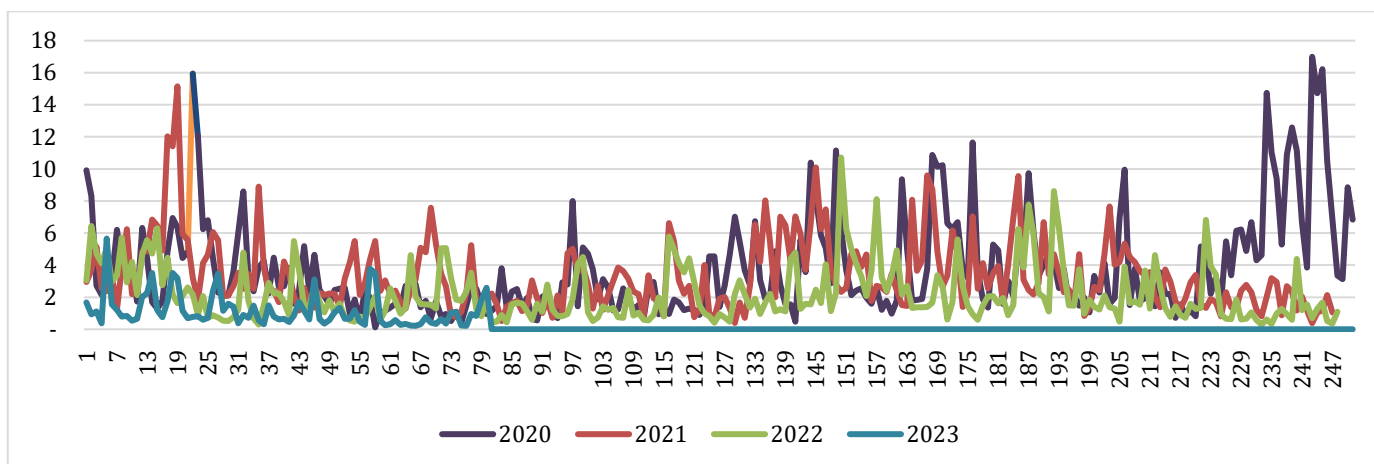
**FIXED COST**

It is observed that the fixed cost increased by 250% mainly due to the write off of long overdue contract assets and provision of ECL pertaining to trade receivables. Excluding these adjustments, the net increase in fixed costs is 40%, primarily driven by rises in salaries and benefits due to annual increments and new hires. This cost escalation aims to align with the retail price index and mitigate inflationary pressures on employee-related expenses. As a service-based organization, Avanceon's workforce accounts for the majority of its costs. The other expenses and other income mainly account for exchange gain on foreign receivables translated at the balance sheet date and other income from disposal of investment in Avanceon LP.



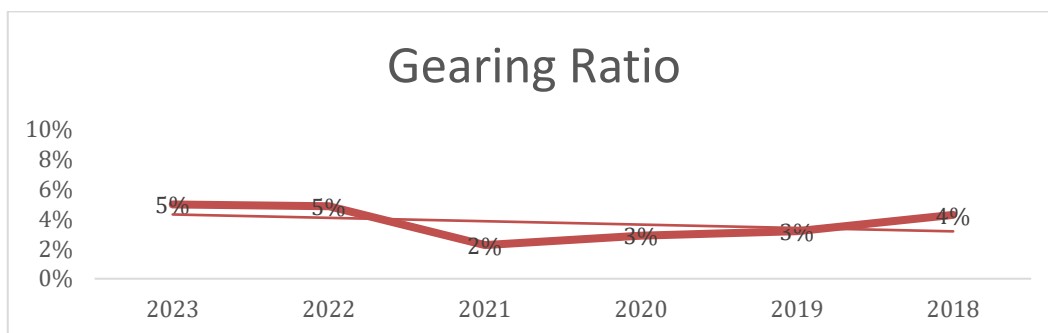
STOCK LIQUIDITY

Avanceon stock achieve the liquidity target in FY 2023 which attracted new retail and corporate investors. Now, our ESOS holders can liquidate stock and take further position in market very easily without loss of liquidity opportunity.



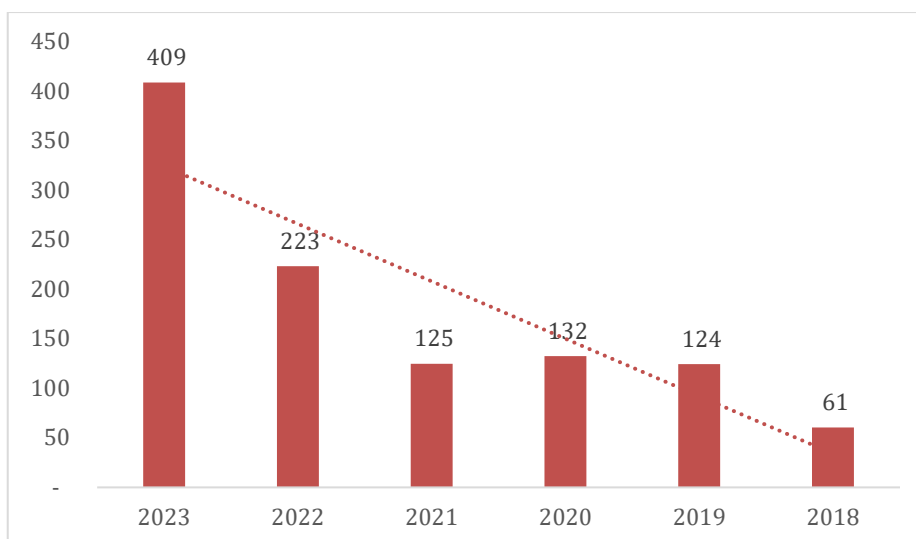
CAPITAL STRUCTURE

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



WORKING CAPITAL MANAGEMENT

The financial charges almost doubled as compared to the last year 2022 mainly due to the fact of high inflation in the market and the KIBOR rates soaring to over 22% p.a. The company is managing all its working capital needs by negotiating the best credit terms with customers by making every order cash positive and collectable within reasonable agreed timeframes. A stewardship board comprising of senior management officials keenly monitors the project liquidity in order to service the projects while maintaining the short-term liquidity requirements of the company. The company effectively managed its working capital requirement through very vigorous & strict financial discipline by maintaining all short-term loans at reasonable levels to avoid financial costs by generating positive cash inflow



NOTE 6 RESTATEMENT- CORRECTION OF PRIOR PERIOD ERRORS

During the year, errors have been identified in respect of revenue recognition relating to the years ended December 31, 2018, December 31, 2020, and December 31, 2021 from certain customers in its subsidiary entities in UAE and Qatar, stemming from the misconduct/ unethical acts of individuals in the Company. The Board has given considerable attention to this matter and responded by implementing robust internal audit measures to ensure that such acts are not repeated in future.

Furthermore, a comprehensive investigation was undertaken, leading to the replacement of the individuals involved. It is also confirmed not to have found even single such instance. It is being reassured that these practices did not result in any financial losses to the company and were promptly identified and rectified. Moving forward, the Board is committed to implementing stringent internal controls to prevent any recurrence of such incidents.

The Auditors have highlighted in their report without modifying their opinion, the errors have been corrected by restating the comparative figures retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.' As a result, thereof, the dividend declarations from these subsidiaries have also been reversed, impacting recognition of corresponding dividend income for the Company. The details are given in note 6 of the financial statements.

FUTURE PROSPECTS

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

As you are already aware that the company launched the Road to 100 plan in year 2018 whereby we shall achieve USD 100 million in revenue by the year 2025. Starting off the year 2024 with an opening backlog of USD 63 million and an anticipated purchase order (PO) generation of USD 96 million, the company is well-positioned to pursue its growth targets. These figures provide a solid cushion towards the "Road to 100" plan, with the added caveat that they do not account for any potential spikes in revenue. Looking ahead, there's a positive outlook for revenue growth, particularly in Pakistan and the broader Middle East region. This trajectory aligns seamlessly with the company's "Road to 100" plan. While the actual revenue for the current year slightly missed the initial plan, there's confidence in achieving a substantial increase to USD 106 million by the year 2025. The years ahead will bring full global economic recovery especially in the UAE, KSA, Qatar, Oman, Egypt, Nigeria, and particularly the political and economic stability in Pakistan.

SERVICE TO SOCIETY

We are committed of being active and responsible corporate citizens. The company operates a CSR program for its low cadre employees whereby the complete educational cost of children of such employees are borne by the company, moreover, charity and donations are also given to different foundation to uplift to the poor in the society. During the current year the

company has planned to allocate USD 250,000 dedicated for the CSR program as a separate fund for education, healthcare, public safety and environmental health.

HEALTH, SAFETY AND ENVIRONMENT

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

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

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

ISSUES RAISED IN THE LAST AGM

During the Annual General Meeting for the year ending 31 December 2022, no major issues were raised.

Agenda # 1: To confirm the minutes of the 19th Annual General Meeting held on 29 April 2022.

Agenda # 2: To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2022 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

Agenda # 3: To appoint Auditors of the Company and fix their remuneration. The Members are hereby notified that the Board Audit Committee and the Board of Directors have recommended the name of M/s BDO Ebrahim & Co. Chartered Accountants for re-appointment as auditors of the Company for the year ending 31 December 2023.

Agenda # 4: To consider and approve, as recommended by the Board of Directors, the issue of bonus shares @ 15% and pass the following resolution;

“RESOLVED that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Company whose names appear on the Register of Members as at the close of the business on Friday, 19 May 2023 in the proportion of 15 Bonus Share for every 100 Shares held, that is at the rate of 15%.

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

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

Agenda # 5: To elect 07 (Seven) directors of the Company for the term of three years commencing from 29 May 2023 in accordance with the provision of section 159 of the Companies Act, 2017 and Memorandum and Articles of Association. The names of retiring Directors are as under:

1. Mr. Khalid Hameed Wain
2. Mr. Bakhtiar Hameed Wain
3. Mr. Amir Waheed Wain
4. Mr. Mr. Tanveer Karamat
5. Mr. Mohammad Shahid Mir
6. Mr. Omer Iqbal Khan
7. Ms. Hanan Darwish

Agenda # 6: To consider and approve, in pursuant of S.R.O. 389 (I)/2023 dated 21 March 2023 the circulation of annual balance sheet and profit and loss account, auditor's report and directors report, etc. ("annual audited financial statements") to the members through QR enabled code and weblink and passed the following resolution;

"RESOLVED that in pursuant of S.R.O. 389 (I)/2023 dated 21 March 2023 and Under Section 223(6) of The Companies Act, 2017, annual balance sheet and profit and loss account, auditor's report and directors report, etc ("Annual Audited Financial Statements") shall be circulated to the members of the company through QR enabled code and weblink

Agenda # 7: To consider and if deemed fit, to pass the following resolutions as special resolutions, with or without any modifications, related to "Avanceon Limited Employee Stock Option Scheme 2022" (the ESOS 2022);

RESOLVED that, under The Companies (Further Issue of Shares) Regulations, 2020, the grant of options equal to or exceeding (1%) one percent of the issued or paid-up capital (excluding outstanding conversions) of the company at the time of grant of options, within one year, to identified employees be and is hereby approved."

FURTHER RESOLVED that, under The Companies (Further Issue of Shares) Regulations, 2020 the grant of options to any employee of the Company and/or its subsidiary Company(ies), be and is hereby approved."

FURTHER RESOLVED that, Chief Executive Officer and/or Company Secretary of the company jointly and/or severally, to execute any document(s) and to take all actions necessary to give effect to the proposed resolution.

Agenda # 8: To consider and if deemed fit, to pass the following resolutions as special resolutions, with or without any modifications, the Company be and is hereby authorized that under Clause v(a) and Clause viii of Regulation No. 7(1) of the Companies (Further Issue of Shares) Regulations, 2020, the following amendment are being made in the Employees Stock Option Scheme 2022:

RESOLVED that, Clause 1.1, Interpretation of Eligible Employee is hereby amended and read as follows

"Eligible Employee: Means:

- a) A full-time regular employee who is on the payroll of the company and/or its subsidiary company(ies) as an employee, (and who is admitted in the scheme by the Board).
- b) the Chief Executive officer of the company, an Executive Director who is on the payroll of the Company."

FURTHER RESOLVED that, Clause 7.1 of Employees Stock Option Scheme 2022 is hereby amended and read as follows:

"The grant of option to eligible identified employees in any one year equal to or over 1% of the paid-up capital of the company (as increase from time to time excluding outstanding conversions) shall require a separate resolution of the shareholders of the company.

It is also clarified that the committee, in its discretion may grant options to Eligible Employees including those presently in employment of the Company and/or its subsidiary Company(ies) and those who join in the future. Whether further options are to be granted to any such employee who has already been granted Options in any one year will also be in the discretion of the committee".

Agenda # 9: To consider and approve, pursuant of section 183 of the Companies Act, 2017 and subject to the grant of all approvals and consents, as required under law, Octopus Digital Inc. Pennsylvania USA (formerly Engro Innovative, Inc.), is a "Special Purpose Vehicle company" (SPV) (Invest company), a wholly owned subsidiary of Avanceon FZE, Dubai, UAE, which is in ultimate turn is the wholly owned subsidiary of Avanceon Limited Pakistan, which holds 25.0656% of the Limited Partnership Percentage Interest (the "Partnership Interest"), in, Avanceon LP, a Pennsylvania USA limited Partnership (the "Company"), and holds 25.0656% Percentage Interest in GP (the "GP Interest,"), hereby withdraw from the "Company and GP", sells, transfers and assigns to the Company, all right, title and interest in and to the Partnership Interest.

In consideration of;

- a. One Million Five Hundred Thousand Dollars (\$1,500,000) to Octopus Digital Inc. Pennsylvania USA (formerly Engro Innovative, Inc.), is a “Special Purpose Vehicle company” (SPV) and,
- b. The transfer of rights of trademark and/or service mark/brand "AVANCEON" to the holding company "Avanceon FZE, Dubai, UAE", in the territories forming part of the world other than United States, Canada or Mexico (“North America”).

FURTHER RESOLVED THAT Mr. Bakhtiar Hameed Wain (CEO) and/or Mr. Saeed Ullah Khan Niazi (CFO) and/or Mr. Ahsan Khalil (Company Secretary) be and are hereby authorized to do all acts, deeds and things, to execute such agreements, documents and papers and make any applications, including but not limited to any applications, notices, disclosures required to be filed with the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited and any other regulatory authorities, and undertake all such steps for the purposes of withdrawal, sell, transfer, dispose-off as the aforesaid officer(s) of the Company

Agenda # 10: To transact any other business with the permission of the Chair

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

An interactive questions & answers session was held and President (Mr. Tanveer Karamat), former CFO (Mr. Saeed Ullah Khan Niazi) and Company Secretary (Mr. Ahsan Khalil) answered all queries, explaining the industrial automation business of the company. The future outlook was discussed as to be prosperous and dependent on the growth of Pakistan Economy in line with the setting up of new industrial plants.

BOARD OF DIRECTORS' REMUNERATION

All directors of the Company are Non-Executive except for the Chief Executive Officer (CEO). The CEO is paid fixed salary and benefits as per Company's HR policies and salary levels. Performance of CEO is evaluated against approved criteria by the Human Resource and Remuneration Committee and recommended to the Board for approval. The independent directors are paid a nominal fee for attending the board meeting.

TRANSACTIONS WITH RELATED PARTIES

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

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Avanceon Limited is committed to the company principles and complies with requirements of Code of Corporate Governance included in the listing regulations of the Pakistan Stock Exchange (PSX). The code of Corporate Governance has been disclosed and discussed in detail on Page 48, along with the Statement of Compliance.

BOARD OF DIRECTOR'S TRAINING

No training of director is conducted during the year.

SHARES TRADED BY EXECUTIVES

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

Name of Company	Employee Name	Designation	Transaction Type	No. of shares	Price	Transaction Type	Date of Transaction	Date of Submission
Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	69.80	CDC	06/01/2023	09/01/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	69.70	CDC	10/01/2023	11/01/2023

Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	69.73	CDC	10/01/2023	11/01/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	68.09	CDC	07/02/2023	09/02/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	68.10	CDC	07/02/2023	09/02/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	15000	47.95	CDC	06/06/2023	08/06/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	48.04	CDC	06/06/2023	08/06/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	5000	49.44	CDC	09/06/2023	12/06/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	20000	55.34	CDC	10/07/2023	12/07/2023
Avanceon Ltd	Ahsan Khalil	CFO	Sell	40000	55.91	CDC	26/07/2023	17/08/2023
Avanceon Ltd	Ahsan Khalil	CFO	Sell	15000	55.89	CDC	27/07/2023	17/08/2023
Avanceon Ltd	Ahsan Khalil	CFO	Sell	3624	48.00	CDC	04/09/2023	05/09/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	10000	50.00	CDC	30/10/2023	06/11/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	10000	57.80	CDC	16/11/2023	17/11/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	10000	57.81	CDC	16/11/2023	17/11/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	10000	58.01	CDC	16/11/2023	17/11/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	10000	57.89	CDC	21/11/2023	24/11/2023
Avanceon Ltd	Tanveer Karamat	Director	Sell	10000	58.00	CDC	21/11/2023	24/11/2023

COMPOSITION OF BOARD AUDIT COMMITTEE

The board audit committee consists of three members listed below.

Sr.

No. Name of Members

1.	Mr. Mohammad Shahid Mir	Chairman	Independent Director
2.	Mr. Khalid Hameed Wain	Member	Non-Executive Director
3.	Mr. Amir Waheed Wain	Member	Non-Executive Director

COMPOSITION OF BOARD OF HR AND REMUNIRATION COMMITTEE

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

Sr.

No. Name of Members

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

COMPOSITION OF BOARD OF DIRECTORS

The board consist of seven directors listed below;

Sr.

No. Name of Director

1.	Mr. Khalid H. Wain	Non-executive Director but not independent
2.	Mr. Bakhtiar H. Wain	Executive Director
3.	Mr. Amir W. Wain	Non-executive Director but not independent
4.	Mr. Tanveer Karamat	Non-executive Director but not independent
5.	Mr. Mohammad Shahid Mir	Independent Director
6.	Mr. Omer Iqbal Khan	Independent Director
7.	Ms. Hanan Darwish	Independent Female Director

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

- a. Male: Six
- b. Female: One

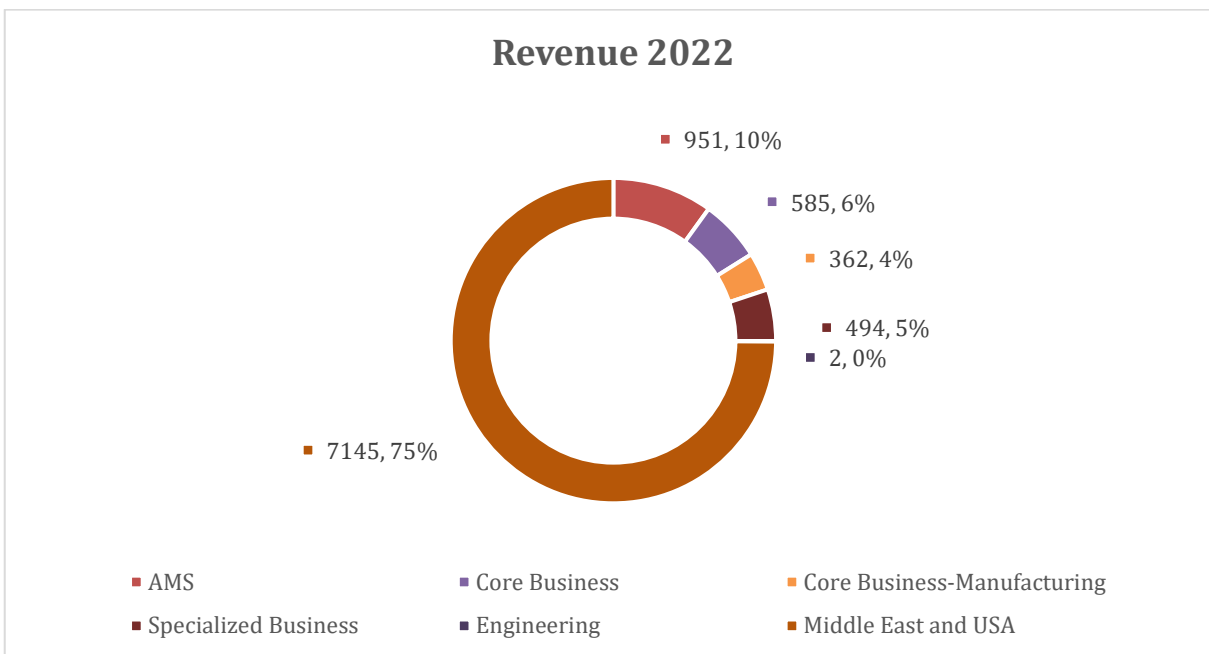
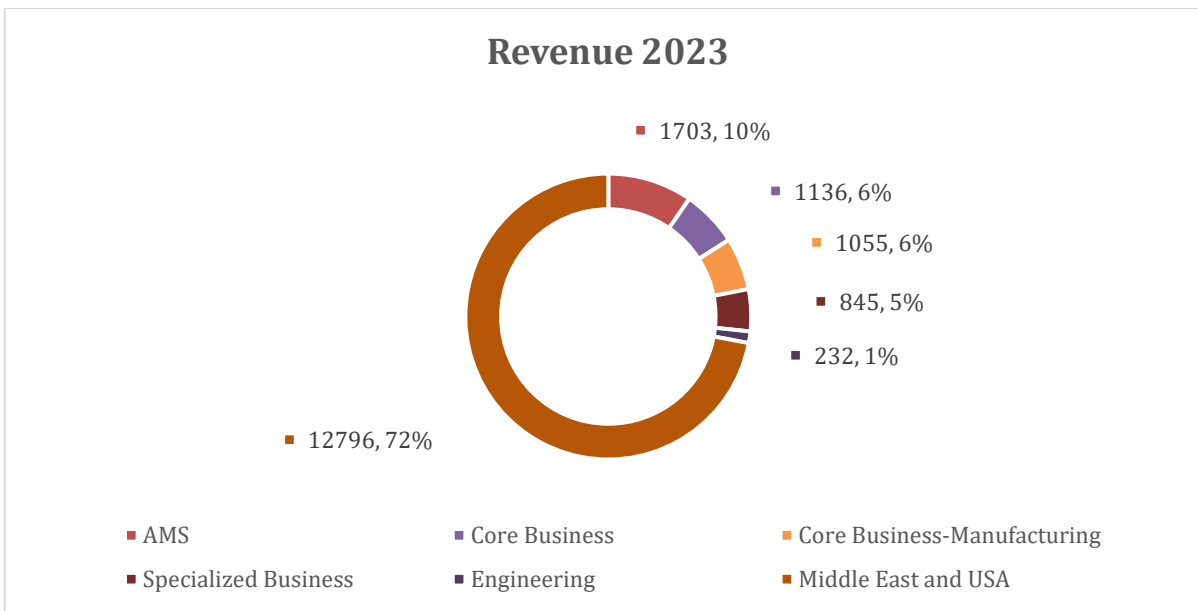
BOARD OF DIRECTOR'S MEETINGS

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

Sr.	No. Name of Director	Present	Leave Granted
1.	Mr. Khalid H. Wain	4	0
2.	Mr. Bakhtiar H. Wain	4	0
3.	Mr. Amir W. Wain	4	0
4.	Mr. Tanveer Karamat	4	0
5.	Mr. Omer Iqbal Khan	4	0
6.	Ms. Hanan Darwish	4	0
7.	Mr. Mohammad Shahid Mir	4	0

SEGMENTAL BUSINESS PERFORMANCE AND MARKET SHARE INFORMATION

According to the Control Engineering Giants List, Avanceon's market share nears 4% and ranks amongst the top 15 system integrators worldwide, the current market leader taking 9% of the market. The main objective of Avanceon resides in maintaining market leadership in Pakistan whilst increasing market share by developing untapped markets and growing the portfolio of customers to other verticals such as infrastructure & transportation based on common success in the Middle East; in other words, pioneering in fields that understand the relevancy of the solutions but have not yet ventured into implementing them. Based on our current knowledge of the automation and process control market in Pakistan, market share for Avanceon is leading with 63% of the existing market share, which represents roughly threefold the revenues of its closest competition.



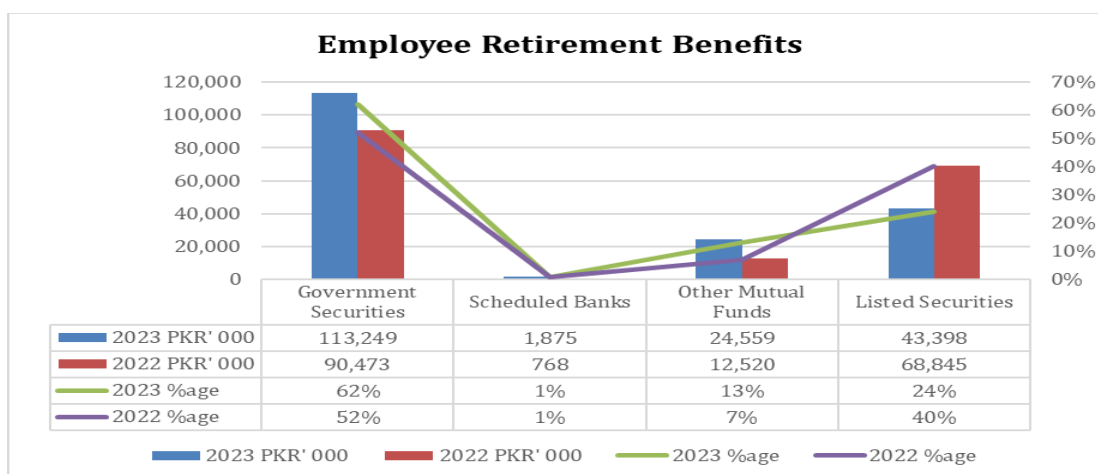
PROCEDURES ADOPTED FOR QUALITY ASSURANCE

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

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

EMPLOYEES' RETIREMENT BENEFITS

	2023 (Un-audited)		2022 (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	113,249	62%	90,473	52%
Scheduled Banks	1,875	1%	768	1%
Other Mutual Funds	24,559	13%	12,520	7%
Listed Securities	43,398	24%	68,845	40%
	183,081	100%	172,606	100%



OPERATING FINANCIAL DATA

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

PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2023 is annexed on subsequent Page No. 70 in the Management section of this Report. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year, except those reported in the pattern of shareholding.

STATUTORY AUDITORS OF THE COMPANY

The present Auditors, M/s. BDO Ebrahim & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee of the Company has been recommended their re-appointment as Auditors of the Company for the year ending December 31, 2024.

COMMUNICATIONS

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors



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



Mr. Tanveer Karamat
April 26, 2024
Director



PATTERN OF SHAREHOLDING

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2023

No. of Shareholders	NO. OF SHAREHOLDINGS		Shares Held
	From	To	
2,023	1	100	84,645
2,391	101	500	694,851
1,709	501	1,000	1,352,883
3,745	1,001	5,000	8,952,260
833	5,001	10,000	6,048,789
345	10,001	15,000	4,279,292
153	15,001	20,000	2,741,642
112	20,001	25,000	2,567,816
57	25,001	30,000	1,595,886
35	30,001	35,000	1,150,779
40	35,001	40,000	1,502,301
27	40,001	45,000	1,139,532
32	45,001	50,000	1,544,554
11	50,001	55,000	579,702
16	55,001	60,000	925,360
14	60,001	65,000	874,092
1	65,001	70,000	69,000
8	70,001	75,000	578,563
12	75,001	80,000	941,256
6	80,001	85,000	489,526
7	85,001	90,000	625,191
4	90,001	95,000	368,230
12	95,001	100,000	1,194,164
5	100,001	105,000	515,892
8	105,001	110,000	863,524
6	110,001	115,000	686,518
3	115,001	120,000	352,714
6	120,001	125,000	737,683
2	125,001	130,000	256,212
3	130,001	135,000	394,888
2	135,001	140,000	274,843
4	140,001	145,000	575,875
3	145,001	150,000	444,600
2	150,001	155,000	307,596
3	155,001	160,000	466,421
2	160,001	165,000	328,931
2	165,001	170,000	333,393
3	170,001	175,000	521,592
2	175,001	180,000	353,250
1	180,001	185,000	180,777
2	185,001	190,000	377,000
3	190,001	195,000	574,315
3	195,001	200,000	600,000
2	200,001	205,000	405,123
3	205,001	210,000	621,937
2	210,001	215,000	423,076
3	215,001	220,000	656,043
1	220,001	225,000	224,250
1	225,001	230,000	228,850
2	245,001	250,000	495,025
2	250,001	255,000	506,607
1	255,001	260,000	259,312
1	260,001	265,000	262,000
1	270,001	275,000	273,056
2	280,001	285,000	565,502
3	295,001	300,000	895,206
1	315,001	320,000	318,331
1	330,001	335,000	330,924
1	345,001	350,000	348,812
1	365,001	370,000	369,000

Pattern of Shareholding

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2023

No. of Shareholders	NO. OF SHAREHOLDINGS		Shares Held
	From	To	
2	370,001	375,000	745,137
1	380,001	385,000	381,472
2	410,001	415,000	824,444
1	415,001	420,000	417,071
1	425,001	430,000	425,500
1	455,001	460,000	457,125
1	495,001	500,000	495,900
1	505,001	510,000	505,841
1	525,001	530,000	527,862
1	530,001	535,000	530,348
1	540,001	545,000	544,093
1	570,001	575,000	575,000
2	605,001	610,000	1,215,521
1	625,001	630,000	629,406
1	650,001	655,000	653,500
1	655,001	660,000	658,000
1	675,001	680,000	678,723
1	715,001	720,000	718,750
1	745,001	750,000	750,000
1	845,001	850,000	849,087
1	1,020,001	1,025,000	1,021,273
1	1,095,001	1,100,000	1,097,617
1	1,195,001	1,200,000	1,200,000
1	1,235,001	1,240,000	1,236,393
1	1,315,001	1,320,000	1,316,178
1	1,715,001	1,720,000	1,719,727
1	2,055,001	2,060,000	2,057,905
1	2,090,001	2,095,000	2,090,950
1	2,960,001	2,965,000	2,960,311
1	2,995,001	3,000,000	3,000,000
1	4,745,001	4,750,000	4,747,300
1	10,030,001	10,035,000	10,033,260
1	10,865,001	10,870,000	10,865,526
1	39,485,001	39,490,000	39,486,693
1	49,370,001	49,375,000	49,371,671
1	174,880,001	174,885,000	174,880,874
11,725			376,297,850

CATEGORY OF WISE SHAREHOLDING

S.No.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1.	Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)	10	266,140,909	70.73
2.	Associated Companies, Undertakings and related Parties (to be confirm by Company)	1	575,000	0.15
3.	NIT and ICP			
4.	Banks, Development Financial Institutions, Non Banking Financial Institutions	8	25,236,049	6.71
5.	Insurance Companies	10	7,926,195	2.11
6.	Modarabas and Mutual Funds	17	2,344,498	0.62
7.	Share holders holding 10%	3	263,739,238	70.09
8.	General Public :			
	a. local	11,557	61,535,757	16.35
	b. Foreign			
9.	Others	122	12,539,442	3.33
	Total (excluding : share holders holding 10%)	11,725	376,297,850	100.00

Pattern of Shareholding

CATEGORY DETAILS OF SHAREHOLDING AS AT 31 DECEMBER 2023

Directors, Chief Executive Officer, and their spouse and minor children

S.No.	Folio	Name	Holding
1	1	MR. BAKHTIAR HAMEED WAIN	174,880,874
2	2	MR. KHALID WAIN	2
3	3	MR. AMIR WAIN	39,486,693
4	4	MR. TANVEER KARAMAT	2
5	3107	MR. OMER IQBAL KHAN	5
6	3108	MS. HANAN DARWISH	5
7	00307-150395	MOHAMMAD SHAHID MIR	143,920
8	03228-44355	MOHAMMAD SHAHID MIR	166,787
9	03525-112897	BAKHTIAR HAMEED WAIN	49,371,671
10	05264-48871	TANVEER KARAMAT	2,090,950
TOTAL			266,140,909

Associated Companies, Undertakings and related Parties

S.No.	Folio	Name	Holding
1	12732-3143	AVANCEON LTD. EMPLOYEES PROVIDENT FUND	575,000
TOTAL			575,000

Banks, Development Financial Institutions, Non Banking Financial Institutions

S.No.	Folio	Name	Holding
1	01867-22	PAKISTAN KUWAIT INVESTMENT CO. (PVT) LTD.	505,841
2	01875-39	SAMBA BANK LIMITED	653,500
3	02832-32	MEEZAN BANK LIMITED	1,097,617
4	03335-57	BANK ALFALAH LIMITED	2,057,905
5	03889-44	NATIONAL BANK OF PAKISTAN	10,033,260
6	4127-28	MCB BANK LIMITED - TREASURY	10,865,526
7	14571-584	FIRST DAWOOD INVESTMENT BANK LIMITED	12,000
8	17285-25	SAMBA BANK LIMITED - MT	10,400
TOTAL			25,236,049

Insurance Companies

S.No.	Folio	Name	Holding
1	03277-10526	HABIB INSURANCE CO.LIMITED	8,625
2	03277-7330	RELIANCE INSURANCE COMPANY LTD.	57,500
3	03277-90405	DAWOOD FAMILY TAKAFUL LIMITED	175,749
4	03277-90406	DAWOOD FAMILY TAKAFUL LIMITED	1,000
5	07450-1792	DAWOOD FAMILY TAKAFUL LIMITED	949
6	14357-29	ALFALAH INSURANCE COMPANY LIMITED	64,936
7	117343-35	PAK QATAR FAMILY TAKAFUL LIMITED	1,200,000
8	17343-50	PAK QATAR FAMILY TAKAFUL LIMITED	3,000,000
9	18085-28	EFU LIFE ASSURANCE LIMITED	2,960,311
10	18200-22	E. F. U. GENERAL INSURANCE LIMITED	457,125
TOTAL			7,926,195

Modarabas and Mutual Funds

S.No.	Folio	Name	Holding
1	06411-21	CDC - TRUSTEE AKD INDEX TRACKER FUND	35,112
2	13946-28	CDC - TRUSTEE KSE MEEZAN INDEX FUND	370,815
3	14514-28	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	21,000
4	14605-27	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	10,580
5	14761-29	CDC - TRUSTEE AWT ISLAMIC STOCK FUND	25,700
6	14902-21	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	544,093
7	16030-25	CDC - TRUSTEE AWT STOCK FUND	31,100
8	16139-23	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	605,906
9	16162-20	CDC-TRUSTEE NITIPF EQUITY SUB-FUND	115,000
10	16188-28	CDC-TRUSTEE NITPF EQUITY SUB-FUND	43,125
11	16436-27	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	53,000
12	16485-22	CDC - TRUSTEE FAYSAL MTS FUND - MT	61,451
13	18002-26	CDC - TRUSTEE NIT ASSET ALLOCATION FUND	47,687
14	18390-39	CDC - TRUSTEE HBL INCOME FUND - MT	155,252
15	18572-28	CDC - TRUSTEE FAYSAL PENSION FUND-EQUITY SUB FUND	4,500
16	18770-24	CDC - TRUSTEE HBL FINANCIAL SECTOR INCOME FUND PLAN I - MT	39,400
17	18986-29	CDC - TRUSTEE PAK-QATAR ISLAMIC STOCK FUND	180,777
TOTAL			2,344,498

Pattern of Shareholding

Others

S.No.	Folio	Name	Holding
1	2308	K.F. CORPORATION PRIVATE LIMITED	140
2	2614	M/S. UK CORPORATION	599
3	3063	BONUS WITHHELD 5% B-2	273,056
4	3088	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	80
5	3090	MANAGEMENT AND EDUCATIONAL SERVICES (PVT) LIMITED	52
6	3101	AHSAN KHALIL - COMPANY SECRETARY FOR FRACTIONAL SHARES	1,431
7	3109	TRUSTEE TO COMPANY SECRETARY	1,598
8	3115	AHSAN KHALIL - COMPANY SECRETARY FOR FRACTIONAL SHARES	1,164
9	3118	TRUSTEE TO THE BONUS SHARES	1,285
10	3121	TRUSTEE TO THE BONUS FRACTIONS SHARES (B- 7)	3,098
11	00307-120612	IGI INVESTMENTS (PVT.) LIMITED	35,937
12	00521-15310	GLOBAL X FUNDS-GLOBAL X MSCI PAKISTAN ETF	849,087
13	00521-8612	SILK INVEST NEW HORIZONS FRONTIER FUND	495,900
14	00547-11143	ARISTEA SICAV NEW FRONTIERS EQUITY FUND	658,000
15	00547-15649	AZIMUT PAKISTAN EQUITY FUND (OEIC) PLC	99,600
16	00547-2761	J.P. MORGAN SECURITIES PLC	348,812
17	00695-12524	BMA FUNDS LIMITED - DELIVERABLE FUTURES TRADES	262,000
18	01339-49064	NOVA FRONTIERS LIMITED	200,000
19	01446-866	Trustee-MCB Employees Pension Fund	718,750
20	01669-26	SHAFFI SECURITIES (PVT) LIMITED	4,685
21	01826-102285	ESSITY PAKISTAN LIMITED EMPLOYEES PROVIDENT FUND	870
22	01826-109215	TPS PAKISTAN (PRIVATE) LIMITED	2,150
23	01826-125864	J. K. EXPORTS (PVT.) LIMITED	77,625
24	01826-168708	PITCO (PVT.) LIMITED	42,406
25	01826-173062	IQBAL HAMID TRUST	216,343
26	03228-46418	UNIGOHAR HOMES (PRIVATE) LIMITED	3,314
27	03244-120344	PROVIDENT FUND TRUST-HUSEIN SUGAR MILLS LIMITED	27,000
28	03277-104940	AL HAYY TRADING (PRIVATE) LIMITED	60,000
29	03277-105496	TRUSTEES OF HAMDARD LABORATORIES (WAQF) PAKISTAN.	412,687
30	03277-105988	KAISER-LG PETROCHEMICALS (PVT) LTD	100,000
31	03277-124224	SAAO CAPITAL (PRIVATE) LIMITED	12,937
32	03277-13154	TRUSTEES HOMMIE&JAMSHED NUSSERWANJEE C.T	8,337
33	03277-26972	WESTBURY (PRIVATE) LTD	90,000
34	03277-40179	YOUSUF YAQOUB KOLIA AND COMPANY (PVT) LTD	110,000
35	03277-4230	CRESCENT STEEL AND ALLIED PRODUCTS LTD.	208,437
36	03277-4841	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	109,615
37	03277-4931	SOFIAN BUSINESS CORPORATION (PRIVATE) LIMITED	30,937
38	03277-78974	CS CAPITAL (PVT) LTD	219,700
39	03277-89136	ABRIS (PVT) LTD	287
40	03277-94268	AL-RAHIM TRADING COMPANY (PRIVATE) LIMITED	11,500
41	03277-94363	K. F. CORPORATION (PRIVATE) LIMITED	124,424
42	03525-61184	PITCO (PVT) LTD	207,000
43	03525-67537	SHAMALIK BROTHERS (PVT) LTD	5,088
44	03525-87235	MAPLE LEAF CAPITAL LIMITED	1
45	03525-89276	SIDDIQ LEATHER WORKS (PVT.) LIMITED	41,848
46	03525-94230	PROSPERITY SECURITIES (SMC-PVT.) LIMITED	185
47	03657-25	CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD	9
48	04085-24	MRA SECURITIES LIMITED	3,000
49	04317-25	DALAL SECURITIES (PVT) LTD.	105,000
50	04366-20	MULTILINE SECURITIES LIMITED	62,500
51	04366-45660	LIMITLESS GLOBAL TRADING	298,500
52	04374-7750	HAMID ADAMJEE TRUST	5,000
53	04432-21	ADAM SECURITIES LIMITED	41,500
54	04432-21357	VENUS ENTERTAINMENT COMPANY (PVT.) LIMITED	500
55	04457-45	FDM CAPITAL SECURITIES (PVT) LIMITED	25,000
56	04705-78456	TRUSTEES OF PAKISTAN MOBILE COMMUNICATION LTD-PROVIDENT FUND	318,331
57	04705-87224	FEDERAL BOARD OF REVENUE	417,071
58	04705-97687	FREEMEN CORPORATION (PRIVATE) LIMITED	1,236,393
59	04879-28	AKHAI SECURITIES (PRIVATE) LIMITED	1,843
60	05264-180120	DYNASTY FINANCIAL ADVISORS (PRIVATE) LIMITED	4
61	05264-21	JS GLOBAL CAPITAL LIMITED	79,000
62	05736-15	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1,719,727
63	05884-12161	EDULJEE DINSHAW HOLDING COMPANY (PVT) LTD	6,250
64	05884-24984	M. B. I. INDUSTRIES (PRIVATE) LIMITED	33,500
65	06270-29	GROWTH SECURITIES (PVT) LTD.	1,000
66	06445-28	DARSON SECURITIES (PRIVATE) LIMITED	5,500

Pattern of Shareholding

Others

S.No.	Folio	Name	Holding
67	06452-27	ARIF HABIB LIMITED	1,500
68	06452-43019	SHARMEEN FOODS (PVT.) LIMITED	11,883
69	06452-44140	CITY SCHOOLS GROUP EMPLOYEES PROVIDENT FUND	164,369
70	06452-51103	BPS GROUP COMPANIES EMPLOYEES PROVIDENT FUND	91,080
71	06452-70822	SIDDIQ LEATHER WORKS (PVT) LIMITED	144,596
72	06502-5986	UNITED TOWEL EXPORTERS (PVT.) LIMITED	12,937
73	06684-154214	YOUSUF YAQOOB KOLIA AND COMPANY (PRIVATE) LIMITED	6,709
74	06684-204365	AL HAYY TRADING (PRIVATE) LIMITED	10,975
75	06684-29	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LIMITED	1,500
76	06890-24	MAYARI SECURITIES (PVT) LIMITED	12,000
77	07229-23	ALTAF ADAM SECURITIES (PVT) LTD.	34,500
78	07286-27	DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED	25,151
79	07443-27	Y.H. SECURITIES (PVT.) LTD.	58,500
80	07450-35337	DIYANAH ISLAMIC FINANCIAL SERVICES (PVT.) LIMITED	7,187
81	10629-382088	SIDDIQ LEATHER WORKS (PVT) LTD	204,123
82	11387-29150	B. K. SAADAAN (PVT) LIMITED	45,712
83	11692-21	ABA ALI HABIB SECURITIES (PVT) LIMITED	90,275
84	12484-7807	BRAVISTO (PVT) LIMITED	1
85	12666-1120	Trustees of Pakistan Human Development Fund	28,750
86	12666-1971	TRUSTEE PAKISTAN PETROLEUM EXECUTIVE STAFF PENSION FUND	100,000
87	12666-2169	HRSG OUTSOURCING (PVT) LIMITED EMPLOYEES GRATUITY FUND	57,500
88	12666-2177	HRSG OUTSOURCING (PVT) LIMITED EMPLOYEES PROVIDENT FUND	172,500
89	12690-2281	KHAADI (SMC-PRIVATE) LIMITED EMPLOYEES PROVIDENT FUND	12,000
90	12922-21	ABA ALI HABIB SECURITIES (PVT) LIMITED - MT	114,393
91	12997-24	TOPLINE SECURITIES LIMITED - MF	206,500
92	13219-26	BMA CAPITAL MANAGEMENT LTD. - MT	41,540
93	13649-24	JS GLOBAL CAPITAL LIMITED - MF	501
94	14118-27	ASDA SECURITIES (PVT.) LTD.	28,718
95	14241-22	FIKREES (PRIVATE) LIMITED	25
96	14258-21	TRADE SMART SECURITIES (PRIVATE) LIMITED	2,300
97	14415-21	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	3,750
98	14571-550	F. D. REGISTRAR SERVICES (SMC-PRIVATE) LIMITED.	3,500
99	14746-21	KTRADE SECURITIES LIMITED	2,875
100	15057-24	NINI SECURITIES (PRIVATE) LIMITED	1,150
101	15180-29	R.T. SECURITIES (PVT) LIMITED	5,000
102	16576-20	INTERMARKET SECURITIES LIMITED - MF	5,000
103	16659-20	LSE FINANCIAL SERVICES LIMITED - MT	14,000
104	16782-25	CDC - TRUSTEE AGPF EQUITY SUB-FUND	9,855
105	16808-21	CDC - TRUSTEE AGPF EQUITY SUB-FUND	6,307
106	16857-26	MRA SECURITIES LIMITED - MF	83,854
107	16865-25	BAWA SECURITIES (PVT) LTD. - MF	45,657
108	16899-22	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF	89,028
109	16949-25	DAWOOD EQUITIES LIMITED - MF	998
110	17053-22	ORIENTAL SECURITIES (PRIVATE) LIMITED - MF	21,200
111	17509-26	TRUST SECURITIES & BROKERAGE LIMITED - MF	2,388
112	17699-538	FIRST AVENUE (PRIVATE) LIMITED	9,000
113	18432-1122	AHSAM SECURITIES (PRIVATE) LIMITED	6,500
114	18432-2245	SAYA SECURITIES (PRIVATE) LIMITED	17,250
115	18432-36912	S. D. MIRZA SECURITIES (PVT.) LIMITED	50,000
116	18432-504	INA SECURITIES (PVT.) LIMITED	2,875
117	18432-5594	Z. A GHAFAR SECURITIES (PRIVATE) LIMITED	10,000
118	18432-88228	KHYBER INTERNATIONAL PAK (PVT) LTD	3,500
119	18432-89747	CONTINENTAL PLASTIC INDUSTRIES (PRIVATE) LIMITED	1,437
120	18614-22	CDC - TRUSTEE FAYSAL ISLAMIC PENSION FUND-EQUITY SUB FUND	4,000
121	19125-21	ORBIT SECURITIES (PRIVATE) LIMITED	14,000
122	19273-24	ORBIT SECURITIES (PRIVATE) LIMITED - MF	1,000
TOTAL			12,539,442

Financial Statements
for the year ended December 31, 2023



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVANCEON LIMITED

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Avanceon Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2023, the unconsolidated statement of profit or loss, the unconsolidated statement of other 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 material 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 other 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 December 31, 2023 and of the unconsolidated profit and the unconsolidated statement of other comprehensive income, the unconsolidated changes in equity and its unconsolidated 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.

Emphasis of matter

We draw attention to Note 8 to the unconsolidated financial statements which states that during the audit errors have been identified in respect of fraudulent revenue recognition from certain customers in its subsidiary entities in UAE and Qatar relating to financial statements for the years ended December 31, 2018, December 31, 2020 and December 31, 2021 audited by predecessor auditors. The Note 8 provides details regarding consequential corrections and restatement related to dividends declared from the subsidiaries and corresponding reversal of dividends income in the Company. These errors have been corrected by restating the comparative figures retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.' Our opinion is not modified in respect of this matter.

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:

S. No	Key audit matters	How the matter was addressed in our audit
1.	<p>Revenue Recognition</p> <p>The Company's revenue is derived from various revenue streams, as referred to in Note 30 to the accompanying unconsolidated financial statements which primarily includes sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases lead to revenue being recognized over multiple accounting periods.</p> <p>Revenue is recognized based on performance obligations as mentioned in Note 7.14 to the accompanying unconsolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to complete.</p> <p>Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process we have identified measurement of revenue recognition as a key audit matter.</p> <p>With reference to Note 8 to the accompanying financial statements; "Restatement-Correction of errors", the auditor is required to evaluate the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • 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; • Selected a sample of revenue transactions recognized during the year and recalculated of the revenue recognized along with evaluation of the management basis used in determining the performance obligations in accordance with accounting policies;

S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Tested the IT systems through which transactions are processed and revenue is recorded to ensure that they are accurately capturing and reporting revenue transactions in line with recognized accounting policies; • Assessed IT general controls and application controls for effectiveness in processing revenue transactions; • Reviewed cut-off procedures around the reporting period end to ensure transactions were recorded in the correct accounting period; • Performed tests on a sample of revenue transactions recorded just before and just after the year-end to ensure these were recognized in accordance with the revenue recognition policy; • Conducted analytical procedures to compare current period revenue trends with historical data, budgeted figures, and industry norms to identify unexpected variances; • Performed a three-way match among recorded revenue, bank receipts, and customer invoices to confirm that the revenue recorded was supported by cash receipts and matched to specific customer billings; • Evaluated the reasonableness of assumptions and estimates made by management in the context of historical performance and industry trends; • Assessed the appropriateness of disclosures in the unconsolidated financial statements in relation to revenue; and • Obtained additional written representations as required under the International Standards on Auditing -240

S. No	Key audit matters	How the matter was addressed in our audit
2	Related Party Transactions	
	<p>The Company is the parent entity in a Group of the following companies:</p> <ul style="list-style-type: none"> • Avanceon QFZ LLC Qatar (100% subsidiary). • Avanceon Automation and Control W.L.L Qatar (49% subsidiary). • Avanceon F.Z.E UAE (100% Subsidiary). • Avanceon Saudi for Energy Company KSA (100% Subsidiary). • Avanceon Arabia for infotech (Joint Venture) with Zamil (60%; Avanceon Saudi Energy Company, 40 %; Zamil). • USA based sub-subsidiary Octopus Digital FZ LLC Dubai (100% subsidiary) and Octopus Digital Inc. USA (formerly Innovative Automation Inc. (100% shareholding). • The Company also has Pakistan based subsidiaries, including Octopus Digital Limited and EmpiricAI (Private) Limited. <p>Nature of transactions with related parties includes sale and purchase of equipment, agency commission, management fee, back-office support, fee for technical services and dividend (as disclosed in note 39 to the accompanying unconsolidated financial statements) leading to a significant amount of investments, trade debts and other receivable balances of Rs. 5,659.247 million, Rs. 1,910.804 million and Rs. 523.787 million as disclosed in Notes 10, 13 and 15 respectively which in aggregate contribute to 77 % of total assets.</p> <p>The inter-company transactions and balances require significant auditor attention as the amounts are material to the unconsolidated financial statements as a whole and are hence considered as Key Audit Matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • 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; • Reviewed 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 under the fourth schedule to the Companies Act, 2017; • Obtained an understanding of the company's policies and procedures for calculating and recording Expected Credit Losses (ECL) on related party balances; • Performed analytical procedures to assess the reasonableness and adequacy of ECL calculations across group entities;



S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Obtained an understanding of the Company's policies and procedures for determining and booking markups on intercompany balances, in accordance with Section 199 of the Companies Act 2017; and • Performed analytical procedures to assess the consistency and reasonableness of markup calculations applied to intercompany balances.

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.

The 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the 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.

BDO



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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of cash flows and the unconsolidated statement of changes in equity together with the unconsolidated 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.

LAHORE

DATED: APRIL 27, 2024

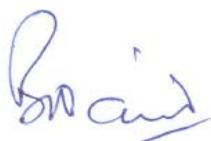
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BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

		2023	2022 Restated	2021 Restated
		(Rupees in thousand)		
ASSETS	Note			
NON CURRENT ASSETS				
Property and equipment	9	668,857	633,475	423,363
Long-term investments	10	5,653,595	4,971,959	3,913,589
Long-term loans, deposits and other receivables	11	5,652	8,697	4,285
		<u>6,328,104</u>	<u>5,614,131</u>	<u>4,341,237</u>
CURRENT ASSETS				
Stock in trade	12	85,282	37,577	54,662
Trade debts	13	2,605,931	1,738,253	1,076,211
Contract assets	14	674,306	228,416	182,197
Advances, deposits, prepayments and other receivables	15	772,474	916,988	503,441
Short-term investments	16	-	174	185
Cash and bank balances	17	84,586	82,469	111,387
		<u>4,222,579</u>	<u>3,003,877</u>	<u>1,928,083</u>
TOTAL ASSETS		<u>10,550,683</u>	<u>8,618,008</u>	<u>6,269,320</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	18.1	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid up capital	18.2	3,762,978	3,247,006	2,565,934
Share premium	19	451,420	314,512	144,188
Reserves				
Revenue reserves - accumulated profits		3,113,645	1,977,814	1,430,023
Employees' share compensation reserve	20	168,683	155,662	172,657
Surplus on revaluation of property	21	330,636	332,208	256,297
		<u>7,827,362</u>	<u>6,027,202</u>	<u>4,569,099</u>
NON CURRENT LIABILITIES				
Long term diminishing musharaka	22	123,841	112,707	57,949
Deferred taxation	23	-	-	8,100
		<u>123,841</u>	<u>112,707</u>	<u>66,049</u>
CURRENT LIABILITIES				
Current portion of long term diminishing musharaka	22	60,997	40,764	28,566
Current portion of long term loan		-	-	23,551
Current portion of deferred grant		-	-	269
Loan from subsidiary company	24	-	300,000	-
Short term borrowings	25	294,466	309,997	543,353
Creditors, accrued and other liabilities	26	1,841,748	1,433,658	747,478
Contract liabilities	27	249,434	217,397	157,987
Unclaimed dividend	28	152,835	176,283	132,968
		<u>2,599,480</u>	<u>2,478,099</u>	<u>1,634,172</u>
TOTAL EQUITY AND LIABILITIES		<u>10,550,683</u>	<u>8,618,008</u>	<u>6,269,320</u>
CONTINGENCIES AND COMMITMENTS	29			

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



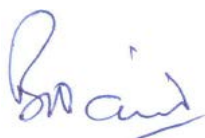
DIRECTOR

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	(Rupees in thousand)	
			Restated
Revenue from contracts with customers - net	30	2,857,594	1,864,524
Cost of revenue	31	(1,930,567)	(1,305,701)
Gross profit		<u>927,027</u>	<u>558,823</u>
Administrative and selling expense	32	(845,621)	(787,938)
Other expense	33	(6,578)	(7,539)
Other income	34	1,875,323	1,960,748
		<u>1,023,124</u>	<u>1,165,271</u>
Operating profit		1,950,151	1,724,094
Finance cost	35	(212,851)	(155,571)
Profit before taxation		<u>1,737,300</u>	<u>1,568,523</u>
Taxation	36	(112,218)	(112,400)
Profit after taxation		<u><u>1,625,082</u></u>	<u><u>1,456,123</u></u>
			Restated
Earnings per share - Basic (Rupees)	37	<u>4.33</u>	<u>3.88</u>
Earnings per share - Diluted (Rupees)	37	<u>4.26</u>	<u>3.82</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

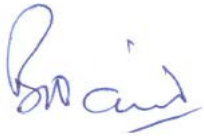


DIRECTOR

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	Restated	
Note	(Rupees in thousand)	
Profit after taxation	1,625,082	1,456,123
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation surplus of land and building - net of tax	21	-
Items that may be reclassified subsequently to profit or loss	-	76,741
Total comprehensive income for the year	<u>1,625,082</u>	<u>1,532,864</u>

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

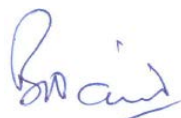


DIRECTOR

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Issued, subscribed and paid-up capital	Capital Reserves			Revenue Reserves	Total
		Share Premium	Employees' Share Compensatio n Reserve	Surplus on Revaluation of Property	Accumulated Profits	
Note -----(Rupees in thousand)-----						
Balance as at January 01, 2022 as previously reported	2,565,934	144,188	172,657	256,297	2,083,036	5,222,112
Effect of restatement	8	-	-	-	(653,013)	(653,013)
Balance as on January 01, 2022 - restated	2,565,934	144,188	172,657	256,297	1,430,023	4,569,099
Total comprehensive income for the year						
Profit for the year - restated	-	-	-	-	1,456,123	1,456,123
Other comprehensive income	-	-	-	76,741	-	76,741
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	(830)	830	-
Bonus share for the year ended December 31, 2021 @ 25% Employee share option reserve	649,401	-	-	-	(649,401)	-
10% final dividend for the year ended December 31, 2021 @ Rs 1 per share	-	-	144,382	-	-	144,382
Issuance of shares against employee share option scheme	31,671	170,324	(161,377)	-	-	40,618
	681,072	170,324	(16,995)	75,911	547,791	1,458,103
Balance as at December 31, 2022	3,247,006	314,512	155,662	332,208	1,977,814	6,027,202
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,625,082	1,625,082
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	(1,572)	1,572	-
Bonus share for the year ended December 31, 2022 @ 15% Employee share option reserve	490,823	-	-	-	(490,823)	-
Issuance of shares against employee share option scheme	25,149	136,908	(124,073)	-	-	37,984
	515,972	136,908	13,021	(1,572)	1,135,831	1,800,160
Balance as at December 31, 2023	3,762,978	451,420	168,683	330,636	3,113,645	7,827,362

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

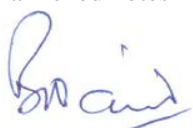


DIRECTOR

AVANCEON LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	(Rupees in thousand)	
			Restated
Cash flows from operating activities			
Cash generated from operations	38	679,138	421,467
Finance cost paid		(210,735)	(93,503)
Income tax paid		(120,400)	(104,375)
Net cash generated from operating activities		348,003	223,589
Cash flows from investing activities			
Purchase of property and equipment	9	(138,708)	(49,009)
Proceeds from sale of property and equipment	9	20,205	27,731
Profit on bank deposits	34	1,551	1,738
Increase in long-term loans, deposits and other receivables - net		3,045	(4,413)
Purchase of short-term investment		(148)	-
Net cash used in investing activities		(114,055)	(23,953)
Cash flows from financing activities			
Dividend paid	28	(23,448)	(216,446)
Issuance of shares		25,149	31,671
Finances under mark up arrangements and other credit facilities -net		(315,531)	66,644
Long-term loan paid		-	(23,820)
Premium on issuance of shares		136,908	-
Repayment of long term diminishing musharaka		(54,909)	(86,603)
Net cash used in financing activities		(231,831)	(228,554)
Net increase / (decrease) in cash and cash equivalents		2,117	(28,918)
Cash and cash equivalents at the beginning of the year		82,469	111,387
Cash and cash equivalents at the end of the year	17	84,586	82,469

The annexed notes from 1 to 49 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 DECEMBER 31, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Company) was incorporated in Pakistan on March 26, 2003 as a private limited Company which was converted to a public Company on March 31, 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.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 19 km, Multan Road, Lahore 54500. Following are the business units of the Company along with their respective locations:

BUSINESS UNIT	LOCATION
----------------------	-----------------

Head office	The Avanceon Building, 19 km, Multan Road, Lahore 54500.
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REGIONAL OFFICES

Karachi	MA Tabba Foundation Building, First Floor, Gizri Road Block 9 Clifton Karachi, Sindh 75600.
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Islamabad	Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000.
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3 GROUP RESTRUCTURING

3.1 Disposal of Empiric AI (Private) Limited

On September 30, 2023, in accordance with the business transfer/sale agreement between the Octopus Digital Limited and the Company, the Octopus Digital Limited acquired 100% shares of Empiric AI (Private) Limited from the Company.

The consideration is settled by adjusting the short term finance from Octopus Digital Limited amounted to Rs. 300.00 million, and markup on short term loan amounted to Rs. 91.622 million and current account balance amounted to Rs. 48.40 million as disclosed in Note 24 and 26.

3.2 Acquisition of Avanceon Saudi Energy Company

During the year, the Company has acquired 100 percent shares in Avanceon Saudi Energy Company at cost for Rs. 0.754 million, representing 10 ordinary shares of SAR 1000 each, from its wholly owned subsidiary Avanceon Free Zone Establishment (AVFZE).

4 BASIS OF PREPARATION

4.1 Statement of compliance

These unconsolidated 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 and IFAS, 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.

4.2 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for :

- measurement of certain financial instruments at fair value;
- the measurement of property at revalued amounts; and
- certain foreign currency translation adjustments.

4.3 Functional and presentation currency

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

5 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2023

The following standards, amendments and interpretations are effective for the year ended December 31, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the unconsolidated financial statements other than certain additional disclosures.

Standard or interpretations

Effective date (annual periods beginning on or after)

Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements- Disclosure of Accounting Policies'

January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimate

January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction

January 01, 2023

Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes

January 01, 2023

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the unconsolidated financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the unconsolidated financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 7 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

5.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's unconsolidated financial statements other than certain additional disclosures.

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements

January 01, 2024

Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions

January 01, 2024

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
IFRS 17 Insurance Contracts	January 01, 2026

IFRS 1 standard has been issued by IASB effective from 01, July 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's material accounting policies are stated in Note 7. Not all of these material 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 unconsolidated 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 unconsolidated financial statements are as follows:

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

Estimates of useful life of property and equipment 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 and equipment, with corresponding effects on the depreciation charge and impairment. Further, the Company estimates the revalued amounts of land and building on regular basis. The estimates are based on valuation carried out by an independent valuer expert under the market conditions.

b) Allowance for expected credit losses

For trade and other receivables other than related parties, 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. 7.6.1 (d). For trade and other receivables from related parties, the Company calculates allowance for expected credit loss based upon repayment/settlement estimates considering time value of money only.

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 20.

7 MATERIAL ACCOUNTING POLICIES

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

7.1 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% (2022:10%) of the basic salary.

7.2 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.

7.3 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 are credited to surplus on revaluation of property. 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 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 9.1 to the unconsolidated 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 unconsolidated statement of 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 and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on depreciation charge.

7.4 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.

7.5 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.

7.6 Financial instruments

7.6.1 Financial assets

a) Initial recognition and measurement

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

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

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

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

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

b) Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

- (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 unconsolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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

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

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

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

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

c) Derecognition

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

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

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

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

d) Impairment of financial assets

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

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

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

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

7.6.2 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated 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.

7.6.3 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 unconsolidated 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 41.2.

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 unconsolidated 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.

7.6.4 Dividend income

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

7.6.5 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.

7.7 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 7.6.1(d).

Trade debts

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in Note 13.3 and 13.4.

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.

7.8 Cash and cash equivalents

Cash and cash equivalents are carried in the unconsolidated statement of financial position at cost. For the purpose of unconsolidated statement of cash flows, 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.

7.9 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.

7.10 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 unconsolidated statement of profit or loss over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

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

7.11 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.

7.12 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.

7.13 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 unconsolidated statement of profit or loss.

7.14 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. The revenue from rendering of services is recognized at a point over time.

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. The project revenue is recognized at a point over time.

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. 792.562 million (2022: Rs. 724.761 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.

7.15 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

7.16 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 exercise price determined on the date of grant of options.

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.

7.17 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 calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

8 RESTATEMENT - CORRECTION OF PRIOR PERIOD ERRORS

During the year, errors have been identified in respect of revenue recognition relating to the years ended December 31, 2018, December 31, 2020 and December 31, 2021 from certain customers in its subsidiary entities in UAE and Qatar, by fraudulent act of rogue individuals in the Company. The errors have been corrected by restating the comparative figures retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.' As a result, thereof, the dividend declarations from these subsidiaries have also been reversed, impacting recognition of corresponding dividend income for the Company. The effect on prior periods for reversal of dividend is presented below:

8.1 The summary of effect on prior periods is presented below:

	As previously reported	Restatement	As restated
(Rupees in thousand)			
As at December 31, 2021			
Effect on unconsolidated statement of financial position :			
Advances, deposits, prepayments and other receivables	1,156,454	(653,013)	503,441
Revenue reserves - accumulated profits	2,083,036	(653,013)	1,430,023
As at December 31, 2022			
Effect on unconsolidated statement of financial position :			
Advances, deposits, prepayments and other receivables	1,850,690	(933,702)	916,988
Revenue reserves - accumulated profits	2,911,516	(933,702)	1,977,814
For the year ended December 31, 2022			
Effect on unconsolidated statement of profit or loss :			
Other operating income- decrease in exchange gain	2,167,122	(206,374)	1,960,748
Admin and selling expenses- increase in ECL	713,623	74,315	787,938

	Note	2023 (Rupees in thousand)	2022 (Rupees in thousand)
9 Property and equipment	9.1	<u>668,857</u>	<u>633,475</u>

9.1 The following is the statement of fixed assets:

Description	Freehold land	Buildings on freehold land	Tools and Equipment	Furniture and fixture	Office equipment and appliances	Computers	Vehicles	Total
	(Rupees in thousand)							
Owned assets								
Net carrying value basis								
Year ended December 31, 2023								
Opening net book value (NBV)	290,550	107,984	1,620	2,622	5,759	39,849	185,091	633,475
Additions - at cost	-	6,060	-	2,958	1,260	25,082	103,348	138,708
Disposals (NBV)	-	-	-	-	-	-	(10,892)	(10,892)
Depreciation charge	-	(3,902)	(958)	(986)	(2,252)	(23,359)	(60,977)	(92,434)
Closing net book value	<u>290,550</u>	<u>110,142</u>	<u>662</u>	<u>4,594</u>	<u>4,767</u>	<u>41,572</u>	<u>216,570</u>	<u>668,857</u>
Gross carrying value basis								
Year ended December 31, 2023								
Cost / revalued amount	290,550	116,296	4,791	19,752	38,492	107,218	420,570	997,669
Accumulated depreciation	-	(6,154)	(4,129)	(15,158)	(33,725)	(65,646)	(204,000)	(328,812)
Net book value	<u>290,550</u>	<u>110,142</u>	<u>662</u>	<u>4,594</u>	<u>4,767</u>	<u>41,572</u>	<u>216,570</u>	<u>668,857</u>
Net carrying value basis								
Year ended December 31, 2022								
Opening net book value (NBV)	223,500	90,422	2,366	649	4,810	16,173	85,443	423,363
Additions - at cost	-	6,195	179	2,511	3,052	37,072	153,559	202,568
Revaluation during the year (note 21)	67,050	13,619	-	-	-	-	-	80,669
Disposals (NBV)	-	-	-	-	(8)	-	(12,927)	(12,935)
Depreciation charge	-	(2,252)	(925)	(538)	(2,095)	(13,396)	(40,984)	(60,190)
Closing net book value	<u>290,550</u>	<u>107,984</u>	<u>1,620</u>	<u>2,622</u>	<u>5,759</u>	<u>39,849</u>	<u>185,091</u>	<u>633,475</u>
Gross carrying value basis								
Year ended December 31, 2022								
Cost / revalued amount	290,550	110,236	4,791	16,794	37,232	82,136	328,114	869,853
Accumulated depreciation	-	(2,252)	(3,171)	(14,172)	(31,473)	(42,287)	(143,023)	(236,378)
Net book value	<u>290,550</u>	<u>107,984</u>	<u>1,620</u>	<u>2,622</u>	<u>5,759</u>	<u>39,849</u>	<u>185,091</u>	<u>633,475</u>
Depreciation rate % per annum	-	5	20	20	20	33.33	20	

Note	2023 (Rupees in thousand)	2022
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9.1.1 The depreciation charge for the year has been allocated as follows:

Cost of revenue	31	46,217	30,095
Administrative and selling expense	32	46,217	30,094
		92,434	60,189

9.1.2 Fair value of the land and building as at December 31, 2022 was determined by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. The management estimates that the fair value of revalued assets as at December 31, 2023 is not materially different from last year. The valuation for the year ended December 31, 2022 was performed based on proprietary databases of prices of transactions for assets of similar nature, location and condition. This revaluation resulted in revaluation surplus of Rs. 67.050 million on land and Rs. 13.619 million) in respect of building. Detailed particulars of last year revaluation are as follows:

	Carrying value before revaluation	Revalued amount
	(Rupees in thousand)	
Freehold land	223,500	290,550
Buildings on freehold land	94,365	107,984
	317,865	398,534

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

	2023 (Rupees in thousand)	2022
Freehold land	8,647	8,647
Buildings on freehold land	41,812	38,082
	50,459	46,729

9.1.3 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.

9.1.4 The forced sales value of revalued assets at the revaluation date amounted to Rs. 334.955 million.

9.1.5 The property and equipment include fully depreciated assets amounting to Rs. 23.059 million (2022: Rs. 16.440) which are still in use of the Company.

9.1.6 Disposal of Property and equipment

The following property and equipment were disposed off during the year:

Description	Cost	Accumulated depreciation	Net book value	Adjustments/ Proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
	(Rupees in thousand)						
Owned Vehicles							
Corolla Gli 138B Mt 1299Cc Lhe-17-1458	1,846	1,846	-	2,800	2,800	Bidding	Local scrap dealer in open market
Corolla Gli 138B Mt 1299Cc Le-17-1459	1,848	1,848	-	3,315	3,315	Bidding	Local scrap dealer in open market
	3,694	3,694		6,115	6,115		
Leased Asset							
Honda City 1500Cc Lea-18A-5688 Ali Zafar	1,840	1,748	92	711	619	As per policy	Employee (Mian Ali Zafar)
Honda Civic 1.8 Oriel Lec-18A-9148	3,087	2,778	309	872	563	As per policy	Employee (Nasir Ali)
Suzuki Waginr Vxl Manual-Lec-18A-9320	1,265	1,139	126	267	141	As per policy	Employee (Mohsin Jamshed)
Yaris Ativ * Cvt N.B.Rehan Bat-402	4,430	886	3,544	3,878	334	As per policy	Employee (Nauman Bin Rehan)
Suzuki Swift (Led-19-4371)	1,734	1,589	145	479	334	As per policy	Employee (Muhammad Bilal Anwar)
Honda City 1.5 Mna Lec-18-1434	1,917	1,917		375	375	As per policy	Employee (Muhammad Nauman Ahsan)
Honda City (Led-19-2947)	1,906	1,779	127	824	697	As per policy	Employee (Ahad Omer)
Toyota Xli Lea-18A-4160	1,962	1,962		811	811	As per policy	Employee (Mehran Hassan)
Honda Civic 1.8 I-Vtec Oriel (Bpt-931)	3,108	2,901	207	1,423	1,216	As per policy	Employee (Muhammad Saad)
Proton X70 Bl-0373	6,891	1,378	5,513	3,288	(2,225)	As per policy	Employee (Obaid Ur Rehman)
Prince Pearl M/T Aeq-842 Tool Car	1,157	328	829	800	(29)		
	29,297	18,405	10,892	13,728	2,836		
Office equipment and appliances							
1 Ton Split Ac	25	25	-	15	15	In open market	Local scrap dealer (Tanveer Iqbal)
1 Ton Split Ac	25	25	-	15	15	In open market	Local scrap dealer (Tanveer Iqbal)
1 Ton Split Ac	25	25	-	15	15	In open market	Local scrap dealer (Tanveer Iqbal)
1.5 Ton Split Ac	35	35	-	22	22	In open market	Local scrap dealer (Tanveer Iqbal)
1.5 Ton Split Ac	35	35	-	22	22	In open market	Local scrap dealer (Tanveer Iqbal)
Cabinet Type Ac-4.5Ton-Xfr Fm	97	97	-	59	59	In open market	Local scrap dealer (Tanveer Iqbal)
Cabinet Type Ac-4.5Ton-Xfr Fm	97	97	-	59	59	In open market	Local scrap dealer (Tanveer Iqbal)
Cabinet Type Ac-4.5Ton-Xfr Fm	97	97	-	59	59	In open market	Local scrap dealer (Tanveer Iqbal)
Split Ac 2 Ton	42	42	-	29	29	In open market	Local scrap dealer (Tanveer Iqbal)
Orient 2 Ton- Split Ac In Mosque Area	63	63	-	29	29	In open market	Local scrap dealer (Tanveer Iqbal)
	541	541	-	324	324		
Furniture and Fixture							
H/B Mesh Revolving Chair, Mediam Back (Qty 38)	332	332	-	38	38	In Open Market	Local scrap dealer
Total - 2023	33,864	22,972	10,892	20,205	9,313		
Total - 2022	57,186	44,251	12,935	27,731	14,796		

10 LONG-TERM INVESTMENTS

Note	2023		2022	
	Equity % held	Investment at cost	Equity % held	Investment at cost
		(Rupees in '000)		(Rupees in '000)
Investment in subsidiaries - at cost				
Avanceon FZE Dubai				
- 37 (2022 : 26) fully paid ordinary shares of AED 1 million each	10.1	100	1,331,043	473,671
- Long-term interest free receivables	10.8		2,881,326	2,332,349
			4,212,369	2,806,020
Avanceon Automation and Control W.L.L, Qatar				
- 98 (2022 : 98) fully paid ordinary shares of QAR 1,000 each	10.2	49	8,446	8,446
- Long-term interest free receivables	10.8		1,420,474	1,209,180
			1,428,920	1,217,626
Octopus Digital Limited (ODL)				
Opening balance (101,632,595 shares (2022: 109,399,995 shares)		74	10,000	10,000
Shares disposed during the year (Nil)	10.3		-	-
Closing balance (101,632,595 shares (2022: 101,632,595 shares)			10,000	10,000
This subsidiary is listed on Pakistan Stock Exchange and as of reporting date the market value of the Company's investment is Rs. 5,730,045,706 (2022: Rs. 7,902,950,587).				
Avanceon Saudi For Energy Company, KSA (AVSEC)				
- 10 (2022 : Nil) fully paid ordinary shares of SAR 10,000 each 1,000	10.4	100	754	0
Avanceon QFZ LLC Qatar				
- 20 (2022 : Nil) fully paid ordinary shares of QAR 20,000 each 1,000	10.5	100	1,552	0
Octopus Digital Inc.				
- Long-term interest free receivable	10.6	100	-	498,290
Empiric AI (Private) Limited				
- 47,500,000 fully paid ordinary shares of Rs. 10 each	10.3	74	-	440,023
			<u>5,653,595</u>	<u>4,971,959</u>

- 10.1 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.
- 10.2 Avanceon Automation and Control W.L.L (AVAC) is an Establishment with limited liability registered under the Ministry of Economy and Commerce, state of Qatar on May 22, 2017 with Registration No. is 99027. Its registered office is situated in Al Jaber Engg. HO Building, PO Box: 15976, Fox Hills, Lusail, Doha - Qatar. The principal activities of the 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.
- 10.3 On December 30, 2022, in accordance with the share swap arrangement, the Company disposed of shares 7,767,400 ordinary shares of Octopus Digital Limited (subsidiary of the Company) to Dawood Hercules Corporation Limited (DAWH) in exchange for 100% shareholding of Empiric AI (Private) Limited (EAI) (a wholly owned subsidiary of Dawood Hercules Corporation Limited) by issuing authorisation to the Central Depository Company of Pakistan Limited in favour of Dawood Hercules Corporation Limited (DAWH).
- On September 30, 2023, in accordance with the business transfer/sale agreement between the Octopus Digital Limited (ODL) and the Company, ODL acquired 100% shares of EAI from the Company. The consideration is settled by adjusting the short term finance from ODL amounted to Rs. 300.00 million, and markup on short term loan amounted to Rs. 91.622 million and current account balance amounted to Rs. 48.40 million as disclosed in Note 24 and 26.
- 10.4 This represents the Company's investment in 100 percent shares in AVSEC amounting to Rs. 0.754 million made during the year. The AVSEC has been acquired from AVFZE at cost during the year. AVSEC is a Single Person Mixed Limited Liability Company registered in Kingdom of Saudi Arabia and operating under Commercial Registration No. 1010676690 dated 12/05/1442H, co+B26rresponding to 27/12/2021G. The AVSEC is engaged in repairs and maintenance of power and control stations, installation of control equipment for industrial operation, design and programming of special projects, registering for providing cloud services and management of energy efficiency projects. The registered office of the AVSEC is Riyadh, Saudi Arabia.
- 10.5 Avanceon QFZ L.L.C. (AVQFZ), is a Limited Liability Company registered with the Qatar Free Zone Authority under FZA License No. FZA 194 obtained on November 05, 2020. The registered office of AVQFZ is at Zone No. PA-WH-04, Area-Ras Bufontas Free Zone, Street No. PO Box: 45976, Doha-Qatar. The primary objective is to manufacturing of measuring, testing, navigating and control equipment. This represents Avanceon Limited investment amounting to Rs. 1.552 million made during the year. Avanceon QFZ LLC is a wholly owned subsidiary in which the Company holds 100% shareholding (20) of each QAR 1,000. This investment was moved from AVAC to the Company to cover money owed by AVAC.
- 10.6 Octopus Digital Inc. (ODI) (formerly "Innovative Automation & Engineering Inc.") was incorporated in the state of Pennsylvania on October 26, 2006. It is a wholly owned subsidiary of Avanceon FZE. Its registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The primary objective of the entity was to hold equity interest in Avanceon LP (ALP) Nil (2022: 26.11%) directly and through Avanceon GP LLC, the General Partner. During the year, ODI has disposed off it's equity interest in ALP.

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

	Note	2023 (Rupees in thousand)	2022
10.8 Long-term interest free receivables			
Avanceon FZE		3,310,698	2,519,718
Less: Allowance for expected credit losses (ECL)		(429,372)	(187,369)
		<u>2,881,326</u>	<u>2,332,349</u>
Avanceon Automation and Control W.L.L		1,625,847	1,306,320
Less: Allowance for ECL		(205,373)	(97,140)
		<u>1,420,474</u>	<u>1,209,180</u>
Octopus Digital Inc.		-	538,320
Less: Allowance for ECL		-	(40,030)
		<u>-</u>	<u>498,290</u>
	10.8.1	<u><u>4,301,800</u></u>	<u><u>4,039,819</u></u>

10.8.1 Under the agreement between the Company and subsidiary Companies, amounts due from these subsidiary Companies have been classified as interest free long-term receivables, payable at discretion of these subsidiaries. The Company intends to make further equity investment in these subsidiaries after obtaining the applicable regulatory approvals which would then enable the subsidiaries to convert these amounts into equity. ECL on account of time value of money has been recognized on these receivables based upon the duly approved management plan to convert these balances into equity within twelve months from the reporting date.

11 LONG-TERM LOANS, DEPOSITS AND OTHER RECEIVABLES

Security deposits	11.1	4,813	5,386
Loan to employees	11.2	1,239	4,311
		<u>6,052</u>	<u>9,697</u>
Less: Current portion of loan to employees		(400)	(1,000)
		<u><u>5,652</u></u>	<u><u>8,697</u></u>

11.1 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.

11.2 Reconciliation of carrying amount of loans to employees:

Opening balance	4,311	3,409
Add: Disbursements during the year	-	7,939
Less: Repayments during the year	(3,072)	(7,037)

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.

	Note	2023 (Rupees in thousand)	2022
12 STOCK IN TRADE			
Local stock		1,482	1,480
Imported stock		83,800	36,097
		<u>85,282</u>	<u>37,577</u>
13 TRADE DEBTS			
Due from related parties	13.1	2,226,010	1,538,147
Less: Allowance for ECL	13.4	(315,206)	(146,508)
		1,910,804	1,391,639
Due from others	13.2	715,392	347,677
Less: Allowance for ECL	13.3	(20,265)	(1,063)
		695,127	346,614
		<u>2,605,931</u>	<u>1,738,253</u>

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

13.1 Due from related parties

Avanceon FZE	13.1.1	649,796	581,921
Avanceon Automation & Control WLL	13.1.2	1,131,999	815,572
Octopus Digital Limited	13.1.3	8,524	-
Avanceon Saudi Energy Company	13.1.4	372,012	140,654
Empiric AI (Private) Limited	13.1.5	63,679	-
		<u>2,226,010</u>	<u>1,538,147</u>

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

13.1.1 Ageing of Avanceon FZE

30 days	-	20,146
30 - 90 days	132,955	19,279
90 - 180 days	4,758	78,307
180 - 360 days	50,595	464,188
360 days and above	461,488	-
	<u>649,796</u>	<u>581,920</u>

13.1.2 Ageing of Avanceon Automation and Control WLL

30 days	-	35,949
30 - 90 days	69,844	62,311
90 - 180 days	41,536	202,721
180 - 360 days	317,072	514,591
360 days and above	703,547	-
	<u>1,131,999</u>	<u>815,572</u>

	Note	2023 (Rupees in thousand)	2022
13.1.3 Ageing of Octopus Digital Limited			
30 - 90 days		8,476	-
90 - 180 days		3	-
180 - 360 days		45	-
		<u>8,524</u>	<u>-</u>
13.1.4 Ageing of Avanceon Saudi Energy Company			
30 days		70,600	112,004
30 - 90 days		58,460	5,432
90 - 180 days		25,571	12,910
180 - 360 days		75,144	10,308
360 days and above		142,237	-
		<u>372,012</u>	<u>140,654</u>
13.1.5 Ageing of Empiric AI (Private) Limited			
30 days		63,679	-
30 - 90 days		-	-
90 - 180 days		-	-
180 - 360 days		-	-
		<u>63,679</u>	<u>-</u>
13.2 Ageing of due from others			
30 days		264,000	241,472
30 - 90 days		314,000	27,902
90 - 180 days		65,000	24,415
180 - 360 days		26,000	53,888
360 & Above		46,392	-
		<u>715,392</u>	<u>347,677</u>
13.3 Allowance for ECL - Others			
Balance as at January 01		1,063	1,638
Less: Allowance during the year	32	<u>19,202</u>	<u>(575)</u>
Balance as at December 31,		<u>20,265</u>	<u>1,063</u>
13.4 Allowance for ECL - Related parties			
Balance as at January 01,		146,508	57,224
Add: Allowance for the year	32	<u>168,698</u>	<u>89,284</u>
Balance as at December 31,		<u>315,206</u>	<u>146,508</u>
13.4.1	This represents the ECL on the account of time value of money based upon the duly approved management plan to recover these balances within twelve months from the reporting date. The credit loss is not expected in respect of these balances as all these parties are controlled by the Company.		

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

	Note	2023 (Rupees in thousand)	2022
Avanceon FZE		649,796	581,921
Avanceon Automation & Control WLL		1,131,999	815,572
Empiric AI Private Limited		63,679	-
Octopus Digital Limited		8,524	29,232
Avanceon Saudi for Energy Company		372,012	140,654

14 CONTRACT ASSETS

Earnings in excess of billings	14.1	621,150	178,553
Project deferred revenue		68,508	47,013
Project Revenue - unbilled		3,561	3,561
Less: Allowance for ECL	14.2	(18,913)	(711)
		<u>674,306</u>	<u>228,416</u>

14.1 Ageing of Earnings In Excess of Billings

Less than one year		554,150	155,520
One to two years		45,000	21,199
Two to three years		22,000	1,834
		<u>621,150</u>	<u>178,553</u>

14.2 Allowance for ECL

Balance as at January 01,		711	589
Add: Allowance for the year		18,202	122
Less: Reversal during the year	32	-	-
Balance as at December 31,		<u>18,913</u>	<u>711</u>

15 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		Restated	
Advances - considered good			
- To employees		36,292	33,146
- To suppliers		119,803	15,356
		156,095	48,502
Prepayments		10,081	15,608
Margin paid against bank guarantees / letters of credit		25,777	13,051
Tax refunds due from government - considered good - Sales tax		47,042	40,259
Earnest money - considered good		300	300
Retention money		1,257	-
Due from subsidiaries - unsecured			
Dividend receivable	15.1	425,044	423,342
- Others	15.1.3	62,073	373,154
		487,117	796,496
Markup receivable on intercompany current account		36,670	-
Other receivables - considered good		8,135	2,772
		<u>772,474</u>	<u>916,988</u>

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

		2023	2022
	Note	Restated (Rupees in thousand)	
Avanceon FZE		9,546	289,297
Avanceon Automation and Control WLL		492,237	270,704
Total dividend receivable		<u>501,783</u>	<u>560,001</u>
Less: Allowance for expected credit losses	15.1.2	<u>(76,739)</u>	<u>(136,659)</u>
		<u>425,044</u>	<u>423,342</u>

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

Avanceon FZE	9,546	289,297
Avanceon Automation and Control WLL	<u>492,237</u>	<u>270,704</u>

15.1.2 Allowance for ECL

Balance as at January 01,	136,659	43,718
Add: Allowance for the year	(59,920)	92,941
Balance as at December 31,	<u>76,739</u>	<u>136,659</u>

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

Avanceon Saudi Energy Company	19,624	-
Avanceon Arabia For Infotech (AAIT)	760	-
Empiric AI (Private) Limited	-	62
Avanceon FZE	41,866	352,986
Avanceon Automation and Control W.L.L.	11,301	20,106
Less: Allowance for expected credit losses	(11,478)	-
	<u>62,073</u>	<u>373,154</u>

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

Avanceon FZE	41,866	352,986
Avanceon Automation and Control WLL	<u>11,301</u>	<u>20,106</u>
Empiric AI (Private) Limited	-	62
Avanceon Arabia For Infotech (AAIT)	<u>760</u>	-
Avanceon Saudi for Energy Company	<u>19,624</u>	-

16 SHORT-TERM INVESTMENTS

	2023 (Number of shares)	2022	Fair value	
			2023 (Rupees in thousand)	2022
	-	424	-	174
			<u>-</u>	<u>174</u>

The General Tyre and Rubber
Company of Pakistan Limited

	Note	2023 (Rupees in thousand)	2022
17 CASH AND BANK BALANCES			
Cash in hand		71	21
Cash at banks			
Current accounts			
- Local currency		75,739	63,655
- Foreign currency		176	141
Savings accounts			
- Local currency	17.1	8,600	18,652
		84,515	82,448
		84,586	82,469

17.1 Profit on balances in saving accounts ranges from 13.9% to 20.5% (2022: 8.60% to 12.76%) per annum.

18 SHARE CAPITAL

18.1 Authorized share capital

	Note	2023 (Rupees in thousand)	2022
2023			2022
Number of ordinary shares of Rs. 10/- each			
<u>500,000,000</u>			<u>500,000,000</u>
	Ordinary shares of Rs. 10/- each	<u>5,000,000</u>	<u>5,000,000</u>

18.2 Issued, subscribed and paid up capital

	2023 Number of ordinary shares of Rs. 10/- each	2022	2023 (Rupees in thousand)	2022
	57,166,850	57,166,850	571,669	571,669
	305,528,427	256,446,099	3,055,284	2,564,461
	4,675,629	4,505,629	46,756	45,056
	1,750,820	858,519	17,508	8,585
	5,755,096	5,723,534	57,551	57,235
	1,421,028	-	14,210	
	<u>376,297,850</u>	<u>324,700,631</u>	<u>3,762,978</u>	<u>3,247,006</u>

	2023	2022
	Number of shares	
18.3 Movement during the year is as follows:		
Balance as at January 01,	324,700,631	256,593,358
Shares issued under Employees' Share Options Schemes during the year	2,514,891	3,167,147
Bonus shares issued during the year	49,082,328	64,940,126
Balance as at December 31,	<u>376,297,850</u>	<u>324,700,631</u>

19 SHARE PREMIUM

Opening balance	353,273	182,949
Employees Share Option Scheme	136,908	170,324
	490,181	353,273
Less: Costs incurred on Initial Public Offering	(38,761)	(38,761)
	<u>451,420</u>	<u>314,512</u>

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

20 EMPLOYEES' SHARE COMPENSATION RESERVE

Share options scheme I	20.1	-	5,273
Share options scheme II	20.2	-	8,470
Share options scheme III	20.3	3,729	4,483
Share options scheme IV	20.4	-	108,104
Share options scheme V	20.5	164,954	29,332
		<u>168,683</u>	<u>155,662</u>

20.1 Share options scheme I

Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 18, 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 September 26, 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:

Balance as at January 01,	5,273	7,339
Employee compensation expense	-	276
Adjustment of reserve for option holders resigning during the year	-	(275)
Transfer to share capital on issuance of shares during the period	(5,273)	(2,067)
Balance as at December 31,	<u>-</u>	<u>5,273</u>

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:

	2023		2022	
	Number	WAEP Rupees	Number	WAEP Rupees
Outstanding at January 01,	170,000	1.92	291,000	1.85
Forfeited during the year	-		(15,000)	1.85
Exercised during the year	(170,000)	1.92	(106,000)	1.73
Outstanding at December 31,	-		170,000	1.92
Exercisable at December 31,	-		170,000	

The weighted average share price at the date of exercise of these options was Rs. 78.93 (2022: Rs. 78.93).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was Nil years (2022: 0.56 years).

The range of exercise price for options outstanding at the end of the year was Rs. Nil (2022: Rs. 1.73 to Rs. 2.07).

20.2 Share options scheme II

Employee Stock Option Scheme, 2016 was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 01, 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%.

Note	2023 (Rupees in thousand)	2022
Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 01,	8,470	15,452
Employee compensation expense	5	1,870
Adjustment of reserve for option holders resigning during the year		(232)
Transfer to share capital on issuance of shares during the period	(8,475)	(8,620)
Balance as at December 31,	-	8,470

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:

	2023		2022	
	Number	WAEP Rupees	Number	WAEP Rupees
Outstanding at January 01,	892,302	21.06	1,776,822	22.60
Forfeited during the year	-		(26,001)	22.60
Exercised during the year	(892,302)	21.06	(858,519)	24.20
Outstanding at December 31,	-		892,302	21.06
Exercisable at December 31,	-		892,302	

The weighted average share price at the date of exercise of these options was Rs. 78.93 (2022: Rs. 75.12).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was Nil years (2022: 1.03 years).

The range of exercise price for options outstanding at the end of the year was Nil (2022: Rs. 16.80 to Rs. 24.20).

20.3 Share options scheme III

Employee Stock Option Scheme, 2018 was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 23, 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, 10.25 in 2023.

Note	2023 (Rupees in thousand)	2022
Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 01,	4,483	-
Employee compensation expense	1,467	4,483
Transfer to share capital on issuance of shares during the period	(2,221)	-
Balance as at December 31,	<u>3,729</u>	<u>4,483</u>

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:

	2023		2022	
	Number	WAEP Rupees	Number	WAEP Rupees
Outstanding at January 01,	78,437	12.15	-	-
Granted during the year	6,250	12.15	78,437	12.15
Exercised during the year	<u>(31,562)</u>	10.25	<u>-</u>	-
Outstanding at December 31,	<u>53,125</u>	12.15	<u>78,437</u>	12.15
Exercisable at December 31,	<u>53,125</u>	10.25	<u>78,437</u>	

The weighted average share price at the date of exercise of these options was Rs. 83.54 (2022: Rs. 61.96).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was 0.8 years (2022: 0.39 years).

The range of exercise price for options outstanding at the end of the year was Rs. 10 to Rs. 12.5 (2022: Rs. 10 to Rs. 10.5).

20.4 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.

Note	2023 (Rupees in thousand)	2022
Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 01,	108,104	149,866
Employee compensation expense	-	108,421
Adjustment of reserve for option holders resigning during the year	-	-
Transfer to share capital on issuance of shares during the period	(108,104)	(150,183)
Balance as at December 31,	<u>-</u>	<u>108,104</u>

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:

	2023		2022	
	Number	WAEP Rupees	Number	WAEP Rupees
Outstanding at January 01,	1,421,026	10.64	2,177,914	10.25
Granted during the year	-	-	1,421,026	11.03
Forfeited during the year	-	-	-	-
Exercised during the year	<u>(1,421,026)</u>	10.64	<u>(2,177,914)</u>	10.50
Outstanding at December 31,	<u>-</u>	-	<u>1,421,026</u>	10.64
Exercisable at December 31,	<u>-</u>	-	<u>1,421,026</u>	-

The fair value of options granted during the year was Nil (2022: Rs. 76.28).

The weighted average share price at the date of exercise of these options was Rs. 76.85 (2022: Rs. 71.19).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was Nil years (2022: 0.39 years).

The range of exercise price for options outstanding at the end of the year was Nil (2022: Rs. 10 to Rs. 10.5).

20.5 Share options scheme V

Employee Share Option Scheme, 2022 was approved by Securities and Exchange Commission of Pakistan (SECP) on 05 January 2022 which comprises of an entitlement pool of 10% of the paid-up capital of the Company as increased from time to time. Under the scheme, share options of the Company will be granted to permanent employees of all cadres based on the performance ranking process of the Company. The share options can be exercised within a period of maximum six months from the expiry of the minimum vesting period. The minimum vesting period is 12 months from the date of grant of options. Exercise Price of an option shall be determined from time to time by the Board of directors of the Company at the time of grant of option(s), which shall be calculated as the weighted average of the closing quoted market price of the share of the Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s). Provided further that options can be issued at a maximum discount of 90% of the weighted average of the closing market price of the share of the Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s) as determined by the Board. The exercise price shall not be in any case less than face value of Rs. 10/- per share.

Note	2023 (Rupees in thousand)	2022
Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 01,	29,332	-
Employee compensation expense	135,622	29,332
Balance as at December 31,	<u>164,954</u>	<u>29,332</u>

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:

	2023		2022	
	Number	WAEP Rupees	Number	WAEP Rupees
Outstanding at January 01,	2,425,013	-	-	-
Granted during the year	<u>3,299,379</u>	10.00	<u>2,425,013</u>	10.00
Outstanding at December 31,	<u>5,724,392</u>	10.00	<u>2,425,013</u>	10.00
Exercisable at December 31,	<u>5,724,392</u>		<u>2,425,013</u>	

The fair value of options granted during the year was Rs. 55.13 (2022: Rs. 61.95).

The weighted average share price at the date of exercise of these options was Rs. 57 (2022: Rs. 75.12).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was 0.8 years (2022: 0.59 years).

The range of exercise price for options outstanding at the end of the year was Rs. 10 to Rs. 10 (2022: Rs. 10.25 to Rs. 10.5).

20.6 The following tables list the inputs to the models used for the three plans for the years ended December 31, 2023 and 2022, respectively:

Expected volatility (%)	41%	43%
Risk-free interest rate (%)	9%	8%
Expected life of share options (years)	2.4	2.6
Weighted average share price (Rupees)	54.25	67.52
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

21 SURPLUS ON REVALUATION OF PROPERTY

Opening balance of surplus on revaluation of property	332,208	256,297
Revaluation surplus arising during the year - net of tax	-	76,741
Surplus transferred to unappropriated profit on account of incremental depreciation	(1,572)	(830)
Closing balance of surplus on revaluation of property - net of tax	<u>330,636</u>	<u>332,208</u>

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.

	Note	2023 (Rupees in thousand)	2022
22	LONG TERM DIMINISHING MUSHARAKA		
Long term financing -secured			
As at January 01,		153,471	86,515
Additions during the year		84,981	124,722
Accretion of interest		39,930	22,042
Payments / adjustments during the year		(93,544)	(79,808)
Less: Current portion		(60,997)	(40,764)
As at December 31,		<u>123,841</u>	<u>112,707</u>
22.1	The finance has been obtained under the Islamic mode of financing from First Habib Modaraba and MCB bank. The financed amount is repayable in 4 to 5 years (2022: 4 to 5 years). This carry profit ranges from 23.69% to 26.62% (2022: 10.95% to 19.05%) per annum .		

23 DEFERRED TAXATION

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

Accelerated tax depreciation / amortization		73,874	31,121
Allowance for doubtful debts / earnings		(752,203)	(377,166)
Unused tax losses		(384,135)	(180,951)
Minimum tax		-	(65,607)
Tax credit under Second Schedule		(116,182)	(400,628)
Surplus on revaluation of Property and equipment		-	13,621
Deferred tax on incremental depreciation		5,048	13,117
Income taxable on receipt basis		1,267,373	812,148
		<u>93,775</u>	<u>(154,345)</u>
Unrecognized deductible temporary differences	23.1	<u>93,775</u>	<u>(154,345)</u>
		<u>-</u>	<u>-</u>

23.1 The Company has not recognized deferred tax asset on net deductible temporary differences amounting to Rs. 93.775 million (2022: Nil) as the management expects that the Company will remain subject to minimum tax under Section 153.

Expiry of aggregate tax losses carried forward is as follow :

Tax year	Nature	Loss before depreciation	Depreciation loss	Total business loss	Expiry Year
(Rupees in thousand)					
2023	Tax loss	185,605	17,579	203,184	2029
2022	Tax loss	167,453	13,498	180,951	2028

	Note	2023 (Rupees in thousand)	2022
24 LOAN FROM SUBSIDIARY COMPANY			
Unsecured loan from Octopus Digital Limited:			
Octopus Digital Limited			
Balance as at January 01		300,000	-
Obtained during the year		-	350,000
Repayments/adjustments made during the year		<u>(300,000)</u>	<u>(50,000)</u>
		<u>-</u>	<u>300,000</u>
24.1	The Company had obtained unsecured loan from Octopus Digital Limited (Subsidiary Company) which carries mark-up at the rate of one year KIBOR plus 2% per annum. The effective mark-up rate charged by Octopus Digital Limited during the year ranges from 13.79% to 17.13% per annum. The loan has been settled against transfer of 100 % shares of EAI to ODL as disclosed in Note 3.1.		
25 SHORT TERM BORROWINGS			
Running finance			
JS Bank Limited	25.1	44,972	50,000
Short term financing (STF)			
Standard Chartered Bank Limited	25.2	150,000	200,000
Inland bills purchased	25.3	-	59,997
MCB Bank Limited	25.4	99,494	-
		<u>294,466</u>	<u>309,997</u>
25.1	The Company has obtained running finance facility from JS Bank with a sanctioned limit of 300 million, bearing mark-up at the rates prescribed therein the facility offer letters that includes 3 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 and 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.		
25.2	The Company has obtained Export Invoice finance facility from Standard Chartered Bank with a sanctioned limit of Rs. 500 million (2022: Rs. 500 million) bearing mark-up at the rates prescribed therein the facility offer letters that includes 6 month KIBOR plus Bank spread (2.25%). The facilities are secured against all the moveable assets for a maximum amount of Rs. 500 million (the "aggregate sale price").		
25.3	Inland bills purchased		
	Habib Bank Limited	25.3.1	<u>-</u>
			<u>59,997</u>
25.3.1	This facility has a sanctioned limit of Rs. 125 million (2022: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2022: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2023: invoices / bills receivable from customers). The amount is repaid during the year.		
25.4	The Company has obtained Export Invoice finance facility from MCB Islamic Bank Ltd with a sanctioned limit of Rs. 100 million (2022: Rs. Nil) bearing mark-up at the rates prescribed therein the facility offer letters that includes one month KIBOR plus Bank spread (2%). The facilities are secured against all the PP and JPP charge over present and future current assets of the Company with 25% margin.		

	Note	2023 (Rupees in thousand)	2022
26 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors	26.1	463,825	580,612
Accrued expenses		141,130	38,596
Payable to provident fund		57,066	24,891
Employee share portion - vehicle		81,283	75,493
Workers welfare fund		44	-
Tax payable:			
- withholding tax	26.3	244,403	178,023
- income tax		220,692	191,456
Mark up accrued on:			
- Long-term finances		-	
- Short term borrowings		26,335	71,449
Markup payable on intercompany current account		47,230	-
Payable to related parties	26.2	535,661	260,640
Other payable		24,079	12,498
		<u>1,841,748</u>	<u>1,433,658</u>

26.1 This includes amount of Rs. Nil (2022: Rs. 366.489 million) payable to related parties, Octopus Digital Limited, in respect of subcontracting charges, installation charges and shared expenses.

26.2 This includes amount of Rs. 43.238 million (2022: Rs. 260.64 million) payable to related parties, Octopus Digital Limited, on account of expenses incurred on behalf of the Company. This amount is interest bearing and interest has been charged at one month KIBOR plus 2% prevailing on the start of each month.

26.3 These include over due payments, which may be subject to imposition of surcharge.

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

Octopus Digital Limited	469,014	-
Innovative Travels	1,320	-
Current Account - Octopus Digital Limited	43,238	260,640
Current Account - Empiric AI (Private) Limited	22,089	-

27 CONTRACT LIABILITIES

Advances from customers	155,679	150,635
Billings in excess of earnings	93,755	66,762
	<u>249,434</u>	<u>217,397</u>

27.1 Movement of contract liabilities is as follows:

As at January 01,	217,397	157,987
Addition during the year	522,463	289,654
Recognized as revenue during the year	(490,426)	(230,244)
As at December 31,	<u>249,434</u>	<u>217,397</u>

27.1.1 This includes amount of Rs. 3.057 million (2022: Rs. 1.307 million) related to unsatisfied performance obligation on account of related party, Avanceon FZE.

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

	Note	2023 (Rupees in thousand)	2022
Contract Liabilities		<u>249,434,000</u>	<u>217,397,000</u>

28 UNCLAIMED DIVIDEND

As at January 01,		176,283	132,968
Declared during the year		-	259,761
Paid during the year		<u>(23,448)</u>	<u>(216,446)</u>
As at December 31,	28.1	<u>152,835</u>	<u>176,283</u>

28.1 This includes dividend payable to the Chief Executive, Mr. Bakhtiar Hameed Wain and Director, Mr. Aamir Wain amounting to Rs. 132.61 million (2022: Rs. 132.61 million) and Rs. Nil (2022: Rs. 23.35 million) respectively.

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

Following are the contingencies to report as at year end (2022: Nil) :

- a) Enforcement Officer Punjab Revenue Authority (PRA) issued notice dated May 31, 2023 regarding the withholding tax amounting to Rs. 1,039,778/- not deducted by the Company for tax period 2016, 2017 and 2018, resulting in a default by the Company. As per provisions of the Punjab Sales Tax on services (Withholding) Rules, 2015, the Company was required to deposit the tax deducted on services received. As a consequence of non-payment for above said periods, default surcharge of Rs. 859,744 and penalty of Rs. 51,989 are also likely to be paid by the Company. The Company expects a favorable outcome of the proceedings and no provisions in this regard has been recorded.
- b) Additional Commissioner, Enforcement, PRA has issued order dated January 25, 2021 u/s 24(2) of the Punjab Sales Tax on Services Act, 2012 for tax period 2019-20 raised a demand of Rs. 43.480 million. The Company has appealed to Commissioner Inland Revenue (CIR - A) PRA. The proceedings are pending as of the reporting date and no recovery notice has been received so far and therefore no provision in this regard has been recorded.
- c) The Company received a notice u/s 28 of the Sindh Sales Tax on Services Act, 2011 in which the taxpayer was selected for tax audit. The taxpayer made due compliance by submitting reply along with the CPR's for the paid amount on account of sales tax on services, default surcharge and penalty for the above mentioned period totalling to Rs. 2,682,652. However, no order has been received by the Company.
- d) Notice under rule 44(4) dated January 21, 2020 for the tax year 2019, has been issued by Assistant Commissioner Inland Revenue for reconciliation of total payments made and tax withheld by tax payer amounting to Rs. 102.604 million. Satisfactory reply has been submitted. Notice u/s 161(1A) has been issued by department dated 13-Feb 13, 2020. The Company has given satisfactory reply in this regard. Order is still pending.

- e) Notice regarding difference in sales as per unconsolidated financial statements and SRB's Returns Declaration amounting to Rs. 51.392 million for the Financial Year 2019, 2020 and 2021 was issued. Reply with reconciliation filed vide letter No.886 dated January 25, 2023. No order passed till date. The Company expects a favorable outcome of the proceedings and no provision in this regard has been recorded.

29.2 Commitments

- a) Bank guarantees have been issued amounting to Rs. 197.145 million (2022: Rs. 12.74 million) against the performance of various contracts.
- b) Letters of credit outstanding at year end amount to Rs. 125.870 (2022: Rs. Nil) which relates to import acceptance bills.

	Note	2023 (Rupees in thousand)	2022 (Rupees in thousand)
30 REVENUE FROM CONTRACTS WITH CUSTOMERS			
Local Sales			
Sale of goods		1,785,615	881,026
Services rendered		750,298	401,037
Export Sales			
Agency commission		143,488	18,377
Project revenue - export		384,346	234,055
Management fees		-	60,770
IT enabled back office support		178,137	169,313
IT enabled engineering / support services		59,619	267,534
		3,301,503	2,032,112
Less: Sales tax			
Sale of goods		(321,411)	(119,813)
Services rendered		(122,498)	(47,775)
		(443,909)	(167,588)
		2,857,594	1,864,524
30.1 Disaggregation of revenue			
Local sales and services	30.1.1	2,092,004	1,114,475
Export sales and services	30.2	765,590	750,049
		2,857,594	1,864,524
Timing of revenue recognition			
At a point in time		504,118	761,213
Over the time		2,353,476	1,103,311
		2,857,594	1,864,524
30.1.1 Local sales and services			
Sale of goods		1,785,615	881,026
Less: Sales tax		(321,411)	(119,813)
		1,464,204	761,213
Services rendered		750,298	401,037
Less: Sales tax		(122,498)	(47,775)
		627,800	353,262
Net sales		2,092,004	1,114,475

	Note	2023 (Rupees in thousand)	2022
30.2	Export sales and services		
	Agency commission	143,488	18,377
	Project revenue - export	384,346	234,055
	Management fees	-	60,770
	IT enabled back office support	178,137	169,313
	IT enabled engineering / support services	59,619	267,534
		<u>765,590</u>	<u>750,049</u>
30.3	Country wise breakup of export revenue are:		
	Qatar	246,064	240,016
	Dubai	321,016	315,021
	Saudi Arabia	198,510	195,013
		<u>765,590</u>	<u>750,050</u>
30.4	Contract balances		
	Trade receivables	2,605,931	1,738,253
	Contract assets	674,306	228,416
	Contract liabilities	249,434	217,397

In 2023, Rs. 274.081 million (2022: Rs. 89.284 million) was recognised as allowances for expected credit losses on trade debts whereas trade debts were written off of Rs. 2.470 million (2022: Rs. 0.256 million). The Company's trade debts increased due to related parties balances as disclosed in Note 39.

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 2023, the contract balances increased due to on-going projects which have not yet approached their billing milestones at the year end as per the contract terms.

Contract liabilities include billings in excess of earnings. This results from projects where the billing milestones are reached in advance of the Company's progress towards satisfaction of performance obligations. The outstanding balances of these accounts show nominal increase in 2023 which is mainly due to projects undertaken for which the Company has reached billing milestones as per terms agreed in the contracts.

31 COST OF REVENUE

	Opening stock	37,577	54,663
	Purchases and direct expenses	1,978,272	1,288,615
	Closing stock	(85,282)	(37,577)
31.1		<u>1,930,567</u>	<u>1,305,701</u>

	Note	2023 (Rupees in thousand)	2022
31.1 Cost of revenue			
Materials consumed		1,047,874	579,834
Salaries, wages, allowances and other benefits	31.2	327,543	279,917
Employees' share option expense		33,287	30,804
Telephone, postage and telex		12,321	7,753
Utilities		6,054	4,339
Travelling and conveyance relating to engineering services		71,023	79,047
Installation charges		311,924	204,413
Fee for technical services		-	24,000
Entertainment relating to engineering services		10,584	7,828
Repairs and maintenance		2,751	2,344
Printing and stationery		1,886	1,905
Import cost		35,708	36,367
Insurance		2,405	3,991
Office rent		6,848	5,606
Training		185	7
Fee and subscription		6,940	2,574
Depreciation on property and equipment	9.1.1	46,217	30,428
Other expense		7,017	4,544
		<u>1,930,567</u>	<u>1,305,701</u>

31.2 Salaries, wages and benefits include Rs. 15.151 million (2022: Rs. 13.47 million) and Rs. 1.873 million (2022: Rs. 1.444 million) representing provident fund contribution by the Company and accumulating compensated absences respectively. This includes amount Rs. 186.175 million (2022: Rs. 223.029 million) which relates to project services revenue.

32 ADMINISTRATIVE AND SELLING EXPENSE

Restated

Salaries, wages, allowances and other benefits	32.1	147,735	105,476
Employees' share option expense		49,931	46,206
Telephone, postage and telex		11,550	6,253
Utilities		6,054	4,339
Entertainment		5,677	3,065
Repairs and maintenance		7,910	6,818
Sales promotion expense		943	250
Printing, stationery and periodicals		1,377	1,529
Vehicle running and maintenance		5,132	2,656
Travelling and conveyance		20,325	21,442
Office rent		6,848	5,606
Training		24	227
Insurance		2,288	3,616
Legal and professional charges		11,508	5,064
Auditors' remuneration	32.2	4,089	3,677
Fee and subscription		35,813	18,460
Corporate expense		3,949	4,803
Late delivery charges		36	-
Depreciation on property and equipment	9.1.1	46,217	30,428
Bad debts written off		2,470	257
Allowance for expected credit losses - trade debts		19,202	6,387
Allowance for expected credit losses - contract assets		18,202	122
Allowance for expected credit losses - related parties		430,463	506,188
Other expenses		7,878	5,069
		<u>845,621</u>	<u>787,938</u>

32.1 Salaries, wages and benefits include Rs. 5.955 million (2022: Rs. 4.87 million) and Rs. 0.736 million (2022: Rs. 0.96 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

	Note	2023 (Rupees in thousand)	2022
32.2 Auditors' remuneration			
Statutory audit		2,608	2,268
Half yearly review fee		810	774
Review of Code of Corporate Governance		138	120
Other charges and out of pocket expenses		533	515
		<u>4,089</u>	<u>3,677</u>
33 OTHER EXPENSE			
Donations		6,558	7,528
Fair value loss on short term investment	33.1	20	11
		<u>6,578</u>	<u>7,539</u>

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

			Restated
34 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		1,551	1,738
Gain on acquisition of Empiric AI (Private) Limited	10.3	-	440,023
Markup income on intercompany current accounts		36,670	-
Exchange gain		1,664,823	1,339,984
		1,703,044	1,781,745
Income from non-financial assets			
Gain on disposal of property and equipment	9.1.6	9,313	14,797
Commission income from suppliers - referral income		-	20,313
Dividend income from subsidiaries		155,320	126,024
Amortization of deferred grant		-	269
Others		7,646	17,600
		172,279	179,003
		<u>1,875,323</u>	<u>1,960,748</u>

35 FINANCE COST			
Mark-up / interest on:			
Long term loan		-	994
Short term borrowings		114,316	124,639
Current account markup		47,230	-
Lease liabilities		41,185	22,042
Provident fund		940	999
		203,671	148,674
Bank charges		7,901	4,999
Guarantee commission		1,279	1,898
		<u>212,851</u>	<u>155,571</u>

	Note	2023 (Rupees in thousand)	2022 (Rupees in thousand)
36 TAXATION			
Current		112,218	108,585
Super tax	36.3	-	15,843
Deferred tax		-	(12,028)
		<u>112,218</u>	<u>112,400</u>

36.1 The rate of tax has been fixed at 29% for Tax Year 2023 and onwards by taxation authorities.

36.2 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.

36.3 This represents super tax @ 4% on the taxable income for the tax year, 2023 imposed through Finance Act, 2022.

37 EARNINGS PER SHARE - BASIC AND DILUTED - RESTATED

	Note	2023 (Rupees in thousand)	2022 Restated (Rupees in thousand)
37.1 Basic earnings per share			
Net profit for the year		<u>1,625,082</u>	<u>1,456,123</u>
		Rupees in thousand	
Weighted average number of ordinary shares		<u>375,703</u>	<u>375,703</u>
		Numbers in thousand	
Earnings per share		<u>4.33</u>	<u>3.88</u>
		Rupees	

37.2 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 20.

	Note	2023 (Rupees in thousand)	2022 Restated (Rupees in thousand)
Net profit for the year		<u>1,625,082</u>	<u>1,456,123</u>
		(Numbers in thousand)	
Weighted average number of ordinary shares		375,703	375,703
Adjustment for share options		<u>5,778</u>	<u>5,778</u>
Weighted average number of ordinary shares for diluted earnings per share		<u>381,481</u>	<u>381,481</u>
Diluted earnings per share (Rupees)		<u>4.26</u>	<u>3.82</u>

37.2.1 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.

37.2.2 The weighted average number of ordinary shares of 2022 has been restated in accordance with the requirements of IAS 33 due to issuance of 49,082,328 bonus shares in 2023.

37.2.3 The earning per share of prior year has also restated due to effect of restatement as referred in Note 8.

	Note	2023 (Rupees in thousand)	2022 Restated
38 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,737,300	1,568,523
Adjustments for:			
Depreciation on property and equipment	9	92,434	19,221
Depreciation on right of use of assets	9	-	40,969
Employees' share option expense	31 & 32	83,218	153,329
Trade debts written off - specific	32	2,470	257
Allowance for expected credit losses - trade debts	32	19,202	6
Allowance for expected credit losses - contract assets	32	18,202	122
Allowance for expected credit losses - related parties	32	430,463	506
Gain on acquisition of Empiric AI (Private) Limited		-	(440,023)
Fair value loss on short-term investments	34	20	11
Exchange gain	34	(1,664,823)	(1,339,984)
Gain on disposal of property and equipment	34	(9,313)	(14,797)
Finance cost	35	212,851	155,571
Profit on bank deposits	34	(1,551)	(1,738)
Markup income on intercompany current account	34	(36,670)	-
Dividend income	34	(155,320)	(126,024)
Amortization of deferred grant	34	-	(269)
		<u>(1,008,817)</u>	<u>(1,552,843)</u>
Profit before working capital changes		728,483	15,680
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets			
Stock in trade		(47,705)	17,086
Trade debts		345,010	818,643
Contract assets		(464,092)	(52,728)
Advances, deposits, prepayments and other receivables		(322,685)	(413,547)
Decrease in current liabilities			
Creditors, accrued and other liabilities		408,090	667,697
Contract liabilities		32,037	59,410
		<u>(49,345)</u>	<u>405,787</u>
Cash generated from operations		<u>679,138</u>	<u>421,467</u>

39 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 44, are as follows:

Name of related party	Relationship with the Company	Basis of Relationship	Nature of transactions	2023	2022
				Transactions during the year	
				(Rupees in thousand)	
			Agency commission charged	143,317	18,377
			Back office support income	69,047	18,779
			Management fee	-	30,900
			Revenue recognized on the projects based on the stage of completion	108,369	77,596
			Collection / adjustment from AVFZE	156,115	15
			Payment to suppliers by AFZE on behalf of the Company	621,664	204,016
Avanceon FZE - UAE (AVFZE)	Subsidiary	100% shareholding	Payment during the year	-	93,592
			Payment to employees by AVL on behalf of the AFZE	30,273	45,259
			Payments to employees by AVFZE	15,366	-
			Employee share option expense charged	5,322	8,061
			Payment to suppliers by AVL on behalf of AVFZE	6,493	13,743
			Fee for technical services	724	-
			Purchased investment in AVSEC	754	-

Name of related party	Relationship with the Company	Basis of Relationship	Nature of transactions	2023	2022
				Transactions during the year	
(Rupees in thousand)					
Avanceon Automation and Control - AVAC	Subsidiary	49% shareholding and control over financial and operating decision making.	Income against engineering / support services	38,265	222,154
			Back office support income	59,327	88,751
			Management fee	-	29,870
			Revenue recognized on the projects	148,067	122,821
			Dividend income	155,320	126,024
			Payment to suppliers by AVAC on behalf of the Company	96,909	3,550
			Payment to employees by AVL on behalf of the AVAC	55,040	36,808
			Payments to Employees by AVAC	22,758	-
			Payment to suppliers by AVL on behalf of AVAC	2,228	43,525
			Employee share option expense charged	11,299	20,106
			Cash received from AVAC	49,407	75,952
			Investment In QFZE	1,552	-
Avanceon Saudi Energy Company - KSA (AVSEC)	Subsidiary	100% shareholding	Payment to suppliers by AVL on behalf of AVSEC	8,250	1,608
			Revenue recognized on the projects	118,471	33,638
			Other engineering / support services	-	45,380
			Back office support charged	70,600	61,784
			Payments to employees of AVSEC by AVL	22,553	13,282
			Collection from AVSEC	-	15,513
			Payment to the Company's employees by AVSEC	8,252	-

Name of related party	Relationship with the Company	Basis of Relationship	Nature of transactions	2023	2022
				Transactions during the year	
				(Rupees in thousand)	
			Reimbursement of expenses	1,152	6,707
			Salaries payment to employees by AVL	223,240	31,359
			Management fee	-	30,000
			Back office support income	54,896	50,400
			Fee for technical services charged	-	24,000
			Products sale	-	72,646
			Installation charges incurred	103,634	60,043
			Subcontracting charges incurred	38,244	44,169
			Payments received or made to suppliers by ODL on behalf of AVL	57,106	628,196
Octopus Digital Limited - ODL	Subsidiary	74% shareholding	Repayment of advances to ODL	126,450	89,422
			Advances received from ODL	271,403	402,395
			Payment during the year	-	414,059
			Loan received	-	350,000
			Loan paid during the year	-	50,000
			Markup accrued on loan	91,622	40,245
			Markup on current Account - ODL	-	46,503
			Purchase of Empiric AI from AVL	440,023	-
			Acquisition of Empiric AI	111,266	-
			Payment to suppliers by ODL	29,557	-
			Receipt/Adjustment of loan from AVL	300,000	-
			Building rent charged	360	-
			Payment to employee by AVL	37,381	-
Empiric AI (Private) Limited (EAI)	Subsidiary	74%	Payments to supplier by AVL	1,538	-
			Funds transferred from EAI	69,900	-
			Payments to employees by EAI	10	-
			Back office support charged	54,896	-
Avanceon Arabia Infotech	Joint Venture	60%	Payment made by AVL on behalf of AVSEC	760	-
Bakhtiar Hameed Wain	Key Management Personnel	CEO	Loan received	-	-
			Repayment of loan to CEO	-	46,000
Contribution to staff provident fund	Employees' Provident Fund	Provident fund	Expense charged in respect of retirements benefit plans.	21,106	18,338

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

39.1 Year end balance:	Note	2023	2022
		(Rupees in thousand)	
Trade debts			
Avanceon FZE	13	649,796	581,921
Avanceon Automation & Control WLL	13	1,131,999	815,572
Octopus Digital Limited	13	8,524	-
Avanceon Saudi Energy Company	13	372,012	140,654
Empiric AI Private Limited	13	63,679	-
		<u>2,226,010</u>	<u>1,538,147</u>
Long-term interest free receivables			
Avanceon FZE	10.8	2,881,326	2,332,349
Avanceon Automation and Control W.L.L	10.8	1,420,474	1,209,180
Octopus Digital Inc.	10.8	-	498,290
		<u>4,301,800</u>	<u>4,039,819</u>
Advances, deposits, prepayments and other receivables:			
Dividend receivable			
			Restated
Avanceon FZE	15	9,546	289,297
Avanceon Automation and Control WLL	15	492,237	270,704
		<u>501,783</u>	<u>560,001</u>
Markup receivable on intercompany current account			
Interest receivable on current account (FZE)	15	36,493	-
Interest receivable on current account (AVSEC)	15	161	-
Interest receivable on current account (AAIT)	15	16	-
		<u>36,670</u>	<u>-</u>
Current Accounts			
Avanceon FZE	15	41,866	352,986
Avanceon Saudi for Energy Co.	15	19,624	-
Avanceon Arabia Infotech	15	760	-
Avanceon Automation and control W.L.L	15	11,299	20,106
		<u>73,549</u>	<u>373,092</u>

	Note	2023	2022
(Rupees in thousand)			
Creditors, accrued and other liabilities			
Creditors			
Octopus Digital Limited	26	469,014	-
Innovative Travels	26	1,320	-
		470,334	-
Current Accounts			
Octopus Digital Limited	26	43,238	260,640
Empiric AI (Private) Limited	26	22,089	-
		65,327	260,640
Markup payable on intercompany current account			
Octopus Digital Limited	26	34,488	-
Avanceon Automation and control W.L.L	26	9,267	-
Empiric AI (Private) Limited	26	3,474	-
		47,229	-

39.2 PARTICULARS OF RELATED PARTIES INCORPORATED OUTSIDE PAKISTAN

Name of related party	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 - Al-Malqa Dist. Unit No. 718, Riyadh, 13521-8292	Al Jaber Engg. HO Building, Fox Hills, Lusail, Doha - Qatar	100 Redwood Shores Parkway, Suite 100, Redwood City, CA 94065
Country of incorporation	UAE	Kingdom of Saudi Arabia (KSA)	Qatar	USA
Basis of association	Subsidiary	Subsidiary	Subsidiary	Sub 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.	The Company is engaged in repairs and maintenance of power and control stations, installation of control equipment for industrial operation, design and programming of special projects, registering for providing cloud services and management of energy efficiency projects.	Providing industrial automation, process control and systems integration solutions, trading in products of automation and control equipment and providing related technical services.	the Company intends to enter in US market for its digitalization drive helping their customer digitalize their processes.
Auditor's opinion on latest available financial statements	Unmodified opinion	Modified opinion / December 31, 2022	Unmodified opinion	Unmodified opinion
Name of related party	Avanceon Arabia For Infotech		Avanceon QFZ LLC Qatar	
Registered address	Building No 3012, Street No 9, Al bandarivah District Khobar Riyadh, Saudia Arabia.		Zone No. PA-WH-04, Area-Ras Bufontas Free Zone, Street No. PO Box: 45976, Doha-Qatar	
Country of incorporation	SAUDI		Qatar	
Basis of association	Subsidiary		Subsidiary	
Aggregate Percentage of shareholding	60%		100%	
Shareholding through other entities	40% Zamil Operations Maintenance Ltd and 60% Avanceon Saudi Energy Company		N/A	
Chief Executive	Bakhtiar Hameed Wain		Sarmad mehmood qureshi	
Operational status	The Company is engaged in repairs and maintenance of relays and industrial controls, installation of industrial process control equipment, analysis of systems, designing and programming special software, providing management and control service of communication and information networks, registration to provide cloud computing services, project management activities related to energy efficiency.		The primary objective is to manufacturing of measuring, testing, navigating and control equipment.	
Auditor's opinion on latest available financial statements	Unmodified opinion		Unmodified opinion	

39.3 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (Note - 44)". There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

39.4 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

40 PROVIDENT FUND

	2023	2022
	(Rupees in thousand)	
Size of fund	216,164	186,808
Fair value of investments made	183,081	172,606
Cost of investment made	199,086	187,969
Percentage of investments made	85%	92%

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

	2023 (Un-audited)		2022 (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	113,249	62%	90,473	52%
Scheduled Banks	1,875	1%	768	1%
Other Mutual Funds	24,559	13%	12,520	7%
Listed Securities	43,398	24%	68,845	40%
	183,081	100%	172,606	100%

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

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**41.1 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. The Company 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 debtors, creditors, and bank balances as shown

	2023				
	Rupees	SAR	USD	AED	QAR
	(In thousand)				
Trade debts					
- Avanceon FZE Dubai	649,796	-	-	8,392	-
- Avanceon Automation and Control W.L.L, Qatar	1,131,999	-	-	-	14,588
Avanceon Saudi Energy Company	372,012	-	4,940	-	-
Dividend receivable - due from related parties					
- Avanceon FZE Dubai	9,546	-	-	123	-
- Avanceon Automation and Control W.L.L, Qatar	492,237	-	-	-	6,343
- Octopus Digital Inc., USA	-	-	-	-	-
Bank balances	176	-	1	-	-
	<u>2,655,766</u>	<u>-</u>	<u>4,941</u>	<u>8,515</u>	<u>20,931</u>
Trade Payables					
- Avanceon FZE Dubai	-	-	-	-	-
- Others					
AED	-	-	-	-	-
EUR	-	-	-	-	-
USD	-	-	-	-	-
Net Exposures	<u>2,655,766</u>	<u>-</u>	<u>4,941</u>	<u>8,515</u>	<u>20,931</u>

	2022				
	Rupees	EUR	USD	AED	QAR
	(In thousand)				
Trade debts				-	
- Avanceon FZE Dubai	581,921	-	-	9,353	-
- Avanceon Automation and Control W.L.L, Qatar	815,572	-	-	-	13,083
Dividend receivable - due from related parties					
- Avanceon FZE Dubai	576,326	-	-	9,263	-
- Avanceon Automation and Control W.L.L, Qatar	938,924	-	-	-	15,061
- Octopus Digital Inc., USA	-	-	-	-	-
Bank balances	141	-	1	-	-
	2,912,884	-	1	18,616	28,144
Trade Payables					
- Avanceon FZE Dubai	-	-	-	-	-
- Others					
AED	(12)	(100)	-	-	-
EUR	(24,182)	-	-	-	-
USD	(55,366)	-	(244)	-	-
Net Exposures	2,833,324	(100)	(243)	18,616	28,144

The following significant exchange rates were applied during the year:

	Average rate		Reporting date rate	
	2023	2022	2023	2022
USD to PKR	254.65	202.39	282.40	226.90
EUR to PKR	277.72	220.42	313.11	242.33
AED to PKR	69.83	55.35	77.43	62.22
SAR to PKR	67.86	55.35	75.31	60.41
QAR to PKR	69.97	55.61	77.60	62.34

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.

	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
EUR 2023	-5%	-	-
	+5%	-	-
2022	-5%	(1,212)	(861)
	+5%	1,212	861

	Change in Exchange rate	Effect on profit/(loss) before tax	Effect on equity
	(Rupees in thousand)		
USD			
2023	-5%	(69,767)	(49,535)
	+5%	69,767	49,535
2022	-5%	(2,757)	(1,957)
	+5%	2,757	1,957
QAR			
2023	-5%	(81,212)	(57,661)
	+5%	81,212	57,661
2022	-5%	(87,725)	(62,285)
	+5%	87,725	62,285
AED			
2023	-5%	(32,966)	(23,406)
	+5%	32,966	23,406
2022	-5%	(57,914)	(41,119)
	+5%	57,914	41,119
SAR			
2023	-5%	(18,605)	(13,210)
	+5%	18,605	13,210
2022		-	-

(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:

	2023	2022
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances	8,600	18,652

	2023	2022
	(Rupees in thousand)	
Financial liabilities		
Long term diminishing musharaka	184,838	153,471
Finances under markup arrangements and other credit facilities - secured	294,466	609,997
Total exposure	<u>470,704</u>	<u>744,816</u>

Interest rate sensitivity analysis

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

	Increase/ decrease in basis points	Effect of profit/(loss) before tax	Effect on equity
	(Rupees in thousand)		
2023	100	(4,707)	(3,342)
	-100	4,707	3,342
2022	+100	(7,448)	(5,288)
	-100	7,448	5,288

(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. Nil (2022: Rs. 0 174 million)

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

The 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:

	2023	2022
	(Rupees in thousand)	
Long-term loans, deposits and other receivables	5,652	8,697
Contract asset	674,306	228,416
Trade debts - net	2,605,931	1,738,253
Deposits and other receivables	605,915	1,746,321
Bank balances	84,515	82,448
	<u>3,976,319</u>	<u>3,804,135</u>

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

Export	1,902,280	1,391,639
Domestic	703,651	346,614
	<u>2,605,931</u>	<u>1,738,253</u>

	Sales			Trade debts	
	LC	Others	Total	Outstanding balance	
	(Rupees in thousand)			2023	2022
Country				(Rupees in thousand)	
Pakistan	-	2,092,004	2,092,004	72,203	-
Qatar	-	246,064	246,064	1,131,999	815,572
Dubai	-	321,016	321,016	649,796	581,921
Saudi Arabia	-	198,510	198,510	372,012	140,654
Total	-	<u>2,857,594</u>	<u>2,857,594</u>	<u>2,226,010</u>	<u>1,538,147</u>

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:

Period in days	Expected credit loss rate (%)	Estimated total gross carrying amount at default	Estimated total gross carrying amount - secured	Expected credit loss
2023		(Rupees in thousand)		
0-90	0.29%	578,361	-	663
90-180	5.76%	64,656	-	1,422
180-270	12.33%	16,905	-	1,590
270 to 360	18.64%	9,158	-	1,127
360 to 450	26.84%	18,906	-	4,567
450 to 540	33.94%	805	-	137
540 to 630	37.70%	2,210	-	540
630 to 720	48%	2,230	-	144
720 to 810	79%	22,161	-	10,075
Total		715,392	-	20,265

Period in days	Expected credit loss rate (%)	Estimated total gross carrying amount at default	Estimated total gross carrying amount - secured	Expected credit loss
2022		(Rupees in thousand)		
0-90	0.64%	305,316	-	1,063
90-180	9.28%	11,580	-	
180-270	18.85%	5,129	-	
270 to 360	31.34%	4,155	-	
360 to 450	43.69%	2,546	-	
450 to 540	53.74%	2,174	-	
540 to 630	64.66%	863	-	
630 to 720	100%	351	-	
720 to 810	100%	15,563	-	
Total		347,677	-	1,063

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 December 31, 2023, the Company has 50 (2022: 30) customers owing more than Rs. 1 million (2022: Rs. 1 million) each which account for 97% (2022: 95%) of total debtors.

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

Rating Agency	Ratings		2023	2022	
	Short Term	Long Term			
Faysal Bank limited	JCR-VIS	A-1+	AA	10,215	3,305
Habib Bank limited	JCR-VIS	A-1+	AAA	260	3,666
National Bank of Pakistan	JCR-VIS	A-1+	AAA	70	82
MCB Bank Limited	PACRA	A1+	AAA	38,575	542
United Bank Limited	JCR-VIS	A-1+	AAA	684	684
JS Bank Limited	PACRA	A1+	AA-	24,976	55,097
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA	30	100
Standard Chartered	PACRA	A1+	AAA	9,705	18,972
				<u>84,515</u>	<u>82,448</u>

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 December 31, 2023, 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
(Rupees in thousand)					
2023					
Finances under mark up arrangements	294,466	-	294,466	-	-
Long term diminishing musharaka	184,838	-	60,997	123,841	-
Creditors, accrued and other liabilities	1,319,587	294,466	1,319,587	-	-
Unclaimed dividend	152,835	-	152,835	-	-
	<u>1,951,726</u>	<u>294,466</u>	<u>1,827,885</u>	<u>123,841</u>	<u>-</u>
2022					
Long-term loan		-	23,551	-	-
Finances under mark up arrangements	609,997	-	609,997	-	-
Long term diminishing musharaka	206,318	-	65,316	141,002	-
Creditors, accrued and other liabilities	1,039,288		1,039,288	-	-
Unclaimed dividend	176,283	-	176,283	-	-
	<u>2,031,886</u>		<u>1,914,435</u>	<u>141,002</u>	<u>-</u>
		At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
(Rupees in thousand)					

41.2 Financial instruments by categories

2023

Financial assets

Debt instruments at amortized cost

Long-term loans, deposits and other

receivables	-	-	5,652	5,652
Trade debts	-	-	2,605,931	2,605,931
Deposits and other receivables				
- Bank guarantee margin	-	-	25,777	25,777
- Earnest money	-	-	300	300
- Retention money	-	-	-	-
- Due from associated companies	-	-	487,117	487,117
- Others	-	-	8,135	8,135
Cash and bank balances	-	-	84,586	84,586

Equity instruments at fair value through profit or loss

Short-term investment	-	-	-	-
	-	-	3,217,498	3,217,498

	2023
	Financial liabilities at amortized
	(Rupees in thousand)
Financial liabilities	
Long term diminishing musharaka	184,838
Finances under mark up arrangements and other credit facilities - secured	294,466
Creditors, accrued and other liabilities	1,319,587
Unclaimed dividend	152,835
	<u>1,951,726</u>

At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
(Rupees in thousand)			

2022

Financial assets

Debt instruments at amortized cost

Long-term loans, deposits and other receivables	-	-	8,697	8,697
Trade debts	-	-	1,738,253	1,738,253
Deposits and other receivables				
- Bank guarantee margin	-	-	13,051	13,051
- Earnest money	-	-	300	300
- Retention money	-	-	-	-
- Due from associated companies	-	-	1,730,198	1,730,198
- Others	-	-	2,772	2,772
Cash and bank balances	-	-	82,469	82,469

Equity instruments at fair value through profit or loss

Short-term investment	-	174	-	174
	<u>-</u>	<u>174</u>	<u>3,575,740</u>	<u>3,575,914</u>

2022

Financial liabilities at amortized (Rupees in thousand)
--

Financial liabilities

Long-term loan	
Long term diminishing musharaka	153,471
Finances under mark up arrangements and other credit facilities - secured	609,997
Creditors, accrued and other liabilities	1,039,288
Unclaimed dividend	176,283
	<u>1,979,039</u>

41.3 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value of short-term investments is derived from quoted market prices in active markets. The carrying values of other financial assets and financial liabilities reflected in financial statements approximate to their fair values.

41.4 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)			
December 31, 2023				
Freehold land	-	-	290,550	290,550
Buildings on freehold land	-	-	110,142	110,142
Short-term investment		-	-	
		-	400,692	400,692
December 31, 2022				
Freehold land	-	-	290,550	290,550
Buildings on freehold land	-	-	107,984	107,984
Short-term investment	174	-	-	174
	174	-	398,534	398,708

42 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 December 31, 2023 and 2022 are as follows:

	2023	2022
	Restated	
	(Rupees in thousand)	
Borrowings	479,304	763,468
Less: Cash and bank balances	(84,586)	(82,469)
Net debt	394,718	680,999
Total equity - excluding surplus on revaluation	7,496,726	5,694,994
Total capital	7,891,444	6,375,993
Gearing ratio	5.00%	10.68%

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

Note	Issuance of shares	Long term diminishing musharaka	Long term Loan	Short-term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	(Rupees in thousand)						
Balance as at January 01, 2023	3,247,006	112,707	-	609,997	71,449	176,283	4,217,442
Cash flows							
Issuance of shares	25,149	-	-	-	-	-	25,149
Loan repayment/receipt	-	11,134	-	(315,531)	-	-	(304,397)
Finance cost paid	-	-	-	-	(169,550)	-	(169,550)
Dividends paid	-	-	-	-	-	(23,448)	(23,448)
Total changes from financing cash flows	25,149	11,134	-	(315,531)	(169,550)	(23,448)	(472,246)
Other changes including non-cash							
Bonus shares issuance	490,823	-	-	-	-	-	490,823
Intercompany current account markup	-	-	-	-	47,230	-	47,230
Finance cost	-	-	-	-	171,666	-	171,666
Total liability related other changes	490,823	-	-	-	218,896	-	709,719
Closing as at December 31, 2023	3,762,978	123,841	-	294,466	120,795	152,835	4,454,915
Balance as at January 01, 2022	2,565,934	57,949	23,551	543,353	9,381	132,968	3,275,187
Cash flows							
Issuance of shares	31,671	-	-	-	-	-	31,671
Loan repayment/addition	-	54,758	(23,820)	66,644	-	-	42,824
Finance cost paid	-	-	-	-	(93,503)	-	(93,503)
Dividends paid	-	-	-	-	-	(216,446)	(216,446)
Total changes from financing cash flows	31,671	54,758	(23,820)	66,644	(93,503)	(216,446)	(235,454)
Other changes including non-cash							
Bonus shares issuance	649,401	-	-	-	-	-	649,401
Amortization of deferred grant	-	-	269	-	-	-	269
Dividend declared	-	-	-	-	-	259,761	259,761
Finance cost	-	-	-	-	133,529	-	133,529
Total liability related other changes	649,401	-	269	-	133,529	259,761	1,042,960
Closing as at December 31, 2022	3,247,006	112,707	-	609,997	49,407	176,283	4,082,693

44 REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

The aggregate amount charged in the unconsolidated 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	
	2023	2022	2023	2022
	(Rupees in thousand)			
Managerial remuneration	1,200	5,998	136,384	104,064
House rent	-	2,159	99,911	41,626
Utilities	-	540	13,054	10,082
Contribution to provident fund	-	540	13,462	10,208
Others	-	105	3,803	3,764
	<u>1,200</u>	<u>9,342</u>	<u>266,614</u>	<u>169,744</u>
Number of persons	<u>1</u>	<u>2</u>	<u>55</u>	<u>52</u>

- 44.1 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.
- 44.2 During the year, the Directors and other executives were granted 125,000 (2022: 164,945) and 1,410,329 (2022: 3,712,656) share options respectively, which have a vesting period of three years (2022: three year). Further, the impact of benefits available to the Directors and other executives recognized by the Company on account of share-based payment plans aggregated to Rs. 5.138 million (2022: Rs. 6.065 million) and Rs. 57.972 million (2022: Rs. 62.018 million). respectively.
- 44.3 During the current year, certain Directors and executives of the Company exercised stock options under employee stock option scheme according to which 259,472 (2022: 432,878) and 1,112,411 (2022: 2,734,269) shares were issued to them respectively.

	2023 Number	2022 Number
45 NUMBER OF EMPLOYEES		
Average number of employees	<u>256</u>	<u>245</u>
Closing number of employees	<u>266</u>	<u>246</u>

46 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 below :

Description	Reclassified to	Reclassified from	2022 (Rs. in thousand)
Right of use asset -Net book value	Property and equipment	Right of use asset	185,022
Reversal of ECL income	Administrative and selling expense	Other operating income	575

47 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on April 06, 2024 has proposed bonus shares issue at the rate of 10% (2022: 15%) and final cash dividend at the rate of Rs. 2 per share (2022: Rs. Nil per share) in respect of the year ended December 31, 2023 for the approval by the members in the forthcoming Annual General Meeting. These unconsolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

48 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

Description	Explanation	2023	2022
		(Rupees in thousand)	
Loan obtained - Islamic mode	Interest bearing	284,332	153,471
Bank balance as at December 31,	Placed under shariah	120,599	2,301
Mark up paid on Islamic mode of financing	permissible	41,185	22,042


Relationship with banks having Islamic windows

Bank Name	Nature of transaction
First Habib Modaraba MCB Islamic Bank Dubai Islamic Bank Faysal bank Islamic Meezan Bank Limited	Long term diminishing musharaka and current account

Profit earned or interest paid on any conventional loan or advance has been disclosed in the relevant note to these unconsolidated financial statements.

49 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on April 06, 2024 by the Board of Directors of the Company.


CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

Consolidated Financial Statements
for the year ended December 31, 2023



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 December 31, 2023, 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 material 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 December 31, 2023 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.

Emphasis of Matter

We would like to draw attention to Note 6 to the consolidated financial statements which states that during the audit errors have been identified in respect of fraudulent revenue recognition from certain customers in its subsidiary entities in UAE and Qatar relating to financial statements for the years ended December 31, 2018, December 31, 2020 and December 31, 2021 audited by predecessor auditors. These errors have been corrected by restating the comparative figures retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.' Our opinion is not modified in respect of this matter.

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.

BDO

Following are the Key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	Revenue Recognition	
	<p>The Group's revenue is derived from various revenue streams, as referred to in Note 34 to the accompanying consolidated financial statements which primarily includes sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, which in most of the cases lead to revenue being recognized over multiple accounting periods.</p> <p>Revenue is recognized based on performance obligations as mentioned in Note 5.16 to the accompanying consolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to complete.</p> <p>Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process we have identified measurement of revenue recognition as a key audit matter.</p> <p>With reference to Note 6 to the accompanying consolidated financial statements; "Restatement- Correction of errors", the auditor is required to evaluate the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • 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;

BDO

S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Selected a sample of revenue transactions recognized during the year and recalculated of the revenue recognized along with evaluation of the management basis used in determining the performance obligations in accordance with accounting policies; • Tested the IT systems through which transactions are processed and revenue is recorded to ensure that they are accurately capturing and reporting revenue transactions in line with recognized accounting policies; • Assessed IT general controls and application controls for effectiveness in processing revenue transactions; • Reviewed cut-off procedures around the reporting period end to ensure transactions were recorded in the correct accounting period; • Performed tests on a sample of revenue transactions recorded just before and just after the year-end to ensure these were recognized in accordance with the revenue recognition policy; • Conducted analytical procedures to compare current period revenue trends with historical data, budgeted figures, and industry norms to identify unexpected variances; • Performed a three-way match among recorded revenue, bank receipts, and customer invoices to confirm that the revenue recorded was supported by cash receipts and matched to specific customer billings;

BD

S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Evaluated the reasonableness of assumptions and estimates made by management in the context of historical performance and industry trends; • Assessed the appropriateness of disclosures in the consolidated financial statements in relation to revenue; and • Obtained additional written representations as required under the International Standards on Auditing -240.
2.	Group Restructuring	
	<p>1) During the year, with the prior approval of its members and under an agreement Octopus Digital Inc. has sold its interest in Avanceon LP, Pennsylvania USA under which the Group has received Trademark/brand for use outside the United States, Canada and Mexico, as a partial settlement of the interest in the Avanceon LP. Since the brand has been obtained in exchange of non-monetary assets, the brand has been recognized at fair value of USD 15.9 million (PKR equivalent 4.49 billion).</p> <p>2) Similarly, the Group has also transferred its entire interest in a wholly owned subsidiary to another subsidiary by major shareholding, Octopus Digital Limited at Rs. 440.023 million representing the carry value of the investment as allowed under the Accounting Standard "Accounting for Common Control Transactions" issued by the Institute of Chartered Accountants of Pakistan.</p>	<p>Our audit procedures in respect of this matters included the following:</p> <ul style="list-style-type: none"> • Reviewed the minutes of the meeting of members held on May 29, 2023 to verify the approval of the disposals of Avanceon LP; • Checked the redemption agreement; • Reviewed the fair valuation report of trademark of the management expert; • Engaged in house specialist to review the calculation of the fair valuation of trademark and reasonableness of the assumptions used by the management expert; • Checked the working of the underlying accounting adjustments; • Reviewed minutes of the Extraordinary General Meeting to confirm approval of the intercompany transfer of investments and trademark; • Examined legal documents, including transfer agreements; to validate terms and conditions;

BD

	<p>3) The Group has also transferred 100% shares of Avanceon Saudi Energy Company from Avanceon FZE to the ultimate parent company at the carrying value of AED 9,800. The transfer was duly approved in the EOGM of the Avanceon FZE held on January 05, 2022.</p>	<ul style="list-style-type: none"> • Verified the reported carrying value of for the transferred capital; • Assessed management's rationale for the transfer and ensure compliance with regulations and internal policies; • Reconciled records between transferor and transferee; and • Verified related disclosures in separate and consolidated financial statements for transparency and compliance.
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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 are responsible for overseeing the Group's financial reporting process.

BD

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

BD



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.

LAHORE

DATED: APRIL 27, 2024

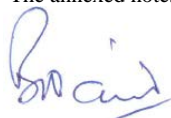
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BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

		2023	2022 Restated	2021 Restated
	Note	(Rupees in thousand)		
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital 500,000,000 (2022: 500,000,000; 2021: 500,000,000) ordinary shares of Rs 10 each	7	5,000,000	5,000,000	5,000,000
Issued, subscribed and paid-up share capital 376,297,848 (2022: 324,700,631; 2021: 256,593,400) ordinary shares of Rs. 10 each	7	3,762,978	3,247,006	2,565,934
CAPITAL RESERVES				
Share premium	8	450,915	314,007	144,189
Statutory reserve	9	3,227	3,002	3,002
Employees' share compensation reserve	10	177,949	155,663	172,658
Exchange revaluation reserve		2,671,849	1,465,144	419,332
Gain on dilution of interest		631,367	631,367	631,367
Surplus on revaluation of property	11	330,636	332,208	256,297
		4,265,943	2,901,391	1,626,845
REVENUE RESERVES				
Un-appropriated profits		4,440,188	2,414,048	1,863,614
		12,469,109	8,562,445	6,056,393
NON-CONTROLLING INTEREST				
	12	620,608	525,260	328,068
		13,089,717	9,087,705	6,384,461
NON CURRENT LIABILITIES				
Long term diminishing musharaka	13	134,943	112,707	37,571
Long term lease liabilities		148,602	101,376	32,056
Long-term loan	15	108,650	64,469	-
Provision for gratuity	16	294,906	187,203	119,342
Deferred taxation	25	-	-	3,673
		687,101	465,755	192,642
CURRENT LIABILITIES				
Current portion of diminishing musharaka	13	63,585	40,764	46,757
Current portion of lease liabilities		22,019	21,297	-
Current portion of long term loans		39,992	29,068	23,551
Current portion of deferred grant				269
Finances under mark up arrangements and other credit facilities - secured	17	1,219,616	616,408	713,748
Creditors, accrued and other liabilities	18	7,359,944	6,067,182	3,296,491
Contract liabilities	19	2,256,775	1,739,191	883,074
Unclaimed dividend	20	167,918	215,625	153,095
Taxation - net		1,051,387	76,200	36,343
		12,181,236	8,805,735	5,153,328
		25,958,054	18,359,195	11,730,431
CONTINGENCIES AND COMMITMENTS				
	21			

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER




DIRECTOR

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

		2023	2022 Restated	2021 Restated
	Note	(Rupees in thousand)		
ASSETS				
NON CURRENT ASSETS				
Property and equipment	22	1,199,042	953,433	467,762
Intangible assets	23	5,265,807	685,800	51,722
Long term investment	24	113,084	-	967,659
Deferred taxation	25	33,929	15,400	-
Long-term loans and deposits	26	77,521	57,476	38,393
		6,689,383	1,712,109	1,525,536
CURRENT ASSETS				
Stock in trade	27	130,269	67,109	72,813
Trade debts	28	9,236,787	6,129,124	3,602,526
Contract assets	29	5,652,592	6,638,723	4,120,355
Advances, deposits and prepayments and other receivables	30	3,013,657	956,960	786,209
Short term investments	31	104,108	74,838	310,656
Cash and bank balances	32	1,131,258	1,347,281	1,312,336
		19,268,671	15,214,035	10,204,895
Non-current assets held for sale	33	-	1,433,051	-
		<u>25,958,054</u>	<u>18,359,195</u>	<u>11,730,431</u>

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
		Restated	
	Note	(Rupees in thousand)	
Revenue from contracts with customers - net	34	17,767,312	9,538,499
Cost of revenue	35	(12,161,392)	(7,031,603)
Gross profit		<u>5,605,920</u>	<u>2,506,896</u>
Administrative and selling expense	36	(5,960,696)	(1,817,610)
Other expense	37	(6,727)	(8,878)
Other income	38	4,380,205	624,383
		<u>(1,587,218)</u>	<u>(1,202,105)</u>
Profit from operations		4,018,702	1,304,791
Finance cost	39	(408,630)	(223,048)
Share of profit from joint venture		110,367	-
Profit before tax		<u>3,720,439</u>	<u>1,081,743</u>
Taxation	40	(1,109,701)	(154,667)
Profit for the year		<u><u>2,610,738</u></u>	<u><u>927,076</u></u>
Attributable to:			
Equity holders of the Holding Company		2,515,390	846,064
Non-controlling interest		95,348	81,012
		<u><u>2,610,738</u></u>	<u><u>927,076</u></u>
Combined earnings per share			
Basic	41.1	<u><u>6.70</u></u>	<u><u>2.25</u></u>
Diluted	41.2	<u><u>6.59</u></u>	<u><u>2.22</u></u>

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE

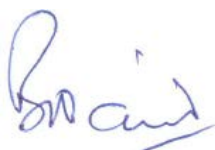
CHIEF FINANCIAL OFFICER

DIRECTOR

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Note	Restated (Rupees in thousand)	
Profit for the year	2,610,738	927,076
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	11	76,741
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
- Exchange difference on translating foreign operations	1,206,705	1,045,813
	<u>1,206,705</u>	<u>1,122,554</u>
Total comprehensive income for the year	<u><u>3,817,443</u></u>	<u><u>2,049,630</u></u>
Attributable to:		
Equity holders of the Holding Company	3,722,095	1,968,618
Non-controlling interest	95,348	81,012
	<u>3,817,443</u>	<u>2,049,630</u>

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	CAPITAL RESERVES							REVENUE RESERVES	Sub-total	Non-Controlling Interest	Total
	Issued, subscribed and paid-up share capital	Share premium reserve	Gain on dilution of interest	Employee share compensation reserve	Statutory Reserve	Exchange revaluation reserve	Surplus on revaluation of property and equipment	Un-appropriated (loss) / profits			
------(Rupees in thousand)-----											
Balance as on January 01, 2022 as previously reported	2,565,934	144,189	631,367	172,658	3,002	754,971	256,297	3,476,888	8,005,306	328,068	8,333,374
Effect of prior period error - Note 6						(335,639)		(1,613,274)	(1,948,913)		(1,948,913)
Balance as on January 01, 2022 as restated	2,565,934	144,189	631,367	172,658	3,002	419,332	256,297	1,863,614	6,056,393	328,068	6,384,461
Profit for the year - restated	-	-	-	-	-	-	-	1,134,922	1,134,922	81,012	1,215,934
Other comprehensive income- restated	-	-	-	-	-	1,045,812	76,741	-	1,122,553	-	1,122,553
	-	-	-	-	-	1,045,812	76,741	1,134,922	2,257,475	81,012	2,338,487
Issuance of shares against employee share option scheme	31,671	169,818	-	(161,376)	-	-	-	-	40,113	-	40,113
Acquisition of Empiric AI (Private) Limited	-	-	-	-	-	-	-	323,844	323,844	116,180	440,024
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	-	-	-	(830)	830	-	-	-
25% bonus share issue for the year ended December 31, 2021	649,401	-	-	-	-	-	-	(649,401)	-	-	-
10% final dividend for the year ended December 31, 2021 @ Re 1 per share	-	-	-	-	-	-	-	(259,761)	(259,761)	-	(259,761)
Employee share option reserve	-	-	-	144,381	-	-	-	-	144,381	-	144,381
	681,072	169,818	-	(16,995)	-	-	(830)	(584,488)	248,577	116,180	364,757
Balance as on December 31, 2022- restated	3,247,006	314,007	631,367	155,663	3,002	1,465,144	332,208	2,414,048	8,562,445	525,260	9,087,705
Profit for the year	-	-	-	-	-	-	-	2,515,390	2,515,390	95,348	2,610,738
Other comprehensive income	-	-	-	-	-	1,206,705	-	-	1,206,705	-	1,206,705
	-	-	-	-	-	1,206,705	-	2,515,390	3,722,095	95,348	3,817,443
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	-	-	-	(1,572)	1,572	-	-	-
Adjustment against Octopus Digital Inc. liquidation	-	-	-	-	-	-	-	-	-	-	-
Statutory reserve adjustment AVSEC.	-	-	-	-	226	-	-	-	226	-	226
15% bonus share issue for the year ended December 31, 2022	490,823	-	-	-	-	-	-	(490,823)	-	-	-
Employee share option reserve	-	-	-	146,358	-	-	-	-	146,358	-	146,358
Issuance of shares against employee share option scheme	25,149	136,908	-	(124,072)	-	-	-	-	37,985	-	37,985
	515,972	136,908	-	22,286	226	-	(1,572)	(489,251)	184,569	-	184,569
Balance as on December 31, 2023	3,762,978	450,915	631,367	177,949	3,228	2,671,849	330,636	4,440,187	12,469,109	620,608	13,089,717

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

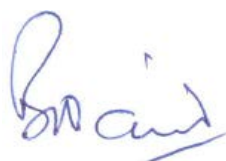


DIRECTOR

AVANCEON LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022 Restated
(Rupees in thousand)			
Cash flows from operating activities			
Cash (used in)/ generated from operations	42	(135,493)	414,882
Finance costs paid		(413,449)	(201,225)
Gratuity paid		49,774	(4,662)
Taxes paid		(86,510)	(21,382)
		(450,185)	(227,269)
Net cash (used in)/ generated from operating activities		(585,678)	187,613
Cash flows from investing activities			
Purchase of property and equipment		(243,670)	(115,317)
Proceeds from sale of property and equipment		20,570	30,177
Increase in long term loans and deposits - net		(20,043)	(19,083)
Additions in intangible assets - capital work in progress		(49,000)	(29,061)
Decrease / (increase) in short term investments		(29,270)	235,807
Share of profit from joint venture		110,367	
Profit on bank deposit		6,391	6,894
Net cash flows (used in)/ generated from investing activities		(204,655)	109,417
Cash flows from financing activities			
Dividend paid		(47,706)	(197,231)
Issuance of shares		37,985	40,617
Long term loan (repaid)/ received		(25,906)	69,986
Finances under mark up arrangements and other credit facilities		603,208	(97,340)
Repayment of lease liabilities		6,729	(78,117)
Net cash flows generated from / (used in) financing activities		574,310	(262,085)
Net (decrease) increase in cash and cash equivalents		(216,023)	34,945
Cash and cash equivalents at the beginning of year		1,347,281	1,312,336
Cash and cash equivalents at the end of year		1,131,258	1,347,281

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

AVANCEON LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Holding Company) was incorporated in Pakistan on March 26, 2003 as a private limited Company which was converted to a public Company on March 31, 2008 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Holding 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 The Avanceon Building, 19 km, Multan Road, Lahore 54660.

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

	Note	% age of Holding
- Avanceon Free Zone Establishment, UAE (AFZE)	1.1.1	100%
- Avanceon Automation and Control W.L.L (AVAC)	1.1.2	49%
- Octopus Digital Inc. USA (ODI)	1.1.3	100%
- Avanceon Saudi Energy Company (AVSEC)	1.1.4	100%
- Octopus Digital Limited	1.1.5	74%
- Empiric AI (Private) Limited	1.1.6	74%
- Avanceon QFZ LLC	1.1.7	100%

- 1.1.1 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.
- 1.1.2 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.
- 1.1.3 Octopus Digital Inc. (ODI) registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The ODI holds Nil (2022: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.
- 1.1.4 This represents the investment in Avanceon Saudi Energy Company a single member company with Limited Liability registered in Riyadh, Saudi Arabia. The Group 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.
- 1.1.5 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 December 31, 2020, ODL entered into a Business Arrangement Contract dated December 08, 2020 with the Holding Company to transfer the entire business of AMS segment to ODL along-with the existing customer contracts. ODL acquired the rights to carry on AMS business with effect from January 01, 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. The Company is listed on Pakistan Stock Exchange Limited.
- 1.1.6 During the previous year, the Group has acquired 100% shareholding in Empiric AI (Private) Limited, which is a private limited company, incorporated in Pakistan on May 19, 2020 under the Companies Act, 2017. The Company was established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

- 1.1.7 Avanceon QFZ LLC is incorporated as a limited liability Company under the Companies regulations of Qatar Free Zone Authority. Avanceon QFZ L.L.C. ('the Company'), is a Limited Liability Company registered with the Qatar Free Zone Authority under FZA License No. FZA 194 obtained on November 05, 2020. The registered office of the Company is at Zone No. PA-WH-04, Area-Ras Bufontas Free Zone, Street No. PO Box: 45976, Doha-Qatar. The primary objective is to manufacturing of measuring, testing, navigating and control equipment.

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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

2.2.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2023

The following standards, amendments and interpretations are effective for the year ended December 31, 2023. These standards, amendments and interpretations are either not relevant to the Group's operations or did not have significant impact on the consolidated financial statements other than certain additional disclosures.

Standard or Interpretations	Effective date (annual periods beginning on or after)
------------------------------------	--

Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 Making Materiality Judgements- Disclosure of Accounting Policies	January 01, 2023
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Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimate January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction January 01, 2023

Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes January 01, 2023

The Group adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after January 01, 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Group to provide useful entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 5 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

2.2.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements January 01, 2024

Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions January 01, 2024

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 01, 2024

Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025

IFRS 1 standard has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However, SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

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 material accounting policies are stated in Note 5. Not all of these material 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 property and equipment 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 Group. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with corresponding effects on the depreciation charge and impairment. Further, the Group 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) Allowance 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 Group 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 MATERIAL ACCOUNTING POLICIES

The material 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% (2022:10%) of the basic salary.

Defined benefit plan

AVAC, FZE and AVSEC 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 is 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 to statement of changes in equity. All transfers to/from surplus on revaluation of property 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 21.1 to the consolidated 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 and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property 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 23.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing The intangible asset so that The asset will be available for use or sale
- Its intention to complete and Its ability and intention to use or sell The asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated impairment losses.

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 Stock in trade

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

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

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

5.9 Financial instruments

5.9.1 Financial assets

a) Initial recognition and measurement

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

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

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.

5.9.2 Offsetting of financial assets and liabilities

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

5.9.3 Financial liabilities

a) Initial recognition and measurement

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

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

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

b) Subsequent measurement

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

Financial liabilities at amortized cost

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 46.2.

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.

5.9.4 Dividend income

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

5.9.5 Financial income

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

5.10 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 5.9.1(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 28.2.

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.

5.11 Cash and cash equivalents

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

5.12 Borrowings

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

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

5.13 Creditors, accruals and provisions

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

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

Provisions are reviewed at year end and adjusted to reflect the current best estimate.

5.14 Foreign currency transactions and translation

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

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

i) Transactions and balances

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

ii) Group Companies

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

5.15 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.

5.16 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. The revenue from rendering of services is recognized at a point over time.

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. The project revenue is recognized at a point over time.

5.17 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 Holding 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 Holding 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 Group 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.

5.18 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 Group; 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.

5.19 Compensated absences

The Group 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.

5.20 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.

5.21 Related party transactions

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

5.22 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.

5.23 Non current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classified as held for sale, the assets are remeasured in accordance with the Group accounting policy. Thereafter the assets are measured at the lower of their carrying value and fair value less cost to sell.

5.24 Predecessor method for common control transactions- Accounting Policy

The Group applies the predecessor method in accounting for common control transactions. Under this method, the consolidated financial statements of the combining entities are combined as if the transaction occurred at the beginning of the earliest period presented, with the carrying amounts of assets and liabilities based on the historical cost of the transferring entity. The difference between the consideration transferred and net assets of the transferred entity will be recognized in equity.

6 RESTATEMENT OF CORRECTION OF PRIOR PERIOD ERRORS

6.1 During the year, errors have been identified in respect of revenue recognition relating to the years ended December 31, 2018, December 31, 2020 and December 31, 2021 from certain customers in its subsidiary entities in UAE and Qatar, by fraudulent act of rogue individuals in the Group. The errors have been corrected by restating the comparative figures retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.' As a result, thereof, the dividend declarations from these subsidiaries have also been reversed, impacting recognition of corresponding dividend income for the Group. The effect on prior periods for reversal of dividend is presented below:

	As previously reported	Restatement	As restated
6.1.1 As at December 31, 2021			
Statement of Financial Position			
Trade debts	5,551,439	(1,948,913)	3,602,526
Retained earnings	3,476,888	(1,613,274)	1,863,614
Foreign currency reserve	754,971	(335,639)	419,332
6.1.2 As at December 31, 2022			
Statement of Financial Position			
Trade debts	8,615,117	(2,485,993)	6,129,124
Retained earnings	4,869,725	(2,455,677)	2,414,048
Foreign currency reserve	1,495,460	(30,316)	1,465,144
For the year ended December 31, 2022			
Statement of Profit or loss			
Other Income-exchange gain	1,766,028	(1,131,260)	624,383
Statement of Comprehensive income			
Exchange difference on translating foreign operations	740,489	594,182	1,045,813

7 SHARE CAPITAL**7.1 Authorized share capital**

<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Number of ordinary shares of Rs. 10/- each		(Rupees in thousand)	
500,000,000	500,000,000	5,000,000	5,000,000

7.2 Issued, subscribed and paid-up share capital

<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Number of ordinary shares of Rs. 10/- each		(Rupees in thousand)	
57,166,850	57,166,850	571,669	571,669
305,528,427	256,446,099	3,055,284	2,564,461
4,675,629	4,505,629	46,756	45,056
1,750,820	858,519	17,508	8,585
5,755,096	5,723,534	57,551	57,235
1,421,028	-	14,210	
<u>376,297,850</u>	<u>324,700,631</u>	<u>3,762,978</u>	<u>3,247,006</u>

7.3 Movement during the year is as follows:

	<u>2023</u>	<u>2022</u>
	(Number of shares)	
Balance as at January 01,	324,700,631	256,593,358
Shares issued under Employees' Share Options Schemes during the year	2,514,891	3,167,147
Bonus shares issued during the year	49,082,328	64,940,126
Balance as at December 31,	<u>376,297,850</u>	<u>324,700,631</u>

2023 **2022**
(Rupees in thousand)

8 SHARE PREMIUM

Opening balance	352,768	182,950
Employees share option scheme	136,908	169,818
	489,676	352,768
Less: Costs incurred on Initial Public Offering	(38,761)	(38,761)
	<u>450,915</u>	<u>314,007</u>

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

	Note	2023 (Rupees in thousand)	2022
9 STATUTORY RESERVE	9.1	<u>3,228</u>	<u>3,002</u>
9.1	The statutory reserve is established in accordance with the Saudi Commercial Companies Law, which requires that entities in Saudi Arabia allocate 10% of their annual net income to statutory reserves until it reaches 30% of the share capital. This reserve is not distributable. Accordingly, the Group has established reserves for its entities operating within the Kingdom of Saudi Arabia in compliance with this law		
10 EMPLOYEES' SHARE COMPENSATION RESERVE			
Share options scheme I	10.1	-	5,273
Share options scheme II	10.2	-	8,470
Share options scheme III	10.3	3,729	4,483
Share options scheme IV	10.4	-	108,104
Share options scheme V	10.5	164,954	29,333
Employees' share compensation reserve- Octopus Digital Limited	10.6	9,266	-
		<u>177,949</u>	<u>155,663</u>

10.1 Share options scheme I

Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 18, 2013 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Holding 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 September 26, 2013 in order to set aside amount for issuance of shares under the scheme out of un-appropriated profit of the Holding Company.

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

Balance as at January 01,	5,273	7,339
Employee compensation expense	-	276
Adjustment of reserve for option holders resigning during the year	-	(275)
Transfer to share capital on issuance of shares during the period	(5,273)	(2,067)
Balance as at December 31,	<u>-</u>	<u>5,273</u>

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:

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at January 01,	170,000	1.92	291,000	1.85
Forfeited during the year			(15,000)	1.85
Exercised during the year *	<u>(170,000)</u>	1.92	<u>(106,000)</u>	1.73
Outstanding at December 31,	<u>-</u>		<u>170,000</u>	1.92
Exercisable at December 31,	<u>-</u>		<u>170,000</u>	

* The weighted average share price at the date of exercise of these options was Rs. 78.93 (2022: Rs. 39.50).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was Nil years (2022: 0.56 years).

The range of exercise price for options outstanding at the end of the year was Rs. Nil (2022: Rs. 1.73 to Rs. 2.0).

10.2 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 Holding 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%.

	Note	2023 (Rupees in thousand)	2022
Movement in the amount of options granted against the reserve is as follows:			
Balance as at January 01,		8,470	15,452
Employee compensation expense		5	1,870
Adjustment of reserve for option holders resigning during the year		-	(232)
Transfer to share capital on issuance of shares during the period		(8,475)	(8,620)
Balance as at December 31,		<u>-</u>	<u>8,470</u>

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.

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at January 01,	892,302	21.06	1,776,822	22.60
Forfeited during the year	-		(26,001)	22.60
Exercised during the year	<u>(892,302)</u>	21.06	<u>(858,519)</u>	24.20
Outstanding at December 31,	<u>-</u>		<u>892,302</u>	21.06
Exercisable at December 31,	<u>-</u>		<u>892,302</u>	

The weighted average share price at the date of exercise of these options was Rs. 78.93 (2022: Rs. 75.12).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was Nil years (2022: 1.03 years).

The range of exercise price for options outstanding at the end of the year was Nil (2022: Rs. 16.80 to Rs. 24.20).

10.3 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 Holding 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, 10.25 in 2023.

2023 **2022**
(Rupees in thousand)

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

Balance as at January 01,	4,483	-
Employee compensation expense	1,467	4,483
Transfer to share capital on issuance of shares during the period	(2,221)	-
Balance as at December 31,	3,729	4,483

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:

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at January 01,	78,437	12.15	-	-
Granted during the year	6,250	12.15	78,437	12.15
Exercised during the year	(31,562)	10.25	-	-
Outstanding at December 31,	53,125	12.15	78,437	12.15
Exercisable at December 31,	53,125	10.25	78,437	

The weighted average share price at the date of exercise of these options was Rs. 83.54 (2022: Rs. 61.96).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was 0.8 years (2022: 0.39 years).

The range of exercise price for options outstanding at the end of the year was Rs. 10 to Rs. 12.5 (2022: Rs. 10 to Rs. 10.5).

10.4 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 Holding Company are granted to employees of level MT 1 & 2 (who have completed minimum of 7 years of service period with the Holding 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.

	2023	2022
	(Rupees in thousand)	
Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 01,	108,104	149,866
Employee compensation expense	-	108,421
Adjustment of reserve for option holders resigning during the year	-	
Transfer to share capital on issuance of shares during the period	(108,104)	(150,183)
Balance as at December 31,	<u>-</u>	<u>108,104</u>

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:

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at January 01,	1,421,026	10.64	2,177,914	10.25
Granted during the year	-	-	1,421,026	11.03
Forfeited during the year	-	-	-	-
Exercised during the year	<u>(1,421,026)</u>	10.64	<u>(2,177,914)</u>	10.50
Outstanding at December 31,	<u>-</u>		<u>1,421,026</u>	10.64
Exercisable at December 31,	<u>-</u>		<u>1,421,026</u>	

The fair value of options granted during the year was Rs. Nil (2022: Rs. 76.28).

The weighted average share price at the date of exercise of these options was Rs. 76.85 (2022: Rs. 71.19).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was Nil years (2022: 0.39 years).

The range of exercise price for options outstanding at the end of the year was Rs. Nil (2022: Rs. 10 to Rs. 10.5).

10.5 Share options scheme V

Employee Share Option Scheme, 2022 was approved by Securities and Exchange Commission of Pakistan (SECP) on 05 January 2022 which comprises of an entitlement pool of 10% of the paid-up capital of the Holding Company as increased from time to time. As of December 31, 2021, the pool consisted of 25.659 million shares. Under the scheme, share options of the Holding Company will be granted to permanent employees of all cadres based on the performance ranking process of the Holding Company. The share options can be exercised within a period of maximum six months from the expiry of the minimum vesting period. The minimum vesting period is 12 months from the date of grant of options. Exercise Price of an option shall be determined from time to time by the Board of directors of the Holding Company at the time of grant of option(s), which shall be calculated as the weighted average of the closing quoted market price of the share of the Holding Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s). Provided further that options can be issued at a maximum discount of 90% of the weighted average of the closing market price of the share of the Holding Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s) as determined by the Board. The exercise price shall not be in any case less than face value of Rs. 10/- per share.

	2023	2022
	(Rupees in thousand)	
Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 01,	29,332	-
Employee compensation expense	135,622	29,332
Adjustment of reserve for option holders resigning during the year	-	-
Balance as at December 31,	164,954	29,332

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

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at January 01,	2,425,013	-	-	-
Granted during the year	3,299,379	10.00	2,425,013	10.00
Outstanding at December 31,	5,724,392	10.00	2,425,013	10.00
Exercisable at December 31,	5,724,392	-	2,425,013	-

The fair value of options granted during the year was Rs. 55.13 (2022: Rs. 61.95).

The weighted average share price at the date of exercise of these options was Rs. 57 (2022: Rs. 75.12).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was 0.8 years (2022: 0.59 years).

The range of exercise price for options outstanding at the end of the year was Rs. 10 (2022: Rs. 10.25 to Rs. 10.5).

10.6 Employees' share compensation reserve- Octopus Digital Limited

Employee Share Option Scheme, 2022 was approved by Securities and Exchange Commission of Pakistan (SECP) on March 04, 2022 which comprises of an entitlement pool of 10% of the paid-up capital of the Octopuse Digital Limited (the Company) as increased from time to time. As of December 31, 2021, the pool consisted of 13.675 million shares. Under the scheme, share options of the ODL will be granted to permanent employees of all cadres based on the performance ranking process of the ODL. The share options can be exercised within a period of maximum six months from the expiry of the minimum vesting period. The minimum vesting period is 12 months from the date of grant of options. Exercise Price of an option shall be determined from time to time by the Board of directors of the Company at the time of grant of option(s), which shall be calculated as the weighted average of the closing quoted market price of the share of the Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s). Provided further that options can be issued at a maximum discount of 90% of the weighted average of the closing market price of the share of the Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s) as determined by the Board. The exercise price shall not be in any case less than face value of Rs. 10/- per share.

	2023	2022
	(Rupees in thousand)	
Movement in the amount of options granted is as follows:		
Balance as at January 01,	-	-
Employee compensation expense	9,263,716	-
Balance as at December 31,	<u>9,263,716</u>	<u>-</u>

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

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at January 01,	-	-	-	-
Granted during the year	<u>1,444,877</u>	10.00	-	-
Outstanding at December 31,	<u>1,444,877</u>	10.00	-	-
Exercisable at December 31,	<u>1,444,877</u>	-	-	-

The fair value of options granted during the year was Rs. 47.623 (2022: Nil).

The weighted average share price at the date of exercise of these options was Rs. 40.36 (2022: Nil).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was 2.42 years (2022: Nil).

The range of exercise price for options outstanding at the end of the year is Rs. 10 (2022: Nil).

- 10.7 The following tables list the inputs to the models used for the three plans for the years ended December 31, 2023 and 2022, respectively:

	2023	2022
Expected volatility (%)	41%	43%
Risk-free interest rate (%)	9%	8%
Expected life of share options (years)	2.4	2.6
Weighted average share price (Rupees)	54.25	67.52
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.

2023 **2022**
(Rupees in thousand)

11 SURPLUS ON REVALUATION OF PROPERTY

Opening balance of surplus on revaluation of property		
Revaluation surplus arising during the year - net of tax		76,741
Surplus transferred to unappropriated profit on account of incremental depreciation	(1,572)	(830)
Closing balance of surplus on revaluation of property	330,636	332,208

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.

12 NON-CONTROLLING INTEREST (NCI)

The following table summarizes the information relating to Octopus Digital Limited (subsidiary company), Empiric AI (Private) Limited, and ODFZE LLC that have NCI, before any intra-group eliminations.

Non-current assets	834,578	134,071
Current assets	2,263,598	1,991,400
Current liabilities	(391,509)	(80,067)
Non-Current liabilities	(11,102)	
Net asset	2,695,565	2,045,404
Net asset attributable to NCI - 25.68 % (2022: 25.68 %)	620,608	525,260
Revenue	1,274,352	687,010
Total comprehensive income for the year	673,507	405,063
Total comprehensive allocated to NCI	95,348	81,013
Net cash used in operating activities	144,200	(508,952)
Net cash used in investing activities	(181,586)	(69,715)
Net cash generated from financing activities	13,790	
Net decrease in cash and cash equivalents	(23,596)	(578,667)

13 LONG TERM DIMINISHING MUSHARAKA

The finance has been obtained under the Islamic mode of financing from First Habib Modaraba and MCB bank. The financed amount is repayable in 4 to 5 years (2022: 4 to 5 years). This carry profit ranges from 23.69% to 26.62% (2022: 10.95% to 19.05%) per annum for the Holding Company. The interest rates for subsidiaries (Avanceon FZE and Octopus Digital Limited) are 9.5% & one year KIBOR plus 2.25% (2022: 9.50% & Nil) respectively. The amount of future payments and the period during which they will become due are:

	2023	2022
	(Rupees in thousand)	
Long term financing		
As at January 01,	153,471	86,515
Additions during the year	99,399	124,722
Accretion of interest	39,930	22,042
Payments / adjustments during the year	(94,272)	(79,808)
Less: Current portion	(63,585)	(40,764)
As at December 31,	<u>134,943</u>	<u>112,707</u>

14 Lease Liabilities

The interest rates for subsidiaries (Avanceon QFZ W.L.L. and Avanceon FZE) are 6.25% and 9.50% (2022: Nil and 9.5%) respectively. The amount of future payments and the period during which they will become due are:

Year ended December 31,		
Due not later than 1 year	63,318	32,056
Due later than 1 year but not later t	79,509	41,557
Later than five years	234,489	188,427
Lease payments	377,316	262,040
Less: Future finance charges	(206,695)	(139,367)
	<u>170,621</u>	<u>122,673</u>
Current portion	(22,019)	(21,297)
	<u>148,602</u>	<u>101,376</u>

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

	2023		2022	
	LP	PV of LP	LP	PV of LP
	(Rupees in thousand)		(Rupees in thousand)	
Due not later than 1 year	63,318	22,019	32,056	21,297
Due later than 1 year but not later than 5 years	79,509	31,314	41,557	19,628
Later than 5 years	234,489	117,288	188,427	81,748
	<u>377,316</u>	<u>170,621</u>	<u>262,040</u>	<u>122,673</u>

2023 **2022**
(Rupees in thousand)

Set out below is the movements during the year:

As at January 01,	122,673	29,868
Additions during the year	51,427	111,609
Accretion of interest	12,754	1,673
Payments during the year	(39,257)	(28,951)
Foreign exchange movement	(12,894)	8,474
As at December 31,	134,703	122,673

14.2 Cash outflow for leases

The Group had total cash outflows for leases in 2022 of Rs. 17.816 million (2022: Rs. 28.951 million). The Group also had non-cash additions to right-of-use assets and lease liabilities in 2022 of Rs. 51.427. million (2022: Rs. 111.609 million).

15 LONG-TERM LOAN

Long-term loan	15.1	148,642	93,537
Less: current portion of long term loan		(39,992)	(29,068)
		108,650	64,469

- 15.1 This represents loan of AED 2,220,808 obtained from National Bank of Fujairah, UAE for the purchase of land from Ms Bakers Circle Middle East Co. in JAFZA, UAE mentioned in the Bank offer Letter with the sanctioned Limit of AED 2,240,000. It carries mark up rate of NBF prime rate less 1% per annum or minimum rate of 8%, whichever is higher.

This facility is secured by against registered mortgage/Assignment of lease over the property on Plot No: MO0240, JAFZA, UAE in favour of bank for a minimum value of AED 2,240,000 and assignment of insurance policy over the Mortgaged Property. (Plot MO0240, JAFZA,UAE). Loan to be repaid in equal 84 equal monthly instalments commencing first month from the date of initial drawdown of loan commencing October, 2022 and ending October, 2029.

16 PROVISION FOR GRATUITY

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

Opening balance	187,203	119,342
Charge for the year	73,567	29,343
Payments during the year	(11,673)	(4,662)
Foreign exchange movement	45,809	43,180
Closing balance	294,906	187,203

	Note	2023 (Rupees in thousand)	2022
17 FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED			
JS Bank Limited	17.1	44,972	50,000
Habib Bank Limited	17.2	-	59,997
United Bank Limited	17.3	24,158	159,955
National Bank of Fujairah	17.4	807,332	146,456
Standard Chartered Bank Limited	17.5	150,000	200,000
Qatar International Islamic Bank	0.0	93,660	-
MCB Bank Limited	0.0	99,494	-
		<u>1,219,616</u>	<u>616,408</u>

17.1 JS Bank Limited	Maturity Days	Limit Rs.'000'			
Running finance	365	300,000	17.1.1	<u>44,972</u>	<u>50,000</u>

17.1.1 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.

17.2 Habib Bank Limited	Maturity Days	Limit Rs.'000'			
Inland bill purchase	180	125,000		<u>-</u>	<u>59,997</u>

This facility has a sanctioned limit of Rs. 125 million (2022: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2022: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (2022: 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.

17.3 United Bank Limited	Maturity Days	Limit Rs.'000'			
Trust receipt loans	180	208,437		<u>24,158</u>	<u>159,955</u>

As per the renewed facility letter dated August 25, 2022, 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 and Conditions, Discounting Agreement and Deed of Assignment duly signed by the authorized signatories.

17.4 National Bank of Fujairah	Maturity Days	Limit Rs.'000'	Note	2023 (Rupees in thousand)	2022
Trust receipts	120	363,525		807,332	114,136
Invoice discounting	120	363,525		-	32,320
				<u>807,332</u>	<u>146,456</u>

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 Holding Company and pledge over fixed deposit of AED 1,200,000 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 5,000,000 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.

17.5 Standard Chartered Bank Limited	Maturity Days	Limit Rs.'000'		
Running finance	365	500,000	<u>150,000</u>	<u>200,000</u>

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.

17.6 Qatar International Islamic Bank

The loan is obtained from Qatar International Islamic Bank as on September 01, 2023 to meet the running expenses of the company. These finance facilities bear markup at the rate of 4%. A Fixed Installment of QAR 131,361 including principle amount to QAR 126,058 and interest amounting QAR 5,303. The loan will be settled on May 01, 2024.

17.7 MCB Bank Limited

The Group has obtained Export Invoice finance facility from MCB Islamic Bank Ltd with a sanctioned limit of Rs. 100 million (2022: Nil) bearing mark-up at the rates prescribed therein the facility offer letters that includes one month KIBOR plus Bank spread (2%). The facilities are secured against all the PP and JPP charge over present and future current asstes of the company with 25% margin.

	Note	2023 (Rupees in thousand)	2022
18 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		5,555,235	4,597,791
Accrued expenses		608,326	443,674
Advances from customers		-	93,016
Advance against sale of investment		-	342,754
Payable to related parties	18.1	305,089	33,850
Employee share portion - vehicle		90,263	75,493
Balance due to statutory authorities - Withholding income tax	18.3	638,158	390,128
Accrued mark up on finances under mark up arrangements and other credit facilities - secured		26,335	31,204
Payable to provident fund		57,066	24,891
Other liabilities		79,472	34,381
		<u>7,359,944</u>	<u>6,067,182</u>

18.1 Payable to related parties

Arkan Integrated Development L.L.C - Commission payable	18.1.1	88,720	32,529
Innovative Travels (Private) Limited		1,320	1,321
Avanceon Arabia Infotech		215,049	-
		<u>305,089</u>	<u>33,850</u>

18.1.1 This includes amount due to Arkan Integrated Development L.L.C in respect of current account against expenses incurred on behalf of AVAC and 3% commission payable of Rs. 5.40 million.

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

Arkan Integrated Development L.L.C - Commission payable	<u>88,720</u>	<u>32,529</u>
Innovative Travels (Private) Limited	<u>1,320</u>	<u>1,321</u>
Avanceon Arabia Infotech	<u>215,049</u>	<u>-</u>

18.3 These include overdue payments, which may be subject to imposition of surcharge.

	Note	2023 (Rupees in thousand)	2022
19 CONTRACT LIABILITIES			
Advances from customers		308,941	168,891
Billings in excess of earnings	19.1	<u>1,947,834</u>	<u>1,570,300</u>
		<u>2,256,775</u>	<u>1,739,191</u>
19.1 Movement of contract liability:			
As at January 01,		1,570,300	660,606
Addition during the year		5,833,428	4,142,636
Recognized as revenue during the year		(6,027,554)	(3,597,893)
Foreign exchange movement		571,660	364,951
As at December 31,		<u>1,947,834</u>	<u>1,570,300</u>
20 UNCLAIMED DIVIDEND			
As at January 01,		215,625	153,095
Declared during the year		4,640	259,761
Paid during the year		(52,347)	(197,231)
As at December 31,	20.1	<u>167,918</u>	<u>215,625</u>

20.1 This includes dividend payable to the Chief Executive, Mr. Bakhtiar Hameed Wain and Director, Mr. Aamir Wain amounting to Rs. 132.61 million (2022: Rs. 132.61 million) and Rs. Nil (2022: Rs. 23.35 million) respectively. This also includes dividend payable to Arkan Integrated Development L.L.C., minority shareholder of Avanceon Automation and Control WLL of Rs. 15.079 million (2022: Rs. 29.226 million).

21 CONTINGENCIES AND COMMITMENTS

21.1 Holding Company

21.1.1 Contingencies

Following are the contingencies to report as at year end (2022: Nil).

Following are the contingencies to report as at year end (2022: Nil) :

- a) Enforcement Officer Punjab Revenue Authority (PRA) issued notice dated May 31, 2023 regarding the withholding tax amounting to Rs. 1,039,778/- not deducted by the Company for tax period 2016, 2017 and 2018, resulting in a default by the Company. As per provisions of the Punjab Sales Tax on services (Withholding) Rules, 2015, the Company was required to deposit the tax deducted on services received. As a consequence of non-payment for above said periods, default surcharge of Rs. 859,744 and penalty of Rs. 51,989 are also likely to be paid by the Company. The Company expects a favorable outcome of the proceedings and no provisions in this regard has been recorded.
- b) Additional Commissioner, Enforcement, PRA has issued order dated January 25, 2021 u/s 24(2) of the Punjab Sales Tax on Services Act, 2012 for tax period 2019-20 raised a demand of Rs. 43.480 million. The Company has appealed to Commissioner Inland Revenue (CIR - A) PRA. The proceedings are pending as of the reporting date and no recovery notice has been received so far and therefore no provision in this regard has been recorded.

- c) The Company received a notice u/s 28 of the Sindh Sales Tax on Services Act, 2011 in which the taxpayer was selected for tax audit. The taxpayer made due compliance by submitting reply along with the CPR's for the paid amount on account of sales tax on services, default surcharge and penalty for the above mentioned period totalling to Rs. 2,682,652. However, no order has been received by the Company.
- d) Notice under rule 44(4) dated January 21, 2020 for the tax year 2019, has been issued by Assistant Commissioner Inland Revenue for reconciliation of total payments made and tax withheld by tax payer amounting to Rs. 102.604 million. Satisfactory reply has been submitted. Notice u/s 161(1A) has been issued by department dated 13-Feb 13, 2020. The Company has given satisfactory reply in this regard. Order is still pending.
- e) Notice regarding difference in sales as per unconsolidated financial statements and SRB's Returns Declaration amounting to Rs. 51.392 million for the Financial Year 2019, 2020 and 2021 was issued. Reply with reconciliation filed vide letter No.886 dated January 25, 2023. No order passed till date. The Company expects a favorable outcome of the proceedings and no provision in this regard has been recorded.

21.1.2 Commitments

- a) Bank guarantees have been issued amounting to Rs. 197.145 million (2022: Rs. 12.74 million) against the performance of various contracts.
- b) Letters of credit outstanding at year end amount to Rs. 125.870 (2022: Rs. Nil) which relates to import acceptance bills.

21.2 Subsidiaries

21.2.1 Contingencies

There is no contingency related to subsidiaries to report at year end (2022: Nil).

2023 **2022**
(Rupees in thousand)

21.2.2 Commitments

Subsidiaries' commitments as at year end are as follows:

Avanceon Automation and Control (AVAC)

Bank guarantees	1,293,727	484,424
Post dated cheques issued against payment of rent	40,476	58,770
	<u>1,334,203</u>	<u>543,194</u>

Avanceon FZE

Bank guarantees (a)	787,859	620,652
Letters of credit	1,141,669	251,880
Post dated cheques issued against payment of rent	15,485	12,444
	<u>1,945,013</u>	<u>884,976</u>

- a) 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.

22 PROPERTY AND EQUIPMENT

22.1 Operating fixed assets

	Cost / revalued amount as at Jan 01	Exchange adjustment on cost	Additions / transfers*	Deletions	Effect of revaluation during the year	Cost / revalued amount as Dec 31	Accumulated depreciation as at Jan 01	Exchange adjustment on accumulated depreciation	Depreciation charge for the year / (Deletions)	Effect of revaluation / transfers	Accumulated depreciation as at Dec 31	Net book value as at Dec 31	Depreciation rates
----- (Rupees in thousand) -----													
													%
2023													
Owned assets													
Freehold land	290,550	-	-	-	-	290,550	-	-	-	-	-	290,550	-
Buildings on freehold land	110,235	-	6,060	-	-	116,295	2,252	-	3,902	-	6,154	110,141	5
Tools and equipment	18,148	2,228	1,109	-	-	21,485	14,017	2,206	2,033	-	18,256	3,229	20
Office equipment and appliances	62,019	5,871	3,123	(781)	-	70,232	48,177	4,017	5,808	-	57,460	12,773	20
									(542)	-			
Furniture and fixture	64,768	11,123	52,278	(1,777)	-	126,392	37,956	5,666	14,064	-	56,871	69,521	20
									(815)	-			
Computers	133,219	6,478	43,130	(235)	-	182,592	82,357	5,299	33,392	-	120,955	61,637	33.33
									(93)	-			
									-	-			
Vehicles	20,757	949	144,901	(32,991)	-	364,758	20,685	952	39	132,149	131,726	233,032	20
			375,898 *						(22,099)				
	699,696	26,649	481,743	(35,784)		1,172,304	205,444	18,140	35,689	132,149	391,422	780,883	
Right of use assets													
Leasehold land	342,751	68,738	163,092	-	-	574,581	69,710	17,041	69,672	-	156,423	418,158	20
Vehicles	268,432	3,262	120,835	-	-	16,631	82,291	2,996	63,493	(132,149)	16,631	-	20
Transferred to owned assets			(375,898)										
	611,183	72,000	(91,971)			591,212	152,001	20,037	133,165	(132,149)	173,054	418,158	
	1,310,879	98,649	389,772	(35,784)		1,763,516	357,445	38,177	168,854	-	564,476	1,199,041	

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

	Cost / revalued amount as at Jan 01	Exchange adjustment on cost	Additions / transfers*	Deletions	Effect of revaluation during the year	Cost / revalued amount as Dec 31	Accumulated depreciation as at Jan 01	Exchange adjustment on accumulated depreciation	Depreciation charge for the year / (Deletions)	Effect of revaluation / transfers	Accumulated depreciation as at Dec 31	Net book value as at Dec 31	Depreciation rates
----- (Rupees in thousand) -----													
													%
2022													
Owned assets													
Freehold land	223,500	-	-	-	67,050	290,550	-	-	-	-	-	290,550	-
Buildings on freehold land	90,421	-	6,195	-	13,619	110,235	-	-	2,252	-	2,252	107,983	5
Tools and equipment	15,364	2,013	771	-	-	18,148	10,221	1,969	1,827	-	14,017	4,131	20
Office equipment and appliances	50,230	4,980	6,801	(991)	-	62,019	40,244	3,044	5,509	362	48,177	13,843	20
			999						(982)				
Furniture and fixture	26,805	4,919	33,021	(1,305)	-	64,768	25,128	3,375	9,717	443	37,956	26,812	20
			1,328						(707)				
Computers	65,444	33,614	40,795	(4,307)	-	133,219	43,505	9,100	32,460	(805)	82,357	50,862	33.33
				(2,327)					(1,903)				
Vehicles	35,316	861	-	(56,192)	-	20,757	35,229	861	15	-	20,685	72	20
			40,772 *						(43,267)	27,847			
	507,080	46,387	130,682	(65,122)	80,669	699,696	154,327	18,349	51,780	27,847	205,444	494,253	
Right of use assets													
Leasehold land	66,502	43,554	257,370	(24,676)	-	342,750	39,901	35,996	-	-	69,710	273,040	20
									(6,187)				
Vehicles	152,790	2,854	153,559	-	-	268,431	64,382	2,113	43,642	(27,847)	82,291	186,140	20
			(40,772)										
	219,292	46,408	370,157	(24,676)		611,181	104,283	38,109	43,642	(27,847)	152,001	459,180	
	726,372	92,795	500,839	(89,798)	80,669	1,310,877	258,610	56,458	95,422	-	357,445	953,433	

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

	Note	2023	2022
(Rupees in thousand)			
22.1.1 The depreciation charge has been allocated as follows:			
Cost of revenue	35	84,427	47,711
Administrative and selling expenses	36	84,427	47,711
		<u>168,854</u>	<u>95,422</u>

Fair value of the land and building as at December 31, 2022 was determined by 'Harvester Services (Private) Limited', an independent valuer who has valuation experience for similar assets. The management estimates that the fair value of revalued assets as at December 31, 2023 is not materially different from last year. The valuation for the year ended December 31, 2022 was performed based on proprietary databases of prices of transactions for assets of similar nature, location and condition. This revaluation resulted in revaluation surplus of Rs. 67.050 million on land and Rs. 13.369 million in respect of building. Detailed particulars of last year revaluation are as follows:

	Carrying value before revaluation	Revalued amount
(Rupees in thousand)		
Freehold land	223,500	290,550
Buildings on freehold land	94,365	107,983
	<u>317,865</u>	<u>398,533</u>

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

	2023	2022
	(Rupees in thousand)	
Freehold land	8,647	8,647
Buildings on freehold land	42,532	38,802
	<u>51,179</u>	<u>47,449</u>

22.1.2 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.

22.1.3 The forced sales value of revalued assets at the revaluation date amounted to Rs. 334.955 million.

22.1.4 Disposal of property and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal
2023							
Owned Vehicles							
Corolla Gli 138B Mt 1299Cc Lhe-17-1458	Local scrap dealer in open market	1,846	1,846	-	2,800	2,800	Bidding
Corolla Gli 138B Mt 1299Cc Le-17-1459	Local scrap dealer in open market	1,848	1,848	-	3,315	3,315	Bidding
		<u>3,694</u>	<u>3,694</u>	-	6,115	6,115	
Leased Asset							
Honda City 1500Cc Lea-18A-5688 Ali Zafar	Employee (Mian Ali Zafar)	1,840	1,748	92	711	619	As per policy
Honda Civic 1.8 Oriel Lec-18A-9148	Employee (Nasir Ali)	3,087	2,778	309	872	563	As per policy
Suzuki Waginr Vxl Manual-Lec-18A-9320	Employee (Mohsin Jamshed)	1,265	1,139	126	267	141	As per policy
Yaris Ativ * Cvt N.B.Rehan Bat-402	Employee (Nauman Bin Rehan)	4,430	886	3,544	3,878	334	As per policy
Suzuki Swift (Led-19-4371)	Employee (Muhammad Bilal Anwar)	1,734	1,589	145	479	334	As per policy
Honda City 1.5 Mna Lec-18-1434	Employee (Muhammad Nauman Ahsan)	1,917	1,917		375	375	As per policy
Honda City (Led-19-2947)	Employee (Ahad Omer)	1,906	1,779	127	824	697	As per policy
Toyota Xli Lea-18A-4160	Employee (Mehran Hassan)	1,962	1,962		811	811	As per policy
Honda Civic 1.8 I-Vtec Oriel (Bpt-931)	Employee (Muhammad Saad)	3,108	2,901	207	1,423	1,216	As per policy
Proton X70 BI-0373	Employee (Obaid Ur Rehman)	6,891	1,378	5,513	3,288	(2,225)	As per policy
Prince Pearl M/T Aeq-842 Tool Car	Employee (Masood Kareem)	1,157	328	829	800	(29)	As per policy

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	
2023		(Rupees in thousand)						
		29,297	18,405	10,892	13,728	2,836		
Other assets with book value less than Rs. 500,000		2,553	1,449	1,104	727	(377)		
		35,544	23,548	11,996	20,570	8,574		
2022								
Owned Vehicles								
Suzuki Swift DX 1328 CC LEF-15-4930	Employee (Hassan Raza Bhatti)	1,318	1,318	-	306	306	As per policy	
Honda Civic 1.8 L I-VTEC	Employee (Omer Javed)	2,434	2,434	-	849	849	As per policy	
Corolla GLI 1299 CC LEH-15-8206	Employee (Sajjad Haider)	1,887	1,887	-	431	431	As per policy	
Corolla GLI 1299 CC LEH-15-8208	Employee (Muhammad Ali Omer)	1,887	1,887	-	889	889	As per policy	
Audi A5 1.8 TFSI Executive LEC-15-7130	Employee (Tanveer Karamat)	6,636	6,636	-	1,300	1,300	As per policy	
Suzuki Swift DLX Registration LEC 7599	In Open Market	1,259	1,259	-	1,181	1,181	Bidding	
Leased Asset								
Suzuki Swift AMA-893	Employee (Fawad Haider)	1,649	1,099	550	681	131	As per policy	
Suzuki Swift DLX NAV	Employee (Asim Bin Iqbal)	1,375	1,215	160	401	241	As per policy	
City Prosmatec 1339 CC LED-18-3947	Employee (Umer Aslam)	1,782	1,455	327	780	453	As per policy	
Honda Civic 1.8 i-vetech Oriel	Employee (Hassan Sultan Goraya)	2,729	2,365	364	847	483	As per policy	
Corolla 1300 CC GLI-178-B MT	Employee (Muhammad Farhan)	1,955	1,662	293	817	524	As per policy	
Corolla 1300 CC GLI-178-B MT	Employee (Aakif Hussain Bhatti)	1,955	1,662	293	910	617	As per policy	
Honda Civic 1.8 i-vetech Oriel ALT-127	Employee (Tauqir Karamat)	3,073	2,101	972	1,817	845	As per policy	
Honda Civic 1.8 i-vetech Oriel	Employee (Masood Kareem)	2,777	2,406	371	739	368	As per policy	
Honda Civic 1.8 i-vetech LE-18-4547	Employee (Adeel Khalid)	2,729	2,501	228	659	431	As per policy	
City Prosmatec 1339 CC LED-18-3946	Employee (Yasir Mirag)	1,782	1,574	208	619	411	As per policy	
Honda Civic LE-19-4335	Employee (Syed Adeel Haider Zaidi)	3,134	2,298	836	1,210	374	As per policy	
Honda City white, 1339 CC LEF-17-1322	In Open Market	1,562	1,562	-	2,428	2,428	Bidding	
Honda Civic Turbo 1.5	Employee (Adeel Khalid)	4,797	1,279	3,518	3,879	361	As per policy	
Yaris GLI AGS-519	Employee (Hassan Sultan Goraya)	2,688	493	2,195	2,306	111	As per policy	
Suzuki Wagon-R AGS AHM-846	Employee (Ahmad Waleed Malik)	1,930	290	1,640	2,610	970	As per policy	
Honda Civic 1.8 Oriel LEC-18A-9149	Employee (Imran Ashraf)	3,087	2,469	618	896	278	As per policy	
Honda City 1.3 Manual AKX-513	Employee (Nauman Bin Rehan)	1,770	1,416	354	815	461	As per policy	
Other assets with book value less than Rs. 500,000		6,600	3,591	3,009	2,806	(198)	Bidding	
		62,795	46,859	15,936	30,176	14,246		

23 INTANGIBLE ASSETS

	Note	2023 (Rupees in thousand)	2022
Capital work in progress	23.1	262,064	370,610
Intellectual Property	23.2	4,508,554	-
Software	23.3	273,379	93,380
Goodwill	23.4	221,810	221,810
		<u>5,265,807</u>	<u>685,800</u>

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

23.2 During the current year the Group disposed of its Long-term investment in Avanceon LP through Octopus Digital Inc., whereby it withdraws, sell, transfer, and assign all its right, title, and interest in and of the Partnership Interest to Avanceon LP, a Pennsylvania USA Limited Partnership.

As a result of this disposal the Group has been assigned Trademark "Avanceon", including as any right, title and/or interest Avanceon LP may have in and to the Trademark in Group's Territory, comprising of mainly of United Arab Emirates, along with any and all renewals and extensions thereof, together with the goodwill associated therewith. The total value of the Trade Mark assigned is \$15.9m based on the independent valuation carried out by Crowe Mak Consulting an independent valuer. The valuation techniques applied includes was Income method which is commonly used method for calculating brand valuation through relief from royalty approach which is widely accepted in the industry.

The Intangible asset, Trademark are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If the recoverable amount of the intangible asset "Trademark" is estimated to be less than it carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

23.3 Software

Net book value as at January 1,		93,380	32,862
Additions during the year		-	70,284
Amortisation for the year		(20,741)	(9,766)
Net book value as at December 31,		72,640	93,380
Carrying value as at December 31,			
Cost		103,703	103,703
Accumulated amortisation		(31,063)	(10,323)
Net book value		72,640	93,380
Annual rate of amortisation (%)		<u>20%</u>	<u>20%</u>
23.4 Goodwill	23.4.1	<u>221,810</u>	<u>221,810</u>

	Note	2023 (Rupees in thousand)	2022
23.4.1 Goodwill arising from the acquisition has been recognised as follows :			
Year ended December 31, 2023			
Consideration transferred		440,023	440,023
Fair value of identifiable net assets		(218,213)	(218,213)
Goodwill		<u>221,810</u>	<u>221,810</u>
23.4.2 The goodwill is attributable to the skills and technical talent of Empiric AI (Private) Limited's work force and the synergies expected to be achieved from integrating the Company into the Group's existing Standard Artificial Intelligence business. None of the goodwill recognised is expected to be deductible for tax purposes.			
23.4.3 This amount includes Rs. 250.925 million fair value adjustment on intangible acquired at the time of acquisition of Empiric AI (Private) Limited.			
24 Long term investment			
Investment at cost			-
Share of profit from joint venture-Avanceon Arabia For Infotech		110,367	-
Exchange adjustment		2,717	-
	24.1	<u>113,084</u>	
24.1 This represents the investment in Avanceon Arabia for Information Technology Company ("the Company") a mixed limited liability company registered on 04/19/1444 AH (corresponding to November 13, 2022G) under Commercial Registration Number 2051244629. The Company is engaged in repairs and maintenance of relays and industrial controls, installation of industrial process control equipment, analysis of systems, designing and programming special software, providing management and control service of communication and information networks, registration to provide cloud computing services, project management activities related to energy efficiency.			
24.2 This is a joint venture between Avanceon Saudi Energy Company and Zamil Operations Limited in ratio of 60 % and 40% respectively.			
25 DEFERRED TAXATION			
The net asset / (liability) for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation / amortization		(21,753)	8,686
Provision for expected credit losses		22,479	(94,760)
Provision for gratuity		1,854	1,122
Tax credits under Second Schedule		116,182	(116,182)
Allowance for doubtful debt / earnings		215,815	
Project deferred revenue			
Deferred tax on alternate corporate tax		9,925	
Minimum tax			(19,027)
Surplus on revaluation of property			3,950
Deferred tax on incremental depreciation		(4,197)	3,804
Unused tax losses		77,779	(7,716)
Income taxable on receipt basis		(88,662)	235,523
		<u>(295,493)</u>	
Net deferred tax asset / (liability)		<u>33,929</u>	<u>15,400</u>

	Note	2023 (Rupees in thousand)	2022
25.1 Reconciliation of deferred tax liability / (asset) net			
As of January 01		15,400	(3,673)
Tax income recognized in profit and loss		17,327	(17,236)
Tax income recognized in other comprehensive income			3,929
Exchange difference during the year		1,202	32,380
As at December 31		<u>33,929</u>	<u>15,400</u>
26 LONG-TERM LOANS AND DEPOSITS			
Security deposits	26.1	76,682	54,166
Loan to employees	26.2	1,239	4,310
		<u>77,921</u>	<u>58,476</u>
Current portion of loan to employees		(400)	(1,000)
		<u>77,521</u>	<u>57,476</u>
26.1	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 IFRS9 Financial Instruments Recognition and Measurement arising in respect of long-term loans is not considered material and hence not recognized.		
26.2 Reconciliation of carrying amount of loans to employees:			
Opening balance		4,310	3,409
Add: Disbursements during the year		-	7,939
Less: Repayments during the year		(3,071)	(7,038)
Closing balance		<u>1,239</u>	<u>4,310</u>
	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 instalments.		
26.3	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.		
27 STOCK-IN-TRADE			
Local		28,569	26,753
Imported		101,700	40,356
		<u>130,269</u>	<u>67,109</u>

	Note	2023	2022 Restated
(Rupees in thousand)			
28	TRADE DEBTS		
Export		8,879,439	6,223,010
Local		733,150	361,686
	28.1	9,612,589	6,584,696
Less: Provision for expected credit loss	28.2	(375,802)	(455,572)
		<u>9,236,787</u>	<u>6,129,124</u>
28.1	Ageing of trade debts		
Less than one year		6,423,584	2,111,724
One to two years		3,077,912	3,451,669
Two to three years		111,093	1,021,303
		<u>9,612,589</u>	<u>6,584,696</u>
28.2	Provision for expected credit loss		
Balance as at 01 January		455,572	96,736
Add: Provision for the year	36	112,533	309,148
Less: Reversal of provision for ECL		-	(575)
Written Off during the year		(304)	-
Foreign exchange movement		(191,999)	50,263
Balance as at December 31		<u>375,802</u>	<u>455,572</u>
29	CONTRACT ASSETS		
Earnings in excess of billings	29.1	4,882,972	5,743,797
Project deferred revenue		1,004,302	998,381
Project Revenue - unbilled		3,561	-
		<u>5,890,835</u>	<u>6,742,178</u>
Less: Provision for expected credit loss	29.2	(238,243)	(103,455)
		<u>5,652,592</u>	<u>6,638,723</u>
29.1	Ageing of earnings in excess of billings		
Less than one year		4,001,303	3,489,073
One to two years		859,747	1,684,394
Two to three years		22,000	570,330
		<u>4,882,972</u>	<u>5,743,797</u>
29.2	Provision for expected credit loss		
Balance as at 01 January		103,455	81,846
Add: Provision for the year	36	30,155	4,246
Reversal of provision for ECL	36	-	(9,810)
Foreign exchange movement		104,633	27,173
Balance as at December 31		<u>238,243</u>	<u>103,455</u>

	Note	2023	2022
(Rupees in thousand)			
30	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - considered good			
- To employees		249,945	181,057
- To suppliers		906,567	231,795
		1,156,512	412,852
Prepayments		59,579	40,861
Bank guarantee / LC cash margin		666,077	381,273
Tax refunds due from government - considered good		89,585	112,862
Retention money		1,026,031	-
Earnest money - considered good		300	299
Other receivables - considered good		15,573	8,813
		3,013,657	956,960

31 SHORT TERM INVESTMENTS

Investment in equity instrument	31.1	-	174
Term deposit receipts	31.2	93,987	74,664
Investment in MCB fund	31.3	10,121	-
		104,108	74,838

31.1 Investment in equity instruments

	2023	2022	Name of investee companies	Fair Value	
				2023	2022
	(Number of shares)			(Rupees in thousand)	
	-	424	The General Tyre and Rubber Company of Pakistan Limited		174
				2023	2022
				(Rupees in thousand)	

31.2 Term deposit receipts

National Bank of Fujairah	31.2.1	93,987	74,664
		93,987	74,664

31.2.1 These represent term deposits receipts of National Bank of Fujairah having maturity of 12 months (2022: 12 months) carrying mark-up at the rate of 3.93% per annum (2022: 1.63%) per annum. This is pledged against the trust receipts obtained from National Bank of Fujairah to the extent of AED 1,213,834 (2022: AED 1,200,000).

31.3 This represents an investment in MCB fund during the year. The Group obtained 100,492 units at the rate of 99.51 per unit.

	Note	2023 (Rupees in thousand)	2022
32 CASH AND BANK BALANCES			
Cash in hand		2,191	1,078
Cash with banks:			
Current accounts			
Local currency		769,081	124,893
Foreign currency		331,145	1,202,658
Savings accounts			
Local currency	32.1	15,285	18,652
Foreign currency		13,556	-
		<u>1,129,067</u>	<u>1,346,203</u>
		<u>1,131,258</u>	<u>1,347,281</u>
32.1 Profit on balances in saving accounts ranges from 13.9% to 20.5% (2022: 8.60% to 12.76%) per annum.			
33 NON CURRENT ASSET HELD FOR SALE			
Unquoted - at fair value through other comprehensive income			
Avanceon LP	23.2	<u>-</u>	<u>1,433,051</u>
33.1 Investment in Avanceon LP is disposed off against trade mark amounted to AED 58.227 million as disclosed in Note 23.2.			
34 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET			
Revenue from contracts with customers - net		<u>17,767,312</u>	<u>9,538,499</u>
34.1 Disaggregation of revenue			
Country wise breakup:			
Qatar		6,277,844	4,215,303
The Islamic Republic of Pakistan		3,795,720	2,209,897
Kingdom of Saudi Arabia		3,517,044	1,736,745
The United Arab Emirates		4,176,704	1,376,554
		<u>17,767,312</u>	<u>9,538,499</u>
Nature			
Sale of goods		930,195	671,461
Services		14,791,884	676,538
Project revenue		2,045,233	8,190,500
		<u>17,767,312</u>	<u>9,538,499</u>
Timing of revenue recognition			
At a point in time		930,195	671,461
Over the time		16,837,117	8,867,038
		<u>17,767,312</u>	<u>9,538,499</u>

	Note	2023 (Rupees in thousand)	2022
34.2 Reconciliation with Segment Information			
Gross revenue	34.2.1	19,939,471	11,481,695
Intersegment elimination		(2,172,159)	(1,943,196)
		<u>17,767,312</u>	<u>9,538,499</u>

34.2.1 Break up of gross revenue

	2023			
	Sale of goods	Services	Project revenue	Total
	----- (Rupees in thousand) -----			
Core Business	651,531	4,750	479,529	1,135,810
Manufacturing and Assembling	-	49,267	1,005,605	1,054,872
Specialized Business	32,217	5,508	807,571	845,296
Engineering and Back Office	-	1,070,113	-	1,070,113
Middle East and USA	6,722	1,095,095	12,211,671	13,313,488
After Market Support	239,726	1,853,770	426,396	2,519,892
	<u>930,196</u>	<u>4,078,503</u>	<u>14,930,772</u>	<u>19,939,471</u>

	2022			
	Sale of goods	Services	Project revenue	Total
	----- (Rupees in thousand) -----			
Core Business	525,478	120	59,331	584,929
Manufacturing and Assembling			361,969	361,969
Specialized Business		1,694	491,956	493,650
Engineering and Back Office	-	752,300	-	752,300
Middle East and USA	5,074	464,731	7,137,668	7,607,473
After Market Support	140,909	1,218,451	322,014	1,681,374
	<u>671,461</u>	<u>2,437,296</u>	<u>8,372,938</u>	<u>11,481,695</u>

34.3 Contract balances

	2023 (Rupees in thousand)	2022
Trade receivables	<u>9,236,787</u>	<u>6,129,124</u>
Contract assets	<u>5,652,592</u>	<u>6,638,723</u>
Contract liabilities	<u>2,256,775</u>	<u>1,739,191</u>

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 2023, 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 increase in 2023 which is mainly due to billings of majority of projects of Company due to which revenue relating to those projects has increased. However, satisfaction of performance obligation have not made with same effect due to the terms of contracts with customers where satisfaction of performance obligation is deferred for future milestones.

34.4 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. 18661.952 million (2022: Rs. 16,390.057 million) which is to be satisfied within one to four years.

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

	Note	2023 (Rupees in thousand)	2022
35 COST OF REVENUE			
Materials consumed		8,355,208	5,374,701
Salaries, wages, allowances and other benefits	35.1	803,201	459,199
Employees' share option expense		33,287	30,804
Telephone, postage and telex		29,123	19,886
Utilities		6,054	4,339
Travelling and conveyance relating to engineering services		366,782	231,797
Management fee		9,270	6,799
Installation charges relating to engineering services	35.2	2,293,818	725,605
Entertainment relating to engineering services		11,971	10,099
Repairs and maintenance		6,091	5,024
Printing and stationery		1,886	1,905
Import cost		50,448	43,553
Insurance		7,299	10,510
Office rent		26,432	36,007
Training		251	7
Fee and subscription		19,953	7,789
Depreciation on property and equipment	22	84,427	47,711
Miscellaneous expenses		34,397	15,868
Amortization on intangible assets	23.3	20,741	-
IT expenses		753	-
		<u>12,161,392</u>	<u>7,031,603</u>

35.1 Salaries, wages and benefits include 15.151 million (2022: Rs. 13.47 million) and Rs. 1.873 million (2022: Rs. 1.44 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. 73.57 million (2022: 16.70 million). Amount of Rs. 186.175 million (2022: Rs. 104.527 million) relates to project services revenue.

35.2 This includes commission expense of Rs. 371.99 million (2022: Rs. 80.61 million) to Arkan Integrated Development L.L.C. as per the agreement between Holding Company and Arkan Integrated Development L.L.C.

	Note	2023	2022
(Rupees in thousand)			
36 ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, wages, allowances and other benefits	36.1	1,613,393	1,040,814
Director's remuneration	49	215,308	-
Employees' share option expense		78,821	46,206
Telephone, postage and telex		28,268	18,387
Utilities		6,054	4,339
Late delivery charges		36	-
Entertainment		5,677	3,065
Repairs and maintenance		17,494	9,497
Sales promotion expenses		8,526	2,579
Printing, stationery and periodicals		1,377	1,529
Travelling, conveyance and vehicle maintenance		153,009	83,428
Office rent		17,134	20,715
Training		24	227
Insurance		17,600	25,585
Legal and professional charges		73,313	23,174
Auditors' remuneration	36.2	19,928	12,776
Fee and subscription		82,331	64,885
Corporate expenses		4,316	4,852
Depreciation on property and equipment	22	84,427	47,711
Contract assets written off		3,325,248	44,600
Provision for expected credit losses - contract assets	29.2	30,155	82,531
Provision for expected credit losses - trade debts	28.2	112,533	241,230
Other expenses		65,724	39,480
		<u>5,960,696</u>	<u>1,817,610</u>

36.1 Salaries, wages and benefits include Rs. 5.955 million (2022: Rs. 4.87 million) and Rs. 0.736 million (2022: Rs. 0.96 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. 73.57 million (2022: Rs. 16.70 million).

36.2 Auditors' remuneration

Statutory audit	17,314	8,755
Half yearly review	1,293	1,174
Code of corporate governance	138	120
Other charges and out of pocket expenses	1,183	516
	<u>19,928</u>	<u>10,565</u>
Audit of subsidiaries		
	<u>19,928</u>	<u>10,565</u>
Other firms annual audit fee relating to subsidiaries		2,211
	<u>19,928</u>	<u>12,776</u>

	Note	2023	2022
(Rupees in thousand)			
37 OTHER EXPENSES			
Donations	37.1	6,707	8,878
Fair value loss on short term investment		20	-
		<u>6,727</u>	<u>8,878</u>
37.1	Directors and their spouses have no interest in the donees each of whom have been given donations below Rs. 500,000 individually.		
38 OTHER INCOME			Restated
Income from financial assets	38.1	42,460	569,060
Income from non-financial assets	38.2	4,337,745	55,323
		<u>4,380,205</u>	<u>624,383</u>
38.1 Income from financial assets			
Profit on bank deposits		6,391	6,894
Profit on savings accounts		7,311	-
Exchange gain		28,758	562,166
		<u>42,460</u>	<u>569,060</u>
38.2 Income from non-financial assets			
Gain on disposal of property and equipment	21.1.4	8,572	14,797
Commission income from suppliers		-	20,313
Amortization of deferred grant	15	-	269
Income on recognition of trade mark	23.2	4,329,173	19,944
		<u>4,337,745</u>	<u>55,323</u>
39 FINANCE COSTS			
Mark up and interest on:			
- Long term loan		12,704	2,507
- Finances under mark up arrangements and other credit facilities - secured		167,474	41,325
- Finance lease		57,102	22,042
- Provident fund		940	1,113
Bank charges		138,500	142,816
Guarantee commission		31,910	8,822
Project financial cost		-	4,423
		<u>408,630</u>	<u>223,048</u>
40 TAXATION			
Current	40.1	1,127,028	161,048
Super		-	15,843
Deferred		(17,327)	(22,224)
		<u>1,109,701</u>	<u>154,667</u>
40.1	This amount includes the provision for tax expense amounting to Rs. 706 million related to Trade mark income recognized in Octopus Digital Inc.		
40.2	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.		

41 EARNINGS PER SHARE**41.1 Basic earnings per share**

			Restated
Net profit for the year	Rupees in thousand	<u>2,515,390</u>	<u>846,064</u>
			Restated
Weighted average number of ordinary shares	Numbers in thousand	<u>375,703</u>	<u>375,703</u>
Earnings per share	Rupees	<u>6.70</u>	<u>2.25</u>

41.2 Diluted earnings per share

The weighted average number of ordinary shares of 2022 has been restated in accordance with the requirements of IAS 33 due to issuance of 49,082,328 bonus shares in 2019 and restatement of employees share option scheme as explained in Note 9.

		<u>2023</u>	<u>2022</u>
			Restated
Net profit for the year	Rupees in thousand	<u>2,515,390</u>	<u>846,064</u>
			Restated
Weighted average number of ordinary shares	Numbers in thousand	375,703	375,703
Adjustment for share options	Numbers in thousand	<u>5,778</u>	<u>5,778</u>
Weighted average number of ordinary shares for diluted earnings per share	Numbers in thousand	<u>381,481</u>	<u>381,481</u>
Diluted earnings per share	Rupees	<u>6.59</u>	<u>2.22</u>

41.2.1 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.

41.3 The weighted average number of ordinary shares of 2022 has been restated in accordance with the requirements of IAS 33 due to issuance of 49,082,328 bonus shares in 2023.

41.4 EPS of last year has been restated based on bonus element for bonus share issued during the year.

41.5 The earning per share of the last year has also been restated due to effect of restatement as referred in Note 6.

42 CASH FLOWS FROM OPERATING ACTIVITIES

	2023	2022 Restated
	(Rupees in thousand)	
Profit before tax	3,720,439	1,081,743
Adjustments for:		
Depreciation on property and equipment	168,854	95,422
Amortization	20,741	
Allowances for expected credit losses - contract assets	30,155	92,916
Contract assets written off	3,325,248	
Allowances for expected credit losses - trade debts	112,533	241,230
Balances written off	-	22,580
Reversal of provision for expected credit loss - contract assets	-	(10,385)
Amortization of deferred grant	-	(269)
Employees' end of service benefits	-	29,343
Employees' share option expense	112,108	77,010
Capital gain on short term investment	(20)	-
Exchange gain	(28,758)	(562,166)
Gain on disposal of property and equipment	(8,574)	(14,245)
Commission income from suppliers		(20,313)
Profit from Avanceon Arabia for Information Technology Company (JV)	(110,367)	
Finance costs	408,630	223,048
Income on recognition of Trade mark	(4,329,173)	
Profit on bank deposits	(6,391)	(6,894)
	(305,014)	167,277
Profit before working capital changes	3,415,425	1,249,020
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(63,160)	5,704
- Trade debts	(1,624,485)	(1,624,416)
- Contract asset	(2,625,722)	(2,359,464)
- Advances, deposits, prepayments and other receivables	(1,126,817)	(162,685)
(Decrease) / Increase in current liabilities		
- Creditors, accrued and other liabilities	1,371,682	2,450,606
- Contract liabilities	517,584	856,117
	(3,550,918)	(834,138)
Cash flows (used in) / generated from operations	(135,493)	414,882

43 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 49. Other significant transactions with related parties are as follows:

Name of related party	Relationship with the Group	Basis of Relationship	Nature of transactions	2023		2022	
				(Rupees in thousand)			
				Transactions during the year	Closing Balance	Transactions during the year	Closing Balance
Arkan Integrated Development L.L.C.	Associated Company	Non controlling interest in AVAC	Commission expense	371,992	-	80,610,000	-
			Creditors, accrued and other	-	88,720	-	32,529
			Unclaimed Dividened	-	15,079	-	-
			Back office support	18,541	-	13,599,000	-
			Dividend	4,640	-	3,496,000	-
Avanceon Arabia for Information technology Company Joint Venture	Information Company		Payment made by AVL on behalf of AVSEC	760	-	-	-
			Creditors, accrued and other	-	215,049	-	-
			Trade debts	-	-	-	-
			Payment made by AAIT on behalf of AVFZE	76,657	-	-	-
			Back office support	68,893	-	-	-
			Installation charges	10,501	-	-	-
			Fee for technical services	66,086	-	-	-
			Payment to employee by AVSEC on behalf of AAIT	2,947	-	-	-
			Funds transfer by AAIT to AVSEC	1,858	-	-	-
			Funds transfer to AAIT by AVSEC	129,680	-	-	-
			Payment to supplier by AVSEC on	33,349	-	-	-
			Payment to employee by AAIT on behalf of AVSEC	5,352	-	-	-
			Transfer of profit by AVSEC to AAIT	298,746	-	-	-
Contribution to staff provident fund	Provident fund	Provident fund	Expense charged in respect of retirements benefit plans	21,106	-	18,338,000	-
			Creditors, accrued and other liabilities	-	57,066	-	24,891

44 PROVIDENT FUND

44.1 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 June 30.

45 OPERATING SEGMENTS

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM) i.e. the Chief Executive Officer of the Holding Company. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

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

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

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

45.1 Consolidated operating segment results

	Core Business		Specialized Business	Engineering and back office	Middle east	Elimination	Total	
	AMS	Core Business						Manufacturing and Assembling
Rupees in thousand								
SEGMENT PROFIT AND LOSS ACCOUNT								
2023								
Revenue from external customers	2,519,892	1,135,810	1,054,872	845,296	1,070,113	13,313,488	(2,172,159)	17,767,312
Cost of revenue	(1,129,179)	(866,943)	(744,797)	(596,824)	(690,557)	(10,050,038)	1,916,946	(12,161,392)
Gross profit	1,390,713	268,867	310,075	248,472	379,556	3,263,450	(255,213)	5,605,920
SEGMENT ASSETS								
Stock in trade	16,463	7,421	6,892	5,523	6,990	86,980	-	130,269
Trade debts	1,345,797	786,896	730,822	585,626	741,381	9,268,130	(4,221,865)	9,236,787
Contract assets	644,358	411,988	357,407	314,631	-	3,924,208	-	5,652,592
Segment total assets	2,006,618	1,206,305	1,095,121	905,780	748,371	13,279,318	(4,221,865)	15,019,648
SEGMENT PROFIT AND LOSS ACCOUNT								
2022								
Revenue from external customers	1,681,373	584,931	361,969	493,650	752,300	7,607,472	(1,943,196)	9,538,499
Cost of revenue	(685,756)	(421,572)	(266,590)	(360,195)	(556,376)	(6,211,347)	1,470,233	(7,031,603)
Gross profit	995,617	163,359	95,379	133,455	195,924	1,396,125	(472,963)	2,506,896
SEGMENT ASSETS								
Stock in Trade	14,114	17,803	6,740	13,889	-	14,563	-	67,109
Trade debts	850,719	338,632	306,137	432,628	2,513,366	6,861,937	(5,174,295)	6,129,124
Contract assets	84,100	453,401	218,051	242,945	-	5,640,229	-	6,638,726
Segment total assets	948,933	809,836	530,928	689,462	2,513,366	12,516,729	(5,174,295)	12,834,959

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

(i) After Marketing Support (AMS)

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

(ii) Core Business

a) Application Based Solutions (ABS)

ABS sales include the supply of patented systems, power products, 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 savings.

b) High End Solutions (HES)

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

(iv) Engineering services

Engineering services business includes revenues from:

- man-hours charged to Avanceon FZE and Avanceon Automation and Control WLL for in-house engineering and development of Human Machine Interfaces (HMI), logic design, and development of engineering control mechanisms; and
- secondment of Avanceon Limited's engineers to Avanceon FZE and Avanceon Automation and Control WLL project sites for installation, commissioning and post implementation support of systems.

(v) Middle East

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

2023 **2022**
Note **(Rupees in thousand)**

45.3 Reconciliation of segment profit and loss

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

Gross profit for reportable segments	44.1	5,605,920	2,506,896
Administrative and selling expenses		(5,960,696)	(1,817,610)
Other operating expenses		(6,727)	(8,878)
Other operating income		4,380,205	624,383
		(1,587,218)	(1,202,105)
Finance costs		(408,630)	(223,048)
Share of profit from JV		110,367	
Profit before tax		3,720,439	1,081,743
Taxation		(1,109,701)	(154,667)
Profit for the year		<u>2,610,738</u>	<u>927,076</u>

45.4 Reconciliation of segment assets

Reportable segments assets are reconciled to total assets as follows:

Assets

Segment assets for reportable segments	44.1	15,019,648	12,834,959
Tangible (Property and equipment) and intangible assets		6,515,034	1,639,233
Other assets		111,450	1,505,927
		21,646,132	15,980,119
Unallocated portion of current assets			
Advances, deposits, prepayments and other receivables		3,013,657	956,959
Short term investments		104,108	74,838
Cash and bank balances		1,131,258	1,347,281
		4,249,023	2,379,078
Total assets as per statement of financial position		<u>25,895,155</u>	<u>18,359,197</u>

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.

46 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

The Group is exposed to currency risk arising primarily with respect to the United States Dollar (USD) 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:

	2023						
	Rupees	EUR	USD	AED	QAR	GBP	SAR
	----- (in thousand) -----						
Non-current assets held for sale	-	-	-	-	-	-	-
Trade debts	733,150	128	4,741	29,682	44,783	-	17,942
Short term investments	-	-	-	1,345	-	-	-
Bank balances	121,697	16	1,174	1,198	6,489	-	1,017
Trade Payables	209,284	1,788	6,031	16,417	14,137	17	9,377
Net Exposures	1,064,131	1,932	11,946	48,642	65,409	17	28,336

	2022						
	Rupees	EUR	USD	AED	QAR	GBP	SAR
	----- (in thousand) -----						
Investment in Avanceon LP	1,433,051	-	6,316	-	-	-	-
Trade debts	8,709,003	1,092	9,721	57,992	64,688	-	11,649
Short term investments	74,664	-	-	1,200	-	-	-
Bank balances	1,202,658	134	1,762	396,000	11,507	-	471
Trade payables	(4,301,819)	(7,987)	(25,948)	(20,958)	(15,679)	(6)	(959)
Net Exposures	7,117,558	(6,761)	(8,149)	38,630	60,516	(6)	11,161

2023 **2022**

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	254.65	202.39
Reporting date rate	282.40	226.90

	2023	2022
Rupees per Euro		
Average rate	277.72	220.42
Reporting date rate	313.11	242.33
Rupees per AED		
Average rate	69.83	55.35
Reporting date rate	77.43	62.22
Rupees per QAR		
Average rate	69.97	55.61
Reporting date rate	77.60	62.34
Rupees per SGD		
Average rate	191.49	150.15
Reporting date rate	214.18	168.80
Rupees per SAR		
Average rate	67.86	53.92
Reporting date rate	75.31	60.41

At December 31, 2023, 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 Exchang e	Effect on profit/(loss) before tax	Effect on equity
		%	(Rupees in thousand)	
2023		5%	188,318	133,706
		-5%	(188,318)	(133,706)
2022		5%	120,178	85,326
		-5%	(120,178)	(85,326)
		USD		
		Change in Exchang e	Effect on profit/(loss) before tax	Effect on equity
		%	(Rupees in thousand)	
2023		5%	168,678	119,761
		-5%	(168,678)	(119,761)
2022		5%	92,450	65,640
		-5%	(92,450)	(65,640)
		EUR		
		Change in Exchang e	Effect on profit/(loss) before tax	Effect on equity
		%	(Rupees in thousand)	
2023		5%	30,246	21,475
		-5%	(30,246)	(21,475)
2022		5%	(81,920)	(58,163)
		-5%	81,920	58,163

	QAR		
	Change in Exchange %	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2023	5%	253,787	180,189
	-5%	(253,787)	(180,189)
2022	5%	188,628	133,926
	-5%	(188,628)	(133,926)

	SGD		
	Change in Exchange %	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2023	5%	182	129
	-5%	(182)	(129)
2022	5%	(362)	(257)
	-5%	362	257

	SAR		
	Change in Exchange %	Effect on profit/(loss) before tax	Effect on equity
		(Rupees in thousand)	
2023	5%	42,027	29,839
	-5%	(42,027)	(29,839)
2022	5%	33,712	23,936
	-5%	(33,712)	(23,936)

(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:

	2023	2022
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances	(15,285)	(18,652)
Financial liabilities		
Long term loan	108,650	93,537
Long term diminishing musharaka	134,943	276,143
Finances under markup arrangements and other credit facilities - secured	1,219,616	616,408
Total exposure	<u>1,447,924</u>	<u>967,436</u>

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)	
2023	+100	14,632	10,389
	-100	(14,632)	(10,389)
2022	+100	(9,861)	(7,001)
	-100	9,861	7,001

(iii) Other price risk

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

(b) Credit risk

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

Group's credit risk is primarily attributable to its trade debts and contract assets. However, this risk is mitigated by a credit control policy and applying individual credit limits.

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

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

	2023	2022
	(Rupees in thousand)	
Long term loans and deposits	77,921	58,476
Trade debts	9,612,589	9,070,689
Deposits and other receivables	265,818	190,168
Bank balances	1,129,067	1,346,203
	<u>11,085,395</u>	<u>10,665,536</u>

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

Domestic	<u>733,150</u>	<u>361,686</u>
Export	<u>8,879,439</u>	<u>8,709,003</u>

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									
	2023									
Estimated total gross carrying amount at default	6,111,064	736,503	1,172,574	651,004	333,701	142,416	36,137	14,359	212,407	9,410,165
Estimated total gross carrying amount - secured	947,581	105,821	9,708	284,370	11,790	13,290	148,521		18,164	1,390,873
Expected credit loss rate	1.02%	1.64%	6.16%	6.67%	16.07%	18.24%	32.22%	26.92%	42.66%	
Expected credit loss	62,302	12,096	72,264	43,418	53,625	25,972	11,643	3,865	90,616	375,801
	2022									
Estimated total gross carrying amount at default	5,761,942	701,573	208,850	1,965,503	153,141	77,193	59,681	41,176	101,630	9,070,689
Estimated total gross carrying amount - secured	1,268,828	299,101	91,953	844,318	92,776	63,108	-	36,152	9,168	2,705,404
Expected credit loss rate	0.41%	1.01%	3.08%	10.53%	34.11%	17.63%	64.74%	35.30%	90.94%	
Expected credit loss	23,689	7,052	6,440	206,947	52,231	13,612	38,638	14,537	92,426	455,572

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 2023, 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	Rating Long	Rating Agency	Balances at banks	
				2023	2022
(Rupees in thousand)					
Faysal Bank limited	A-1+	AA	JCR-VIS	39,258	5,125
Habib Bank limited	A-1+	AAA	JCR-VIS	7,902	4,682
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	198	15,470
National Bank of Pakistan	A1+	AAA	JCR-VIS	70	83
MCB Bank Limited	A1+	AAA	PACRA	38,762	1,542
United Bank Limited	A-1+	AAA	JCR-VIS	75,120	34,810
JS Bank Limited	A1+	A+	PACRA	25,064	57,154
Standard Chartered Bank Limited	A-1	A+	S&P	9,705	18,972
Bank of Singapore Limited	F1+	AA-	Fitch	482	399
Habib Bank AG Zurich	A-1+	AA+	JCR-VIS	274,717	60,937
National Bank of Fujairah	A-2	BBB+	S&P	120,486	17,341
			Capital		
Qatar International Islamic Bank	A1	A+	Intelligen	19,306	48,041
Doha Bank	F2	A-	Fitch	33,867	19,406
Mashreq Bank	P-2	Baa1	Moody's	150,504	1,401
Commercial Bank of Qatar	F1	A	Fitch	32,201	79,230
			Capital		
Qatar Islamic Bank	A1+	AA-	Intelligen	225,807	569,757
Bank Alibad Limited	F2	A-	Fitch	76,567	28,337
Bank Al Habib Limited	A1+	AAA	PACRA	1,242	40,761
Signature Bank Limited	F2	BBB+	Fitch		342,755
				1,131,258	1,346,203

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 December 31, 2023, 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:

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
(Rupees in thousand)					
2023					
Long term loan	108,650	-		108,650	-
Finances under mark up arrangements	1,219,616	-	1,219,616	-	-
Long term diminishing musharaka	198,528	-	63,585	134,943	-
Creditors, accrued and other liabilities	6,681,708	-	6,681,708	-	-
Unclaimed dividend	167,918	167,918	167,918	-	-
	8,376,420	167,918	8,132,827	243,593	-

	Carrying amount	On demand	Less than one year	Between one to five years	More than five years
	(Rupees in thousand)				
2022					
Long term loan	93,537	-	93,537	-	-
Finances under mark up arrangements	616,408	-	616,408	-	-
Lease liabilities	276,143	-	62,061	214,082	-
Creditors, accrued and other liabilities	5,601,561	-	5,601,561	-	-
Unclaimed dividend	215,625	215,625	215,625	-	-
	<u>6,803,274</u>	<u>215,625</u>	<u>6,589,192</u>	<u>214,082</u>	<u>-</u>

46.2 Financial instruments by categories

	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
	(Rupees in thousand)			
2023				
Financial assets				
Debt instruments				
Long term loans and deposits	-	-	77,521	77,521
Non-current assets held for sale	-	-	-	-
Trade debts	-	-	9,236,787	9,236,787
Deposits and other receivables				
- Bank guarantee margin	-	-	666,077	666,077
- Earnest money	-	-	300	300
- Others	-	-	15,573	15,573
Cash and bank balances	-	-	1,131,258	1,131,258
Equity instruments				
Short term investment	-	-	104,108	104,108
			<u>11,231,624</u>	<u>11,231,625</u>
Total current				<u>11,154,104</u>
Total non current				<u>77,521</u>

	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total
	(Rupees in thousand)			
2022				
Financial assets				
Debt instruments				
Long term loans and deposits	-	-	57,476	57,476
Long term investments	1,433,051	-	-	1,433,051
Trade debts	-	-	8,615,117	8,615,117
Deposits and other receivables				
- Bank guarantee margin	-	-	381,273	381,273
- Earnest money	-	-	299	299
- Due from related parties	-	-	-	-
- Others	-	-	8,812	8,812
Cash and bank balances	-	-	1,347,281	1,347,281
Equity instruments				
Short term investment	-	174	74,664	74,838
	<u>1,433,051</u>	<u>174</u>	<u>10,484,922</u>	<u>11,918,147</u>
Total current				<u>10,427,620</u>
Total non current				<u>1,490,527</u>

	Financial liabilities at amortized cost	
	2023	2022
	(Rupees in thousand)	
Financial liabilities		
Long term loan	108,650	93,537
Lease liabilities	198,528	276,143
Finances under mark up arrangements and other credit facilities - secured	1,219,616	616,408
Creditors, accrued and other liabilities	6,681,708	5,601,561
Unclaimed dividend	167,918	215,625
	<u>8,376,420</u>	<u>6,803,274</u>
Total current	<u>8,132,827</u>	<u>6,495,655</u>
Total non current	<u>243,593</u>	<u>307,619</u>

46.3 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.

46.4 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)			
December 31, 2023				
Freehold land	-	-	290,550	290,550
Buildings on freehold land	-	-	110,141	110,141
Long term investments	-	-	-	-
Short term investment	104,108	-	-	104,108
	<u>104,108</u>	<u>-</u>	<u>400,691</u>	<u>504,799</u>
December 31, 2022				
Freehold land	-	-	290,550	290,550
Buildings on freehold land	-	-	107,983	107,983
Long term investments	-	-	1,433,051	1,433,051
Short term investment	185	-	-	185
	<u>185</u>	<u>-</u>	<u>1,831,584</u>	<u>1,831,769</u>

47 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 December 31, 2023 and 2022 are as follows:

	2023	2022
		Restated
	(Rupees in thousand)	
Borrowings	1,526,794	834,348
Less: Cash and bank balances	(1,131,258)	(1,347,281)
Net debt	395,536	(512,933)
Total equity - excluding surplus on revaluation and exchange revaluation reserve	10,087,232	7,290,353
Total capital	10,482,768	6,777,420
Gearing ratio	3.77%	-7.57%

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

	Issuance of shares	Long term diminishing musharaka	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	(Rupees in thousand)						
Balance as at January 01, 2023	3,247,006	214,083	93,537	616,408	32,669	215,625	4,419,328
Cash flows							
Repayment of loans	-	-	-	-	-	-	-
Repayments of long term diminishing musharaka	-	(94,272)	-	-	-	-	(94,272)
Issuance of shares	2,515	-	-	-	-	-	2,515
Repayment of loans	-	-	-	-	-	-	-
Long term loan obtained	-	-	-	-	-	-	-
Finance cost paid	-	-	-	-	(413,449)	-	(413,449)
Dividends paid	-	-	-	-	-	(52,347)	(52,347)
Total changes from financing cash flows	2,515	(94,272)	-	-	(413,449)	(52,347)	(557,553)
Other changes including non-cash							
Dividend declared	-	-	-	-	-	4,640	4,640
Bonus shares issuance	49,082	-	-	-	-	-	49,082
Proceeds from short term borrowings	-	-	-	603,208	-	-	603,208
Proceeds from long term diminishing musharaka	-	99,399	55,105	-	-	-	154,504
Finance cost	-	39,930	-	-	408,630	-	448,560
Foreign exchange movement	-	-	-	-	-	-	-
Total liability related other changes	49,082	139,329	55,105	603,208	408,630	4,640	1,259,995
Closing as at December 31, 2023	3,298,603	259,140	148,642	1,219,616	27,850	167,918	5,121,770
	Issuance of shares	Long term diminishing musharaka	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	(Rupees in thousand)						
Balance as at January 01, 2022	2,565,934	116,384	23,551	713,748	10,846	153,095	3,583,558
Cash flows							
Repayment of loans	-	-	(23,551)	-	-	-	(23,551)
Lease payments	-	(108,759)	-	-	-	-	(108,759)
Issuance of shares	31,671	-	-	-	-	-	31,671
Repayment of loans	-	-	-	(97,340)	-	-	(97,340)
Proceeds from loans	-	-	93,537	-	-	-	93,537
Finance cost paid	-	-	-	-	(201,225)	-	(201,225)
Dividends paid	-	-	-	-	-	(197,231)	(197,231)
Total changes from financing cash flows	31,671	(108,759)	69,986	(97,340)	(201,225)	(197,231)	(502,898)
Other changes including non-cash							
Dividend declared	-	-	-	-	-	259,761	259,761
Bonus shares issuance	649,401	-	-	-	-	-	649,401
Addition in lease	-	236,331	-	-	-	-	236,331
Finance cost	-	23,714	-	-	223,048	-	246,762
Foreign exchange movement	-	8,474	-	-	-	-	8,474
Total liability related other changes	649,401	268,519	-	-	223,048	259,761	1,400,729
Closing as at December 31, 2022	3,247,006	276,144	93,537	616,408	32,669	215,625	4,481,389

49 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	
	2023	2022	2023	2022	2023	2022
	(Rupees in thousand)					
Managerial remuneration	127,279	85,131	14,278	14,991	666,984	366,671
House rent	33,308	21,615	2,285	3,869	278,076	126,526
Utilities	17,583	12,159	571	967	64,268	31,517
Contribution to provident fund	15,134	10,818	1,463	1,249	59,113	29,689
Others	3,095	2,660	311	237	32,672	21,851
	196,399	132,384	18,908	21,313	1,101,113	576,254
Number of persons	2	1	5	4	96	76

49.1 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.

49.2 During the year, the Director's and other executives were granted 125,000 (2022: 164,945) and 1,410,329 (2022: 3,712,656) share options respectively, which have a vesting period of three years (2022: three year). Further, the impact of benefits available to the Director's and other executives recognized by the Company on account of share-based payment plans aggregated to Rs. 5.138 million (2022: Rs. 6.065 million) and Rs. 57.972 million (2022: Rs. 62.018 million), respectively

49.3 During the current year, certain Director's and executives of the Company exercised stock options under employee stock option scheme according to which 259,472 (2022: 432, 878) and 1,112,411 (2022: 2,734, 269) shares were issued to them respectively.

50 NUMBER OF EMPLOYEES

	2023	2022
Average number of employees	468	378
Closing number of employees	501	452

51 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

Description	Explanation	2023	2022
		(Rupees in thousand)	
Loan obtained - Islamic mode	Interest bearing	284,332	153,471
Bank balance as at December 31, December 2023	Placed under shariah permissible	290,997	47,008
Mark up paid on Islamic mode of Financing		42,379	22,042

Relationship with banks having Islamic windows

Bank Name	Region	Nature of transaction
First Habib Modaraba	Pakistan	Long term diminishing musharaka
MCB Islamic Bank	Pakistan	Current account
Dubai Islamic Bank	Pakistan	Current account
Faysal bank Islamic	Pakistan	Current account
Meezan Bank Limited	Pakistan	Current account
Dubai Islamic Bank	UAE	Current account
Bank Al-Bilad	KSA	Current account
SAB Bank	KSA	Current account
Riyadh Bank	KSA	Current account

Interest paid on any conventional loan or advance has been disclosed in the relevant note to these unconsolidated financial statements.

52 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 below :

Description	Reclassified to	Reclassified from	2022 (Rs. in thousand)
Right of use asset -Net book value	Property and equipment	Right of use asset	185,022

53 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on April 06, 2024 has proposed bonus shares issue at the rate of 10% (2022: 15%) and final cash dividend at the rate of Rs. 2 per share (2022: Rs. Nil per share) in respect of the year ended December 31, 2023 for the approval by the members in the forthcoming Annual General Meeting. These consolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

54 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on April 06, 2024.


CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

EVENT CALENDAR OF THE COMPANY

FOLLOWS THE PERIOD OF JANUARY 1, 2023 TO DECEMBER 31, 2023

FINANCIALS:

Financial Results announced as per the following schedule:

Board Meeting Other Than Financials	13th April 2023
Corporate Briefing	17th May 2023
Annual General Meeting	29th May 2023
1st Quarter ended 31 March 2023	30th May 2023
Board Meeting Other Than Financials	31st May 2023
Half year ended 30 June 2023	29th August 2023
3rd Quarter ended 30 September 2023	27th October 2023
Board Meeting Other Than Financials	29th November 2023
Extraordinary General Meeting	22nd December 2023
Financial year ending 31 December 2023	06th April 2024

نوٹس برائے اکیسواں سالانہ اجلاس عام

انکم ٹیکس آرڈیننس 2001ء کے سیکشن 150 کی تعمیل میں دیے گئے پہلے شیڈول کے حصہ 3 کے ڈویژن 1 کے ساتھ پڑھے گئے ڈیویڈنڈ انکم پروڈ ہولڈنگ ٹیکس بالترتیب %15 فانکر اور %30 نان فانکر کے حساب سے حصص یافتگان کے لئے کاٹا جائے گا۔ فانکر ایک ایسا ٹیکس دہندہ ہوتا ہے جس کا نام ایف بی آر کے ذریعہ وقتاً فوقتاً جاری کردہ اکیٹیو ٹیکس دہندگان کی فہرست (ATL) میں ظاہر ہوتا ہے اور نان فانکر، فانکر کے علاوہ کوئی دوسرا فرد ہے۔ کمپنی کو فانکر کے لئے %15 ٹیکس روکنے کے قابل بنانے کے لئے، تمام حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ ایف بی آر کی ویب سائٹ پر تازہ ترین دستیاب (ATL) میں اپنے نام ظاہر کروائیں، بصورت دیگر ان کے کیش ڈیویڈنڈ پر ٹیکس نان فانکرز کے لئے %30 کاٹ لیا جائے گا۔ ڈیویڈنڈ انکم سے ود ہولڈنگ ٹیکس میں چھوٹ صرف اس صورت میں ہوگی جب شیئر رجسٹر کے بند ہونے کے ایک دن پہلے تک کمپنی کے شیئر رجسٹر کو درست ٹیکس اسٹیٹی سرٹیفکیٹ کی ایک کاپی دستیاب کر دی جائے۔

ایف بی آر نے واضح کیا ہے کہ مشترکہ اکاؤنٹ کی صورت میں، ہر ہولڈر کو انفرادی طور پر برتاؤ کیا جائے گا، کیونکہ فانکر یا نان فانکر پر ٹیکس ہر مشترکہ ہولڈر کی شیئر ہولڈنگ کی بنیاد پر وصول کیا جائے گا، جو کہ حصص یافتگان نے کمپنی کے شیئر رجسٹر کو مندرجہ ذیل تحریری طور پر مطلع کیا ہو۔ بصورت دیگر یہ سمجھا جائے گا کہ مشترکہ حصص یافتگان کے حصص برابر ہیں۔

Company Name	Folio/cds Account No.	Total Shares	Principal Shareholder	Joint Shareholder(S)
			Name & CNIC No. Shareholding Proportion (No. of Shares)	Name & CNIC No. Shareholding Proportion (No. of Shares)

- ۲۔ حصص یافتگان جو کہ CDC میں رجسٹر ہیں ان سے درخواست کی جاتی ہے کہ وہ اپنا آئی ڈی نمبر اور اکاؤنٹ نمبر جو کہ CDC میں ہے، مہیا کریں۔
- ۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹران اپنے ٹرسٹیز کی قرارداد/مختار نامہ بمعہ نامزد کیے گئے شخص کے دستخط نمونہ پیش کریں۔

پراسی کی تقرری کیلئے:-

- ۱۔ انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور زیادہ افراد جسکی سیورٹی گروپ اکاؤنٹ میں ہوں اور انکی رجسٹریشن کی تفصیلات قوانین کے مطابق جمع کروائی گئی ہوں، پراسی فارم مکمل اور صحیح طور پر تصدیق شدہ ہو جمع کروانا ہونگے۔
- ۲۔ پراسی فارم پر دو اشخاص گواہ ہونے چاہئیں جنکے نام، پتہ جات، شناختی کارڈ نمبر پراسی فارم پر لکھے ہوں۔
- ۳۔ حصص یافتگان اور پراسی کے درست شناختی کارڈ یا فائدہ مند مالکان کے پاسپورٹ کی تصدیق شدہ کاپیاں پراسی فارم کے ساتھ مہیا کریں۔
- ۴۔ پراسی اپنا شناختی کارڈ یا پاسپورٹ اجلاس کے وقت یا آن لائن رجسٹریشن کے وقت پیش کرے۔
- ۵۔ کارپوریٹ شناخت کی صورت میں مختار عام بورڈ آف ڈائریکٹران کارپوزیشن نامزد کیے گئے شخص کے دستخط نمونہ جات کے ساتھ اجلاس کے وقت یا آن لائن رجسٹریشن کے وقت پیش کرے۔

قومی ٹیکس نمبر / کمپیوٹرائزڈ قومی شناختی کارڈ نمبر کی کاپی جمع کروانا۔ الیکٹرونک ڈیویڈنڈ کے لیے:-

- ۱۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی ہدایت کے مطابق، حصص یافتگان جنکے کمپیوٹرائزڈ قومی شناختی کارڈ کمپنی کو موصول نہیں ہوئے ہیں، ان کی موصولی تک ڈیویڈنڈ الیکٹرونک اعتبار سے جمع نہیں ہوں گے۔
- ۲۔ اسی مناسبت سے، وہ حصص یافتگان جنہوں نے ابھی تک اپنے درست کمپیوٹرائزڈ قومی شناختی کارڈ یا قومی ٹیکس نمبر سرٹیفکیٹ کی کاپی جمع نہیں کی ہے، ایک بار پھر درخواست کی جاتی ہے کہ وہ اسے فوری طور پر کمپنی کے سی ڈی سی شیئر رجسٹرار کے دفتر فیکو شیئر رجسٹریشن سروسز (پرائیویٹ) لمیٹڈ، 8-ایف، نزد ہوٹل فاران نرسری بلاک نمبر 6، PECHS، شاہراہ فیصل، کراچی، کو فراہم کریں۔ کارپوریٹ اداروں سے گزارش ہے کہ وہ اپنے مجاز نمائندے کی قومی انکم ٹیکس نمبر اور فوٹیو نمبر کی کاپی فراہم کریں۔

الیکٹرونک طریقے کے ذریعے سے ڈیویڈنڈ کی ادائیگی:-

- ۱۔ کمپنیز ایکٹ 2017ء کی دفعہ 242 کے تحت ایک لسٹڈ کمپنی کو حصص یافتگان کے مستحق بینک اکاؤنٹ میں صرف الیکٹرونک طریقے کے ذریعے ڈیویڈنڈ ادا کرنا ہوگا۔ حصص یافتگان کی سہولت کے لیے کمپنی کا ای ڈیویڈنڈ لازمی فارم کمپنی کی ویب سائٹ یعنی <https://www.avanceon.ae> پر دستیاب ہے سی ڈی سی اکاؤنٹ ہولڈرز کو اپنی معلومات براہ راست اپنے بروکر (شریک) / سنٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کو ارسال کر دیں۔
- ۲۔ براہ کرم نوٹ کریں کمپنیز ایکٹ کی دفعہ (3) 243 کے تحت، اگر کمپنی حصص یافتگان کے ذریعہ مطلوبہ معلومات فراہم نہیں کرتے تو کمپنی ڈیویڈنڈ کی ادائیگی روکنے کا حق رکھتی ہے۔

نوٹس برائے اکیسواں سالانہ اجلاس عام

ویب لنک برائے آن لائن میٹنگ بذریعہ "ZOOM"

ممبران کو کمپنی کے زیر انتظام ویڈیو کانفرنس کی سہولت کے ذریعہ AGM میں شرکت کے لیے حوصلہ افزائی کی جاتی ہے، نیچے دیے گئے لنک پر عمل کریں:

https://us06web.zoom.us/webinar/register/WN_hKvRDTeVRBC_moA3EQGs-Q

شیئر ہولڈرز AGM کے ایجنڈا آؤٹ لائن کے لیے اپنے تبصرے اور سوالات فراہم کردہ ای میل ایڈریس agm@avanceon.ae پر کر سکتے ہیں۔

AGM میں شرکت کیلئے درج ذیل لنک سے رہنمائی حاصل کر سکتے ہیں <http://www.avanceon.ae/investor-relations/>

کمپنیز ایکٹ 2017ء کے سیکشن 223(6) کے تحت، آڈٹ شدہ مالیاتی گوشوارے کو ای میل کے ذریعے بھیجنے کی اجازت دی گئی ہے۔ کمپنی کی سالانہ رپورٹ اور سالانہ اجلاس عام کے نوٹس ان حصص یافتگان کو ای میل کے ذریعے بھیجی جائے گی جن کے ای میل CDC اور شیئر رجسٹر کے ریکارڈر ڈیٹا بیس میں موجود ہیں۔ حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ اپنے ای میل کو مذکورہ بالا لنک یا ای میل یا پوسٹل ایڈریس پر بھیجیں۔ سالانہ رپورٹ کمپنی کی ویب سائٹ <https://www.avanceon.ae> پر بھی لوڈ کی گئی ہے اور حصص یافتگان تک آسانی سے قابل رسائی ہے۔

حاشیات:-

۱۔ کمپنی کے حصص کی منتقلی کی کتب مورخہ 22 اپریل 2024ء سے 29 اپریل 2024ء (بشمول دونوں دن) بند رہیں گی جس دوران تدوین کیلئے کسی بھی حصص کی منتقلی کی وہ درخواستیں جو درست حالت میں کمپنی کے شیئر رجسٹرار کے دفتر فیکوشیئر رجسٹریشن سروسز (پرائیویٹ) لمیٹڈ، 8- ایف، نزد ہوٹل فاران نرسری بلاک نمبر 6، PECHS، شاہراہ فیصل، کراچی، مورخہ 19 اپریل 2024ء کو دفتری اوقات ختم ہونے سے قبل موصول ہوگی۔ ان کو ڈیویڈنڈ اور بونس حصص کے استحقاق، سالانہ اجلاس عام میں شرکت اور حق رائے دہی استعمال کرنے کے استحقاق کے تعین کیلئے بروقت شمار کیا جائے گا۔

۲۔ سالانہ اجلاس عام میں شمولیت، بولنے اور حق رائے دہی استعمال کرنے کے مستحق ہر حصص یافتگان کو یہ حق حاصل ہے کہ وہ شرکت بولنے اور حق رائے دہی استعمال کرنے کیلئے اپنی جگہ کسی پراکسی (نمائندہ) کو مقرر کرے اور ایسے پراکسی کو اجلاس میں شرکت، بولنے اور حق رائے دہی استعمال کرنے کی نسبت سے وہی اختیارات حاصل ہونگے جو کہ بذات خود کمپنی کے حصص یافتگان کو حاصل ہوتے ہیں۔ پراکسی مقرر کرنے کیلئے ہر لحاظ سے درست اور باقاعدہ مہر شدہ اور دستخط شدہ پراکسی فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں موصول ہونا ضروری ہے۔ پراکسی کا بذات خود کمپنی کے حصص یافتگان میں سے ہونا ضروری نہیں۔

۳۔ حصص یافتگان کیلئے ضروری ہے کہ وہ بروقت اپنے پتہ میں تبدیلی، کمپنی کے شیئر رجسٹرار فیکوشیئر رجسٹریشن سروسز (پرائیویٹ) لمیٹڈ، 8- ایف، نزد ہوٹل فاران نرسری بلاک نمبر 6، PECHS، شاہراہ فیصل، کراچی، کو مطلع کر دیں۔

حصص یافتگان کے اجلاس میں شرکت کیلئے۔

۱۔ انفرادی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سکیورٹی گروپ اکاؤنٹ میں جمع ہے انکی رجسٹریشن کی تفصیل قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا شناختی کارڈ یا پاسپورٹ سے کروائیں۔

نوٹس برائے اکیسواں سالانہ اجلاس عام

اطلاع دی جاتی ہے کہ ایونسیون لمیٹڈ " کمپنی " کا اکیسواں سالانہ اجلاس عام مورخہ 29 اپریل 2024ء بروز پیر سہ پہر 3:30 بجے بمقام نشاط ہوٹل، گیٹ نمبر 7، امپیریل بال روم۔ بی، ایمپوریم مال، ملحق عبدالحق روڈ، جوہر ٹاون، لاہور سے مندرجہ ذیل کاروباری امور کو انجام دینے کیلئے منعقد ہوگا۔

الف۔ عمومی کاروباری امور:-

۱۔ تفصیلات کی منظوری (Minutes of the Meeting) جو کہ غیر معمولی اجلاس عام مورخہ 22 دسمبر 2023ء کو منعقد ہوا تھا۔

۲۔ 31 دسمبر 2023 کو ختم ہونے والے کمپنی کے مالی سال کے آڈٹ شدہ مالیاتی گوشوارے، چیئرمین کا جائزہ، ڈائریکٹران اور آڈیٹرز کی رپورٹس وصول کرنا ان پر غور کرنا اور انہیں اختیار کرنا۔

کمپنیز ایکٹ 2017ء کے سیکشن (7) 223 کے تحت، کمپنی کے مالیاتی گوشوارے کمپنی کی ویب سائٹ پر اپ لوڈ کر دیے گئے ہیں جنہیں درج ذیل لنک سے ڈاؤن لوڈ کیا جاسکتا ہے۔

<https://www.avanceon.ae/investor-information/>



۳۔ کمپنی کے آڈیٹرز کو مقرر کرنا اور اس کا معاوضہ طے کرنا۔ حصص یافتگان کو اطلاع دی جاتی ہے کہ کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹران نے ریٹائر ہونے والے آڈیٹرز BDO Ebrahim & Co. چارٹرڈ اکاؤنٹنٹس کا نام آئندہ مالی سال 31 دسمبر 2024ء کیلئے کمپنی کے آڈیٹرز کی تقرری کیلئے تجویز کیا ہے۔

۴۔ مالیاتی سال 31 دسمبر 2023ء کیلئے نقد ڈیویڈنڈ بحساب -/2 روپے (یعنی 20%) فی حص کی ادائیگی پر غور و خاص اور منظوری جیسا کہ کمپنی کے بورڈ آف ڈائریکٹران نے کمپنی کے حصص یافتگان کیلئے سفارش کی ہے۔

۵۔ بونس حصص بحساب 10% پر غور و خاص اور منظوری دینا، جیسا کہ کمپنی کے بورڈ آف ڈائریکٹران نے کمپنی کے حصص یافتگان کیلئے سفارش کی ہے اور مندرجہ ذیل قرارداد منظور کرنا:-

قرار پایا جاتا ہے کہ عام حصص جن کی بنیادی قیمت -/10 روپے فی حص کے حساب سے ہے بطور بونس حصص اور مذکورہ حصص مکمل ادا شدہ عام حصص کے مطابق کمپنی کے حصص یافتگان کو جاری کیے جائیں گے، جن کا نام کمپنی کے شیئر رجسٹر میں مورخہ 19 اپریل 2024ء بروز جمعہ کو ظاہر ہوگا۔ ان بونس حصص کا تناسب ہر 100 حصص پر 10 حصص کے حساب سے ہوگا یعنی 10%۔ ایسے بونس حصص ڈیویڈنڈ کی ترسیل اور تمام امور میں عام حصص کے قانونی مساوی ہونگے۔

مزید قرار پایا جاتا ہے کہ حصص یافتگان کے کسری استحقاق کو مکمل حصص میں اکٹھا کر کے اسٹاک مارکیٹ میں فروخت کیا جائے گا اور اس سے حاصل شدہ رقم کسی فلاحی ادارے کو عطیہ کی جائے گی۔

ب۔ کوئی بھی اضافی امور جو کہ چیرمین کی اجازت سے ہونگے۔

DIVIDEND MANDATE FORM

To: _____

Date: _____

The Registrar
FAMCO Share Registration Services (Pvt) Ltd.
8-F, Next to Hotel Faran, Nursery
Block-6, P.E.C.H.S, Shahra-e-Faisal
Karachi

Broker's Name
OR
Central Depository Company
(where shares are held in the
Investor Account Services)

1. I hereby authorize Avanceon Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's Detail
Name of the shareholder
Folio No. /CDC Participants ID A/c. No.
CNIC No.*
Passport No, (in case of foreign shareholder)**
Land Line Phone Number
Cell Number
(ii) Shareholder's Bank Detail
Title of the Bank Account
Bank Account Number
Bank's Name
Branch Name and Address

2. It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the above addresses as soon as these occur.

Signature of Shareholder

Note: The shareholder who hold shares in physical form are requested to submit the abovementioned Dividend Mandate Form after duly filled in to Share Registrar concerned.
The Shareholders who hold shares in Central Depository Company are requested to submit the above mentioned Dividend Mandate Form after duly filled in to their Participants/Investor Account Services of the Central Depository Company Limited.

*Please attach attested photocopy of CNIC

**Please attach attested photocopy of the Passport.

پراکسی فارم نوٹس برائے ایکسٹرانڈیٹ سالانہ اجلاس عام

میں / ہم _____ ساکن _____
 بطور اوپنیشن لمیٹڈ _____
 رکن و حامل _____ عام حصص برطابق شیئر رجسٹرڈ
 فولیو نمبر _____ اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور
 ذیلی کھاتہ نمبر _____ ساکن _____ یا بصورت دیگر
 _____ ساکن _____ کو اپنی جگہ مورخہ 29 اپریل
 2024ء منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کیلئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط بتاریخ _____ 2024ء

گواہان :-

براہ کرم پانچ روپے
 مالیت کے ریونیو ٹکٹ
 چسپاں کریں

دستخط

دستخط کمپنی میں درج نمونہ کے
 مطابق ہونے چاہئیں

- 1 دستخط: _____
 نام: _____
 پتہ: _____
 قومی شناختی کارڈ یا پاسپورٹ نمبر: _____
- 2 دستخط: _____
 نام: _____
 پتہ: _____
 قومی شناختی کارڈ یا پاسپورٹ نمبر: _____

نوٹ: پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کا کمپنی کارکن ہونا ضروری نہیں ہے۔ سی ڈی سی کے حصص یافتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کروائیں۔



The Company Secretary
AVANCEON LIMITED
Avanceon Building,
19 km, Main Multan Road,
Lahore - 54660
Pakistan

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Form of Proxy**21st Annual General Meeting of Avanceon Limited**

I/We _____
of _____
being a member of Avanceon Limited and holder of _____ ordinary shares a
per share Register Folio (Number of Shares) No _____ and / or CDC
Participant ID No. _____ and Sub
Account No. _____ hereby appoint _____ of
_____ or
failing him _____ of _____ as
my/our proxy to vote for me/us and on my/our behalf at the 21st Annual General Meeting of the company to
be held on the 29th day of April 2024 and at any adjournment thereof.

Signed this _____ day of _____ 2024

Witnesses:

1) **Signature:** _____
Name : _____
Address : _____

Signature on Rs. 5/- Revenue Stamp

CNIC or : _____
Passport : _____

Signature
Signature should agree with the
specimen registered with the company

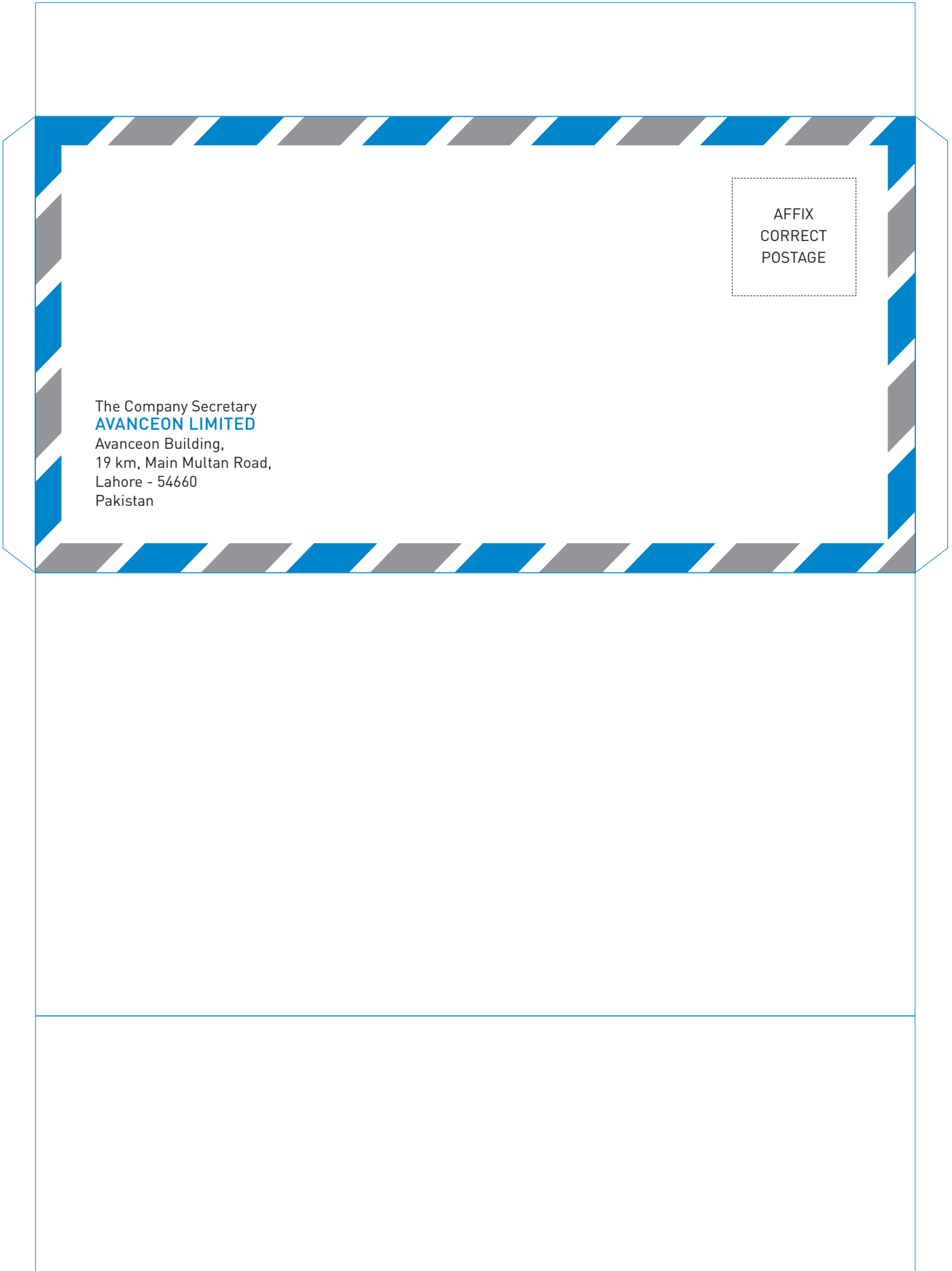
2) **Signature:** _____
Name : _____
Address : _____

3) CNIC or : _____
Passport : _____

Note:

Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.



The Company Secretary
AVANCEON LIMITED
Avanceon Building,
19 km, Main Multan Road,
Lahore - 54660
Pakistan

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www.avanceon.ae

AVANCEON

Tomorrow's solutions, today.

Dubai, UAE

Office/ Plot No. MO-0240, Street N403,
Jebel Ali Free Zone (North), JAFZA
PO Box: 18590, Dubai, United Arab Emirates
Phone: +971 48 86 0277

Islamabad, Pakistan

The Hive, 6th Floor, Islamabad Stock
Exchange Tower, Block J F 7/1 Blue
Area, Islamabad, Pakistan.
Phone: +92 51-7080580

Lahore, Pakistan

The Avanceon Building - 19 km
Multan Road, Lahore, 54660, Pakistan.
Phone: +92 42 111 940 940

Dammam, KSA

3141 Anas Ibn Malik-Al Malqa Dist,
Unit:718, Riyadh 13521 – 8292,
Kingdom of Saudi Arabia
Phone: +966 533 224138

Karachi, Pakistan

The Hive, 2nd Floor M A Tabba
Foundation Building, Block 9,
Gizri Road, Clifton, Karachi, Pakistan.
Phone: +92 21 111 940 940

Doha, Qatar

Office No: RA16, Ras Bufontas
Qatar Free Zone, Doha, Qatar-
PO Box 13565
Office B1-A6-31 Al Wukair Logistics
Park Doha, Qatar- PO Box 15976
Phone: +974 4141 7300

