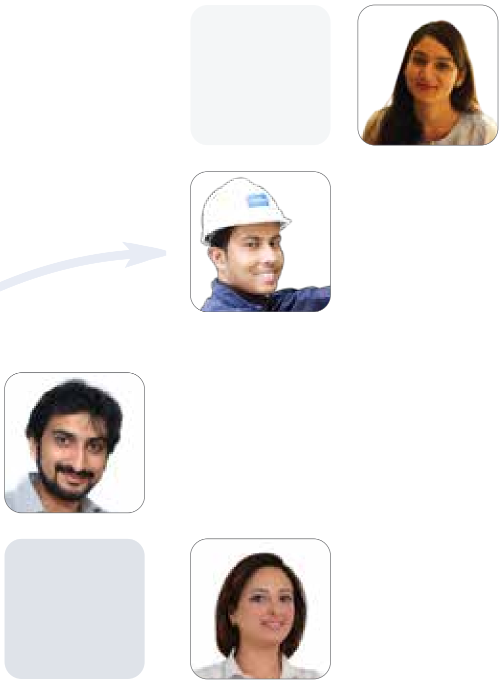
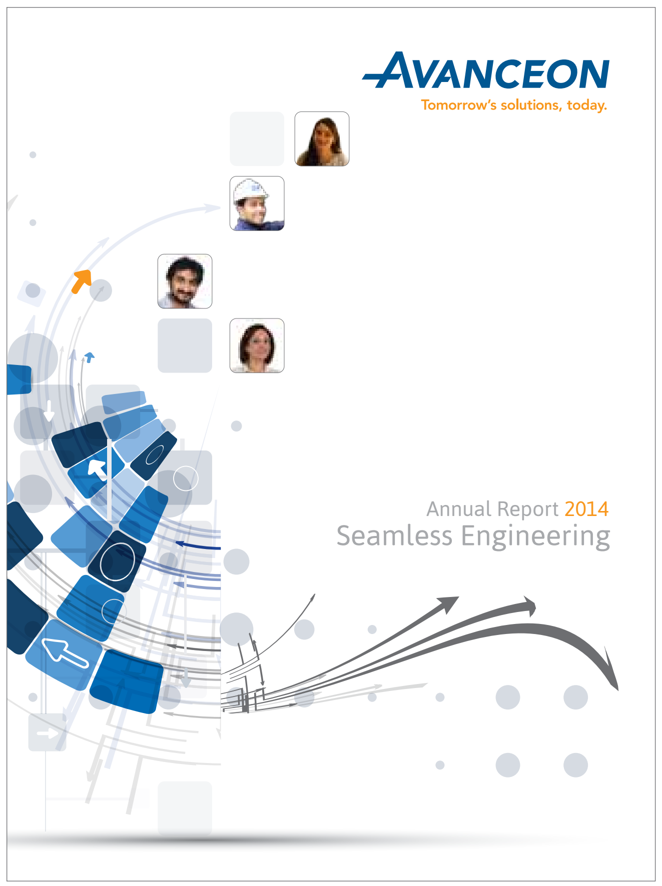
AVANCEON

Tomorrow's solutions, today.



Annual Report 2014

Seamless Engineering



Seamless Engineering

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

Letter from the Founder

First of all, I would like to extend our heartfelt gratitude for the trust our shareholders have had in the market throughout 2015. I am pleased to announce that all major strategic milestones for the period defined in our 5 years strategic plan called Highway 50 have been accomplished.

Business operations in Qatar, Abu Dhabi and Saudi Arabia are fully established and our teams have developed a very impressive pipeline of opportunities. Along with that, we have been pre-qualified with a number of prestigious organizations in the Middle East which now provide us with a very good platform to expand our footprint.

In engineering and business, my personal belief is that value creation goes hand in hand with human growth. I also believe that the bond between strong technical knowledge and customer centricity is the greatest enabler of success and has made Avanceon what it is today. We have instituted a 5 year skill improvement plan for our team to develop subject matter expertise specifically related to business verticals and technology that spreads across all verticals . We believe this initiative will be the lynchpin for our long term business plan. This is in addition to long-held relationship with our technology partners, who have helped us move up the technology food chain.. Every day, I am a witness of the dedication of Avanceoners who have succeeded, in communicating and fostering customer confidence by co-building value in an ever-delightful way.

This virtuous circle radiates outside the company, to new and existing customers and promotes long and healthy working relationships built on integrity and trust.. With regard to our approach to business, it remains almost unchanged ; we simply continue to provide flawless customer-centric services and solutions.

As I look back at our accomplishments over the years, I am extremely proud of what we have achieved, and even more excited about an equally promising future.

Join me and the Avanceoners as we continue the journey along Highway 50, towards becoming the world's leading Automation Systems Integrator. It's only our second year after IPO and I see the continuous growth of Avanceon worldwide while adhering to the very highest standards of ethics and compliance!

Yours truly,

Bakhtiar H Wain
Founder and CEO, Avanceon

Notice of the Meeting

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of Avanceon Limited will be held at Avari Lahore, 87 The Mall, Lahore, Pakistan, on Wednesday, 15 April, 2015 at 3.00 P.M. to transact the following business:

A. ORDINARY BUSINESS

1. To receive and consider the Audited Accounts for the year ended 31 December 2014 and the Directors' and Auditors' Reports thereon.

2. To appoint Auditors and fix their remuneration. The retiring auditors Ernst & Young, Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for re-appointment.

3. To declare a final dividend at the rate of Rs 2.25 per share i.e. 22.5% for the year ended 31 Dec 2014.

B. SPECIAL BUSINESS

4. To authorize the issuance of Employee Share Options – 2nd Issue of the ESOS (Employee Share Option Scheme). 5,000,000 (five million) ordinary share options to all eligible employees and if thought fit pass the following Special Resolution ;

"RESOLVED THAT all eligible employees' of the Company are hereby granted stock options of the ordinary shares of Avanceon Limited in aggregate 5,000,000 share options as per below schedule:

Year	Number of Options #	Exercise Price Rs.	Exercise Year
2015	4,000,000	16.80	2020
2016	250,000	20.16	2021
2017	250,000	24.20	2022
2018	250,000	29.30	2023
2019	250,000	35.16	2024

The Total number of options granted under this scheme stands at 4.73% of the total ordinary share in issue 105,696,534 as at 31 Dec 2014.

N.B (1) The share transfer book of the Company will be closed and no transfer of shares will be accepted for registration from Wednesday 08 April 2015 to Wednesday 15 April 2015 (both days inclusive). Transfer received in order at the office of our Registrar, M/s THK Associates (Pvt) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi by the close of business (5.00 p.m.) on Tuesday 07 April 2014 will be treated to have been in time the purposes of payment of final dividend to the transferees and to attend and 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) SUBMISSION OF THE CNIC/NTN DETAILS (MANDATORY)
Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number of individuals is mandatorily to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2014, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised: for filers of Income Tax return 10% and Non filer of Income Tax return 15%.

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

In case of non-receipt of the copy of a valid CNIC or NTN, the Company would be unable to comply with SRO 831(1)/2012 dated July 05 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders. Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 15% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984.

This Statement is annexed to the Notice of the 12th Annual General Meeting of Avanceon Limited to be held on Wednesday 15 April 2015 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such special business;

ITEM (4) OF THE AGENDA

Total Number of Share Options: 5,000,000 (five million) ordinary share options.
Classes of Employees:

- ✓ Management Cadres MT-3 and above.
- ✓ Management Cadres from MT-1 to MT-2 (all employees who are on payroll of the company for 07 (seven) years or more).

Vesting Requirement & Period of Vesting: The period of vesting is 05 years from the Date of Grant of the relevant Options till the commencement of the relevant Exercise Period applicable to the Options granted.

Maximum Period of vesting: 05 (five) years.
Exercise Price: Rs 16.80/- for 2015, Rs 20.16/- for 2016, Rs 24.20/- for 2017, Rs 29.30/- for 2018 and Rs 35.16/- for 2019.

Appraisal process for Eligibility: The HR & H Committee through is powers delegated to Committee for Organizational & Employee Development (COED) shall consider the employees recommended and approved by COED in line with the annual appraisal process for the company.

Maximum number of options to be issued per employee and in aggregate: 1,000,000 (one million) options per employee with total 5,000,000 (five million) share options in aggregate for all eligible employees.

Statement of Conforming of accounting policies:
This statement is annexed to the ESOP scheme 2nd issue. The purpose of this Statement is to conform the accounting policies as per rule 13 of the Public Companies (Employees Stock Option Scheme) Rules, 2001.

The grant date fair value of equity settled share based payment to employees is initially recognized in the balance sheet as deferred employee compensation with a corresponding credit to equity as employees' share compensation reserve. The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

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

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

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

By Order of the Board

Lahore,
Dated: 25 March 2015

Ahsan Khalil
Company Secretary

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Key Highlights

Introductory

Corporate Governance

Management Review & Representation

Stakeholder's Information

Financials & Disclosures

Shareholder Information

The 12TH Annual General Meeting of shareholders will be held on April 15, 2015 at 3pm Avari, 87 The Mall, Lahore, Shareholders as of April 7, 2015 are encouraged to participate and vote. Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the company at least 48 hours before the meeting time. CDC Shareholders or their Proxies are requested to bring with them copies of their Computerized National Identity Card or passport along-with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2014, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised: for filers of Income Tax return 10% and Non filer of Income Tax return 15%.

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Ownership

As on December 31, 2014 there were 3,731 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 2015 are:

1st quarter :	April 22
Half yearly:	August 22
3rd quarter:	October 24

All our quarterly reports are regularly posted to Karachi and Lahore Stock Exchanges and all shareholders at their provided address, Now onward, all annual/quarterly reports also to be placed at the Company's website: www.avanceon.ae The Company reserves the right to change any of the above dates.

Change of Address

All registered shareholders should send information on changes of address to: M/s. THK associates (Pvt) Limited, 2nd Floor, State life building-3, Dr. Zia ud-Din Ahmed Road, Karachi 75530 Sindh, Pakistan, Fax +92-21-35655595

Vision & Mission Statement

Avanceon Ltd [KSE: AVN] has been in the automation business since 1984 and has transformed into a 360 degree solution provider for automation, energy management, engineering services and maintenance for major blue chip companies. A certified member of the select group of Control System Integrators Association, the company is also listed on the Control Engineering Magazine's System Integrator Hall of Fame. Avanceon's values are deeply rooted within the company and act as guide when interacting with our internal and external stakeholders. At Avanceon, we are defined by our mission, our vision / mantra and our values.

Global Presence

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

ISO 9001 : 2008
ISO 14001 : 2004
BS OHSAS 18001 : 2007

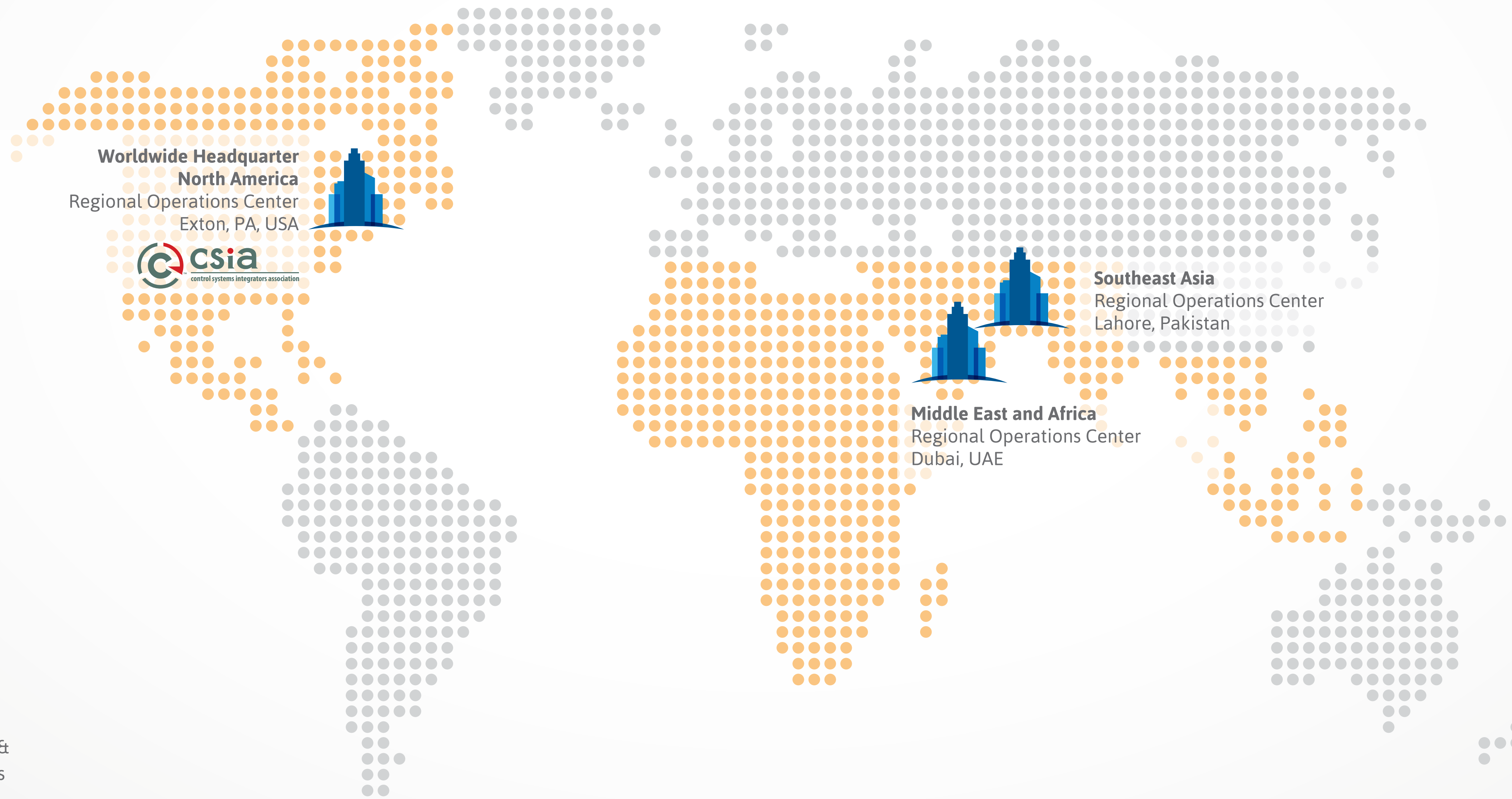
AVANCEON
Tomorrow's solutions, today.

+25 years of commitment

+10 key partners worldwide

+1,000 medium & large scale projects

+150 government & blue chip customers



+200 employees

+10 offices, 3 operating centers

+10 industrial segments served

+70% Control System Engineers

Our History

1984
Establishment of Advance Automation Associates Inc. in Exton, Pennsylvania, USA

2003
First successful implementation of EMS project

Establishment and acquisition of Innovative Automation & Engineering Pvt Ltd. by Engro from Innovative Pvt Ltd.

2004
Entrance into Middle East by Establishment of wholly owned subsidiary in UAE

2007
Incorporation of Engro Innovative Inc, USA, an investment company for strategic acquisitions in US Market

Recognition as the System Integrator of the Year by Control Engineering Magazine

Acquisition of Advanced Automation Associates, USA by Engro Innovative Inc. USA

2008
After Market Solutions launched

Naming & branding as a global company called "Avanceon"

Conversion into Public Limited Company

2010
First EMS project implemented in USA

2011
Launched in-house training including development and certification of engineers

Rolling out Carbon Credit Program

2013
Launching of Highway-50 Plan

Launching of Avanceon Employee Stock Option Scheme 1st Issue

2014
Initial Public Offering (IPO) of Avanceon along with listing Avanceon at KSE and LSE

Joint Venture with ATCO, KSA

HIGHWAY - 50 2018

Overall Strategic Objectives: Highway 50

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

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

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

Goal 1 – Live Our Brand

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

Goal 2 – Increase and Retain Human Capital

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

Goal 3 – Reduce Variability in Process Execution

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

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

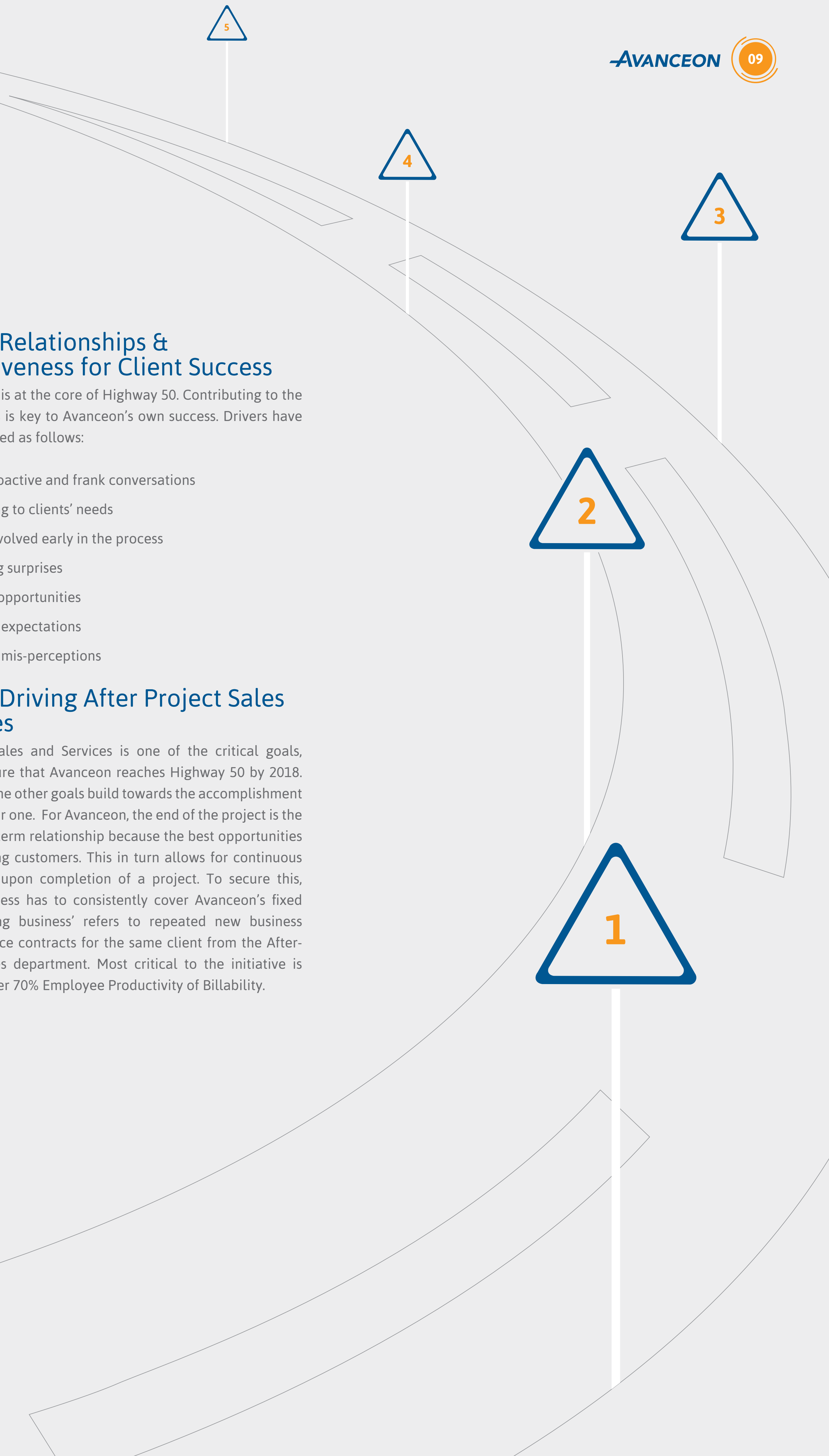
Goal 4 – Relationships & Responsiveness for Client Success

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

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

Goal 5 – Driving After Project Sales & Services

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



Board of Directors

Khalid H. Wain
Chairman of the Board (Non-Executive)

Khalid brings over 38 years of international expertise in electrical engineering, cost engineering, project management and business strategy to the Avanceon Board of Directors. Khalid advises on international business and technology.

Bakhtiar H. Wain
Director and Chief Executive Officer

Bakhtiar brings over 28 years of exemplary leadership. An engineer with experience in leading global companies including: Exxon Chemicals, Fauji Fertilizer and ICI Ltd, he founded Avanceon in 1984 and holds the position of Chief Executive Officer.

Tanveer Karamat
Director and Chief Operating Officer

Tanveer brings over 28 years of international business experience to Avanceon in automation solutions for the Oil & Gas and Power sector. Prior joining Avanceon in 2003, he spearheaded business at Wartsila NSD and Honeywell as country head. He currently holds the position of Chief Operating Officer at Avanceon since 2011.

Amir W. Wain
Director (Non-Executive)

Amir brings over 25 years of strategic planning & international business development experience to the board. Amir is the founder and CEO of i2c Inc, a global provider of payment processing and emerging commerce solutions serving consumers in all 24 time zones. Amir leads a team of over 400 professionals and is responsible for defining i2c's vision and strategic direction.

Tajammal Hussain
Director (Non-Executive/Independent)

Tajammal brings over 25 years of international accounting and finance acumen to the Avanceon Board of Directors. Chartered Accountant at Fakharuddin Yousafali & Co since 1989, he oversees and maintains high quality outsourcing, financial and accounting services to a wide variety of global and local commercial enterprises. Tajammal advises Avanceon Board of Directors on risk management and financial strategy.

Umar Ahsan Khan
Director (Non-Executive/Independent)

Umar brings over 25 years of strategic accounting, finance and business management experience to the Avanceon Board of Directors. He currently holds the position of Chief Operating Officer at Thal Engineering, the leading auto parts manufacturing company in Pakistan. Umar advises Avanceon Board of Directors on strategy and hands on perspective of business and financial management.

Naveed Ali Baig
Director (Non-Executive/Independent)

Naveed brings over 29 years of international business acumen to the Avanceon Board of Directors. He is currently spearheading the success of Innovative Pvt Ltd. through sound employee-centric management, as Chief Executive Officer. Prior, he worked for multi-nationals including Gallup International and Ferguson Associates. Naveed advises on leadership and operations.

Company Information

Directors

Mr. Khalid Hameed Wain	Director/Chairman
Mr. Bakhtiar Hameed Wain	Director/Chief Executive Officer
Mr. Tanveer Karamat	Director/Chief Operating Officer
Mr. Amir Waheed Wain	Director
Mr. Naveed Ali Baig	Director
Mr. Tajammal Hussain	Director
Mr. Umar Ahsan Khan	Director
Mr. Saeed Ullah Khan Niazi	Chief Financial Officer
Mr. Ahsan Khalil	Company Secretary

Audit Committee

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

Human Resource & Renumeration Committee

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants.

Legal Advisor

Chima & Ibrahim advocates and Corporate Council

Web Presence

www.avanceon.ae
www.avanceon.com

Bankers

Faysal Bank Limited, Pakistan

Habib Bank Limited, Pakistan & United Arab Emirates

National Bank of Fujairah, United Arab Emirates

Habib Bank AGA, Zurich, United Arab Emirates

National Penn Bank, United States of America

ABN Amro, United Arab Emirates

MCB Bank Limited, Pakistan

United Bank Limited, Pakistan & United Arab Emirates

National Bank of Pakistan Limited, Pakistan

Standard Chartered Bank Limited, Pakistan

Deutsche Bank Limited, Pakistan

JS Bank Limited, Pakistan

KASB Bank Limited, Pakistan

NIB Bank Limited, Pakistan

Share Registrar

THK Associated Private Limited

2nd floor, State life Building-3, Dr. Ziauddin Ahmed Road, Karachi,

75530, Sindh, Pakistan.

Phone: +92(21)111 000 322

Fax : +92 (21) 356 555 95

Email : secretariat@thk.com.pk

Registered office

The Avanceon Building

19-KM , Main Multan Road, Lahore, 54660

Punjab Pakistan

Phone: + 92 (42) 111 940 940

Fax No: + 92 (42) 375 151 28

Email: support.c@avanceon.com

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Headquarters South East Asia

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Karachi, Sindh, Pakistan
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Karachi, Sind
Pakistan.
Phone: +92 21 111 940 940

Islamabad Capital City
299 Pansi Road, Safari Villas III, Bahria Town,
Islamabad, Capital City
Pakistan.
Phone: +92 51 573 3031

Trade Mark

AVANCEON
Tomorrow's solutions, today.

Headquarters Middle East and Asia

Avanceon FZE - Dubai, UAE
FZS1 BD04
JAFZA
PO Box 18590, Dubai
United Arab Emirates
Phone: +971 4 88 60 277
Headquarters North America
Avanceon GP – Exton, PA, USA

Abu Dhabi, UAE
In Partnership with Ali & Sons
Ali &Sons Bldg.,
Zayed 2nd Street
Abu Dhabi, U.A.E. P.O. Box 915
P: +971 4 88 60 277

Doha, Qatar
In Partnership with Irinatech
Office No-3, 15th Floor
Burj Al-Qassar,West Bay,
Doha, Qatar. PO Box 5285
Phone: +974 4408 5213

Jeddah, Saudia Arabia
In Partnership with ATCO LLC
ATCO Building.
Kuwait St. Faisaliyah District.
Jeddah, KSA. PO Box 1298
Phone: +966-12-6912204 x 127Saudi Arabia, Dammam
In Partnership with ATCO LLC

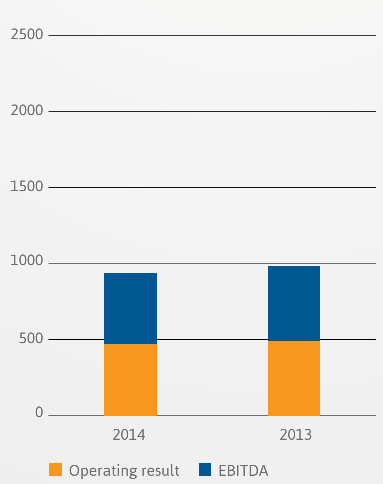
Dammam, Saudia Arabia
In Partnership with ATCO LLC
ATCO Building.
King Khalid Street.
Dammam, KSA. PO Box 718
Phone: +966-12-6912204 x 127

Financial Highlights (As at December 31, 2014) Consolidated

	2014	2013
Net Sales (Rs. in Million)	1,928	1,818
Operating result (Rs. in Million)	464	471
Profit before tax (Rs. in Million)	443	436
Profit after tax (Rs. in Million)	411	411
EBITDA (Rs. in Million)	488	491
EBITDA Margin (Percentage of Net Sales)	25	27
Earning Per Share (Rupees)	4.09	5.19
Equity (Rs. in Million)	1,922	1,408
Price Earning Ratio	8.28	NA (No Market Price Available)
Return on Capital Employeed (Percentage)	25	36
Current Ratio (Times)	3.62	1.91
Capital Expenditure (Rs. in Million)	28	20

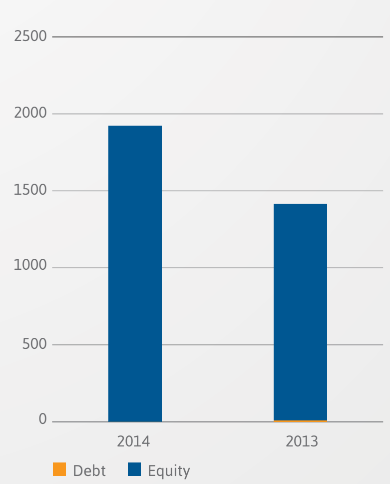
Operating result and EBITDA

Rs Million



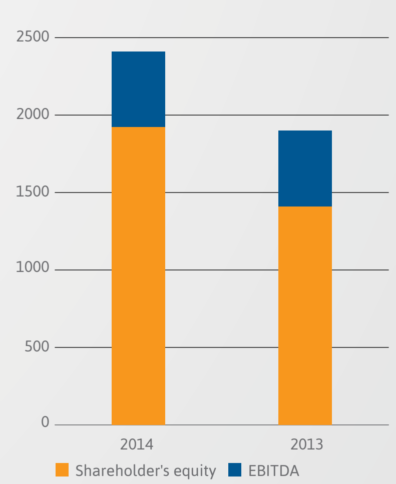
Net Debt and Equity

Rs Million



Shareholder's equity and EBITDA

Rs Million



INTRODUCTORY

Letter from the Chief Operating Officer

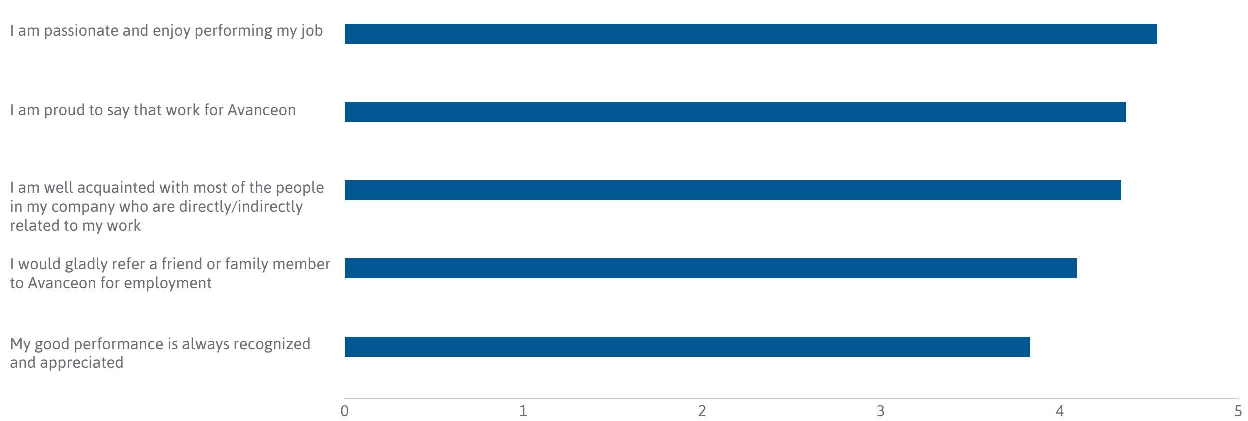
2014 was yet another exciting year! Just as I predicted in the last annual report. I am pleased and honored to share some of its highlights.

Lived our Brand – A successfully executed project in my perspective is a number # 1 marketing instrument. By any stroke of the imagination the execution of World's leader in district cooling, Command and Control Center (CCC) project was epic and it deserves a few lines worth sharing. The project entailed integrating 27 plants spread over a wide area around Dubai providing visualization of key performance indicators (KPI) and plant parameters on a video wall in a purpose-built control room for 24/7 operation. It involved 15,000 engineering man-hours and over 30,000 labor hours for site works, 600,000 historian data points, 500+ interactive plant graphics, 300+ reports, 10,000+ third party device connections using state of the art technologies enabling a seamless integration and flow of data in a secure manner to the CCC. The project was awarded in July 2014 and had to be completed in a record period of 4 months. Customer wanted to showcase it in the worldwide district cooling symposium, to be held in the December same year, a major challenge which we were squarely up to. We are proud to be part of such a prestigious project and with its success will be in the driving seat to win such projects in the future as well as to earn a quick recognition in the market.

Increased and Retained Human Capital – The Avanceon business capitalizes on the quality of its human assets. This year again, the company has invested heavily on the acquisition and training of its talent. Over 1,000 hours have been spent in hard skill and soft skill training of our engineers out of which over 84% were spent outside Pakistan, namely Singapore, North America and the United Arab Emirates. Our Management team at Avanceon approximates 12.7 years with an average of 14.9 years working within the Automation industry. Two third of our Management team joined as a junior, over one third joined as a trainee. Avanceon also conducts a climate survey which intends to align with company's vision, mission, culture and cross-departmental synergy towards Highway 50. This is also an efficient measure of employee engagement. This year, we got over 71% responses with an average of 4.22 on a scale from 1 to 5 on employee engagement conducted in January 2015. From a management perspective, this is one of the measures that we use to ensure that our key assets are in an enabling work environment.

Employee Engagement

Percentage



Reduced Variability in Process Execution – This year we launched our Key Account Management (KAM) initiative with a view to providing focused coverage of the select few large size accounts having multiple production sites spread over a wide area. The initiative is much appreciated and paved its way to forging strong business partnerships with our key accounts. The challenge is to roll it over to much larger clientele. Across practices, account management is key to managing customer expectation whilst delivering seamless solutions because it reduces lost hours of going back and forth between the customer and the service provider. Ensuring seamlessness in our process execution also comes with placing the right framework through strong management. Being close to our customers, is our insurance to reduce variability. This year, our effective productivity report recorded 72% of our engineering team, 2 percentage points more than the previous year.

Strengthened Relationships & Responsiveness for Client Success – We have strengthened our coverage of Saudi Arabia (SA), by adding a senior resource in the western region this year. Our believe is that SA holds a great potential to fuel growth and we therefore are committing the right amount of resources and time to harness the full potential. In the UAE we are well known in the infrastructure market, but our challenge is business from the Oil & Gas sector. The process of prequalification is cumbersome and time consuming. We have made reasonable headway in this regard and quite hopeful that once approved it will soon open floodgate of opportunities. Relationship building and responsiveness also comes with proximity to the customer both physically and philosophically. We have also obtained our Letter of Conformity for, a globally recognized SMETA – 4 Pillar Audit, under World's leader in food & beverages Responsible Sourcing Program. This is a prized accreditation and will boost our brand image.

Drove after Project Sales Services – After project sales and services is one of the critical goals that ensure reaching Highway 50. This is also one of the key proof of customer delight. Ultimately, all the other goals are involved in the realization of this particular one. In 2014, customer delight was translated into another one third increase in terms of recurring business from 2013. This year, we have also expanded our After Market Solutions to the Middle East. Back in 2009, we worked on a groundbreaking landmark in the UAE, the Dubai Metro with the maintenance contract that is associated with every project. This year, we have been awarded on of the most sought after service level agreement contract by SERCO for the maintenance of the Guinness record of the longest driverless metro network for another five years.

Overall, I am foreseeing a dip in the investment budgets of Oil & Gas companies and this might impact our business from them in 2015. However, reduced energy cost due to drop in crude prices will leave much free cash in the hands of the investors to invest in existing or new businesses and that most likely will offset any perceived dip. As we are seeing LNG import to meet the energy shortage is on the rise in Pakistan. This heralds a new growth area for us in the future with the implementation of the first LNG Terminal automation project, first for the country and first for Avanceon.

Finally, our performance in the stock market has been beyond our expectations. AVN share value at the book building stage and during the IPO process closed at RS 14 on Jan 07, 2014; it touched RS 41.19 and then settled at RS 33.85 year end. As I write the price is hovering at RS 36.01 came down from highest RS 46.5. This is an amazing response from our investors. Their belief and confidence reposed in us is a great source of inspiration to continue on the path of growth and deliver great results YOY... and we will.

More in 2015

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 define both how we work and how we achieve success.

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

Corruption and Bribery Prevention

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

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

Information Technology & Communications

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

- ✓ Information Security Governing Policy

Employee Empowerment Framework

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

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

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

Equal Employment and Anti-Harassment

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

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

Customer Centricity and Sustainability

Avanceon's way of expressing our commitment towards our customers is completed through the qualitative execution of our sound solutions and strong work ethics, which are all encapsulated in our Customer Bill of Rights & our Customer Project Bill of Rights. In order to realize sustainable growth, we believe that we place sustainability at the hub of what we do by making a positive difference in the lives of the people within the society we work and the communities we operate, through sound and impactful investments.

- ✓ Customer Bill of Rights
- ✓ Customer Projects Bill of Rights

Quality, Health, Safety and Environment

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

Avanceon's 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 upmost importance in every activity Avanceon performs. This commitment allows us to exceed international and national QHSE standards throughout our daily work.

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

Customer Bill of Rights

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

Customer Project Bill of Rights

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

Profile & Group Structure

Corporate Profile

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

Avanceon has been in the automation business for the last 25 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 and is also listed on the Control Engineering Magazine's System Integrator Hall of Fame. Going forward, Avanceon intends to expand 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 with 200 plus highly qualified and trained employees.

Strategic Reporting - - - - - - - - - - Line Reporting ————

- **Bakhtiar H. Wain** – CEO
  - UAE Country Manager
  - Marketing Head
  - Business Development Lead
  - **Tanveer Karamat** – COO
    - GM Middle East
      - Qatar Operations
        - Sales
        - Engineering
        - Support
      - UAE Operations
        - Sales
        - Engineering
        - Support
      - KSA Operations
        - Sales
        - Engineering
        - Support
    - GM SA
      - Pakistan Operations
        - Sales
        - Engineering
        - Support
      - IX Manager
        - Technical
        - Application
      - Proposal Manager
    - Regional Manager
      - Sales
      - Engineering
      - Support
    - HES Manager
      - Sales
      - Engineering
      - Support
    - EMS Manager
      - Sales
      - Engineering
      - Support
    - Finance CFO
      - Manager ERP
        - GP
      - Accounts Manager
        - Payroll
        - General Accounting
        - Accounts Payable
        - Accounts Receivable
        - Taxation
        - Store & Supplies
      - Finance
      - Logistics
        - Product Supplies
        - Project Supplies
        - Clearing
    - HR Manager
      - Compensation & Benifits
      - Compensation & Benifits
      - Training & Development
      - Senior Recruiter
      - Network Engineering
      - Administration
      - Travels
    - Internal Audit Manager

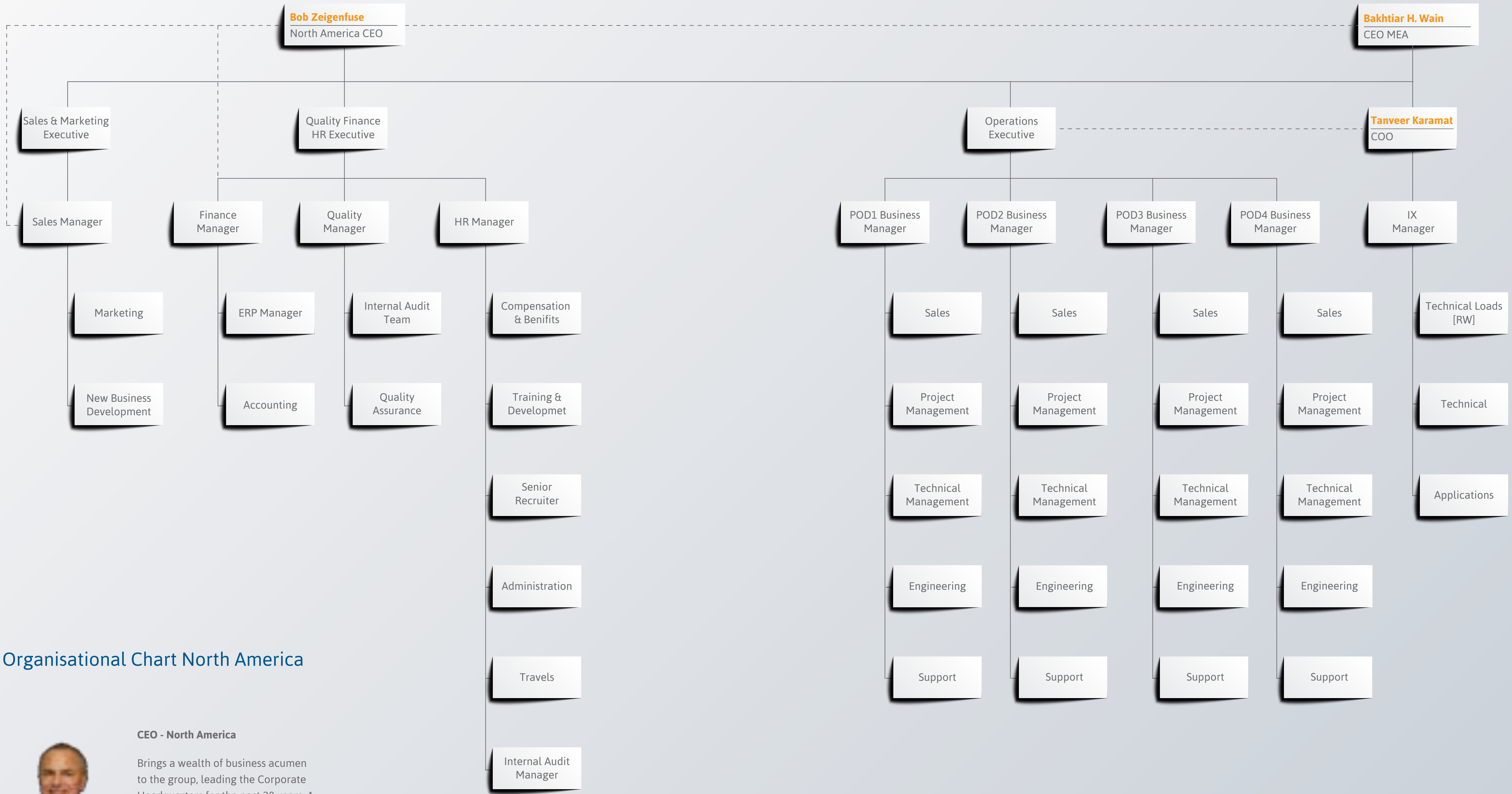
Organisational Chart Middle East and South East Asia

CEO – Global & Middle East

Brings 28 years of exemplary leadership. within top global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd. Bakhtiar founded Avanceon in 1984.

COO – South Asia

Brings over 28 years of exemplary leadership within top companies such as Honeywell. Tanveer is responsible for MEA business vision and the performance and growth.



Organisational Chart North America

CEO - North America

Brings a wealth of business acumen to the group, leading the Corporate Headquarters for the past 28 years. A pioneer in the world of automation, Bob is also a founding member of the Control System Integrators Association [CSIA]

Strategic Reporting ----------- Line Reporting ———

Nature of Business

Macro-Economic Environment

Market Trends in Pakistan and the GCC

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

Demand drivers from the Power and the Oil & Gas sectors are very high as well. The country has a vast hydropower potential, out of which only 11% has been developed. As it stands, the installed capacity of hydropower projects is 6,500 MW. Economically viable Hydro power plants can be sited up to 60,000 MW and represent the most mature market in the power segment. Automation & process control offering towards coal power development is the most promising sub-segment. So far, USD $12 billion was invested in the development of Thar Coal, which has a capacity of 175 MTOE.

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

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

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

Industry Highlights

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

Automation and process control have become an integral part of modern manufacturing facilities as it enables companies to not only streamline their processes and standardize product line but also allows it to launch more complex product range through extension of processes that were previously considered impossible.

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

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

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

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

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

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

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

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

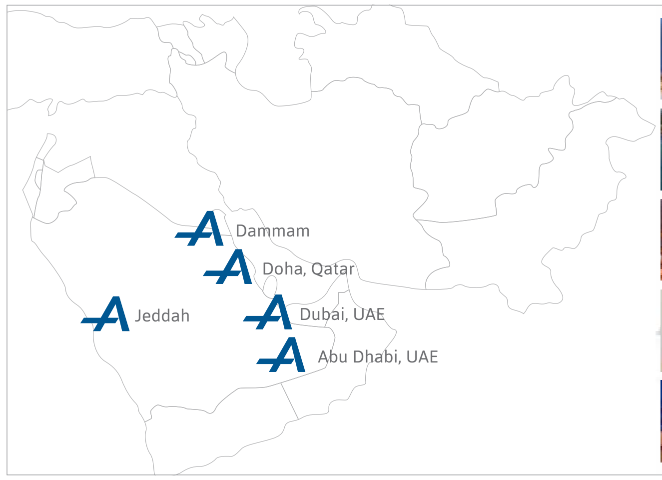
<table>
<tr><th colspan="2">SWOT</th></tr>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>✓ Clear leader for automation solutions in Pakistan
✓ Sole publicly listed company in Automation & Control
✓ 3 times revenues of closest competition
✓ Strong portfolio of clients with 39% being international blue chip clientele, 28% stock exchange customers
✓ Strong reputation for quality of our technology and systems amongst industry Pakistani leaders</td><td>✓ Actual marketing presence to be increased within the next 4 years
✓ Key account management which is recently introduced, which has been growing at a steadfast speed
✓ Pricing perceived as higher than other solutions in Drives, market but aligned with quality and longevity of products
✓ Perceived as more focused on PLC than DCS in Oil & Gas</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>✓ Existing plant automation systems are coming to maturity starting 2017 and need full up-gradation
✓ 43% of projects are DCS based in Oil & Gas and Power and needs replacement
✓ Oil & Gas as well as other brownfield projects preferred after market support in terms of training.
✓ Demand for efficiency and APC and Energy management based projects</td><td>✓ PlantPax still perceived by some as a PLC because at its early stages in Pakistan but with proven lead efficacy in the Middle East for Oil & Gas sector
✓ OEMs trying to find their way back on the automation market most specifically on the oil & gas as well as the energy sector
✓ Increase competition in O&G/F&B the two lucrative markets</td></tr>
</table>

Business Model

360 Degree Solutions

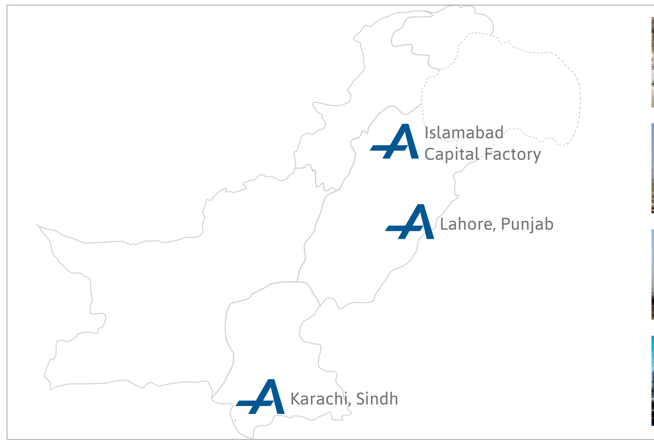
For the last 25 years, Avanceon has transformed to become the 360 degree solution provider of automation, control system integration, proprietary energy management solutions and support services is known for handling multiple products, regulatory requirements and the need for safety, productivity and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

Flagship Projects Middle East & Africa



Largest control and command center DC Plant	Empower
Scada Systems for Lusial Utility Tunnels +27k I/Os	Lusail City
Tunnel Ventilations Systems red & green lines +24kI/Os	Dubai Metro
Relay up-gradation 350 relay project	Takreer
Islanding & Load-sharing project RTR, SGP, UGP	Saudi Aramco

Flagship Projects South East Asia



Egron2 MES Project Nestle Pakistan [on-going]	Nestlé
360 degree Integrated Control System for Makori Gas [Tal Block] Processing Facility [production: 300 MMSCFD]	MOL Pakistan
Proprietary Energy Management Solutions, iWater for the Muzaffargarh Thermal Power Station [USD 0.9M in savings]	LALPIR
Relay up-gradation 350 relay project	POL

Market Leadership & Customer Segments

Customer Segments

Avanceon provides a wide range of automation solutions with an extensive track record of execution in diverse application environments combined with an understanding of technology trends and industry standards. Over 15 customer segments are served including: Oil and Gas, Infrastructure and Transportation, Fast Moving Goods, Power and Construction Material.

Leveraging on a Unique Business Model & Resources

Business Model

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

Automation & Process Control – 360 degree turnkey service and maintenance provider across various technologies & platforms including: Instrumentation & Control, Plant Information Management Systems, Energy Optimization Solutions

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

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

Unique Resources

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

Innovation Resources – Avanceon has two main points of innovation resources including High End Solutions, which focuses on Manufacturing Execution Systems, Plant Information Management Systems, and Advanced process Control, as well as Energy Management Solutions, which are all proprietary and has started appealing to existing customers in the energy and the industry sector. Reputational Resources – Beyond customers' trust in Avanceon, the stock exchange has welcomed Avanceon as the sole automation company in Pakistan. Brand recognition is particularly strong within the customers of automation and process control solution both in the Middle East and Southern Asia. Quality of service [QOS] is the major added advantage of the company.

Technological Partnerships & Know-How – Avanceon's tangible resources comes from partnering OEMs: Rockwell Automation, Schneider Electric and General Electric in the automation sphere as well as Microsoft and Prosoft. Partnerships pending for 2015 include Siemens and Emerson. Partnerships also allows Avanceon to remain technology agnostic, which for the end-user remains an important part of the company's value proposition. International Presence – Avanceon has increasingly grown its regional presence as well as portfolio over the years. In the United States, its reputation in the manufacturing industry has been clearly made. Same applies for the Middle East. International reputation also stems from international standards recognition for corporate and technological integrity.

Core Competencies

Core competencies revolves 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:

- ✓ Instrumentation & Control [I&C]
- ✓ Process Automation
- ✓ Manufacturing Execution Processes,
- ✓ Plant Information Management Systems
- ✓ Energy Optimization Solutions

Instrumentation & Control [I&C]

- Process Automation [PA]
- System Integration [SI]
- Programmable Logic Controllers [PLC]
- SCADA Systems

Industrial Process Automation

- Distributed Control Systems [DCS]
- Process Shutdown Systems [PSS]
- Tunnel Ventilation Systems [TVS]
- Fire & Gas Systems [F&G]
- Emergency Shutdown Systems [ESD] TUV, SIL2 & SIL3 Compliant

Manufacturing Processing Automation

- Serialization
- Manufacturing Execution Systems [MES]
- Modular Automation
- Batch Engineering
- Data Acquisition Systems [DAS]

Energy Management

- iBoiler
- iWater
- iAir
- iDC
- Energy Dashboard

Performance Management

- Plant Information Management Systems [PIMS]
- Advanced Applications
- High End Solutions [HES]

After Market Solutions

- Service Level Agreement [SLA]
- Work Order & Performance
- Energy Service & Crisis Management
- Remote Diagnostic & Maintenance

Core Services

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

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

In order to successfully deliver a compelling value proposition, AVN 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. AVN provides the following services:

- ✓ Batch Engineering Assist clients in application of the S88.01 standards which provide a template for meeting the standard of "best practices" based on their internal processes.
- ✓ Distributed Control System Provide turnkey instrumentation and controls solutions for a manufacturing or process facility using Distributed Control Systems [DCS] or Programmable Logic Controller [PLC] systems with field integration on multiple protocols

System Integration – The Company offers a full service, platform independent systems integration offering and has extensive experience of designing, developing and executing both process & manufacturing controls and automation solutions, including enterprise level integration. Its solutions are designed to meet the specific manufacturing requirements of clients using a choice of "Best in Class" technology platforms such as Allen Bradley PLC, Honeywell DCS, Invensys Archestra, Schneider and Microsoft technologies.

Specialized Solutions

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

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

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

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

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

Plant Information Management System – Avanceon offers scalable and extensible software information management to 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 and 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; providing saving opportunities in steam, pneumatics, fluid movement, chilling and heating to reduce losses in production and carbon emission. The Company has developed proprietary EMS suites such as:

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

After Market Solutions

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

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

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

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

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

Strategic Partnerships

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

Rockwell Automation [NYSE: ROK]

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

In Pakistan, flagship projects for the successful partners in 2014 include: Elengy's process control and emergency shutdown [EDS] project on device level ring network towards mooring, loading and off-loading liquefied natural gas [LNG] as well as Best Cement's Process Control & optimization solutions based on Rockwell Automation's Model Predictive Control [MPC] solution. This positions both Rockwell & Avanceon strongly in the most neuralgic segments of Pakistan namely Oil & Gas and Construction Materials. Over 20 years, the relationship gradually brought them to become the favorite automation solution in all segments: chemicals & petrochemicals, FMCG, oil & gas as well as power generation. Above 70% of revenue generation comes from well-established blue chip international as well as key local players.

In the Middle East, the partnership really started in 2007 and until 2014, the relationship led the company to provide 60% of their services based on the OEM's technology, partly because of support but also because of the nature of the market [projects available]. For instance, whereas Rockwell Automation is particularly strong in Oil & Gas related solutions, its solutions are not leading in the field of Building Management Systems and Water & Waste Water. Flagship projects in the region include: Dubai Metro's tunnel ventilation systems and emergency shutdown system as well as Empower's district cooling control and command center, the largest worldwide, which covers Dubai International Financial Center, Executive Bay, Jumeirah Beach Residences, Dubai Healthcare City as part of the Smart City Initiative of the city of Dubai.

Schneider Electric [EPA: SU]

Schneider Electric [EPA: SU] in the Middle East has been a long unofficial partner, which they cemented back in 2014 when Avanceon became an official SI Alliance Partner. Major projects include Qatari Diar Vinci Construction's [QDVC] Lusail City tunnel ventilation [TVS] and emergency shutdown system [EDS] in Qatar or Prince Sultan Military Medical City islanding and load shedding in Saudi Arabia. Schneider Electric's full support towards system integrators, in general, is relatively recent as the OEM has a small capacity internally to provide similar services. The OEM's strength in the region is in the field of Building Management Systems [BMS] and water/wastewater. They are also at the forefront of the Smart City trend, which has been ruling the region infrastructure development since its announcement in 2013.

Schneider Wonderware [previously Invensys]

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

General Electric [NYSE: GE]

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

Siemens [EXTRA: SIE]

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

Customer Portfolio

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

Sector	Overview
Oil & Gas	Abu Dhabi National Oil Company, UAE British Petroleum, UAE United Energy Pakistan Limited, Pakistan Foster Wheeler, USA Hyundai, Pakistan Kuwait National Petroleum Company, Kuwait Oil & Gas Development Company , Pakistan Pakistan Refinery Limited, Pakistan Pakistan Oil Fields Limited, Pakistan Pak Arab Refinery Limited, Pakistan Pakistan Petroleum Limited, Pakistan Qatar Petroleum, Qatar Saudi Aramco, KSA Schlumberger, Pakistan & UAE Takreer, UAE
Utilities & Industries	Lalpir Power, Pakistan Babcock & Wilcox, USA EMICOOL, UAE EMPOWER, UAE Kot Addu Power Company Limited, Pakistan Liberty Power Tech, Pakistan PAL Technologies, UAE Palm Utilities, UAE Dubai Metro, UAE State of Qatar, Qatar QDVC, Qatar
FMCG	British American Tobacco, USA Coca Cola, USA & UAE Engro Foods, Pakistan General Mills, USA Kraft Foods, USA Kellogg's, USA Nabisco Brands, USA Nestle, USA, Netherland & Pakistan Proctor & Gamble, USA & Pakistan Sara Lee, USA
Chemicals	Ciba, USA Clorox, USA DuPont, UAE & USA Engro Fertilizer Limited, Pakistan Engro Polymer and Chemicals Limited, Pakistan Exxon Mobil, USA Gatron, USA Lotte, USA Saudi Basic Industries Company, Kingdom of Saudi Arabia Sherwin Williams, USA
Pharmaceuticals	Akzo Nobel, Pakistan Astra Zeneca, USA Bayer Pharma, USA & Pakistan Boehringer Ingelheim, USA Johnson & Johnson, USA Merck, USA Pfizer, USA

CORPORATE GOVERNANCE

Statement of Compliance

Statement of Compliance with the Code of Corporate Governance 2014

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation 35 of the Listing Regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2014 the Board included the following members:

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

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable)
3. All the resident Directors of the Companies are registered as Taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it through the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non- executive directors, have been taken by the board/ shareholders.
8. All meetings of the Board were presided over by the chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year.
10. The Board has approved appointment of the CFO, Company Secretary and internal auditor (Outsourced) including their remuneration and terms and conditions of employment/ appointment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly enclosed by the CEO and CFO before approval of the board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee comprising 3 members, of whom 2 are independent directors and 1 is Non- Executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for Compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of 3 members of whom 2 are non-executive and 1 is independent director and the chairman of the committee is an independent director.
18. The Board has outsourced the internal audit function to Zulfiqar Ahmad and Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed period" prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material /price sensitive information has been disseminated among all market participants at once through the stock exchange(s).
23. The Board has outsourced the internal audit function to Zulfiqar Ahmad and Co., Chartered Accountants who report directly to the Audit Committee. However, the Company does not have a Head of Internal Audit as required by clause xii of the Code of Corporate Governance.
24. We confirm that all other material principles enshrined in the CCG have been complied with except for the above paragraph toward which reasonable progress is being made by the company to seek compliance.

Mr. Bakhtiar Hameed Wain
Chief Executive Officer

Board of Directors' Profiles

Board of Directors Structure & Corporate Governance

Composition of board and directors' independence

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

Chairman of the Board

Khalid H. Wain, Chairman – Khalid brings over 38 years of international sound expertise in electrical engineering, cost engineering, project management and business strategy to the Avanceon board of directors. Khalid is the founder of H&G Control, which he owns and operates in Canada. H&G Control designs and manufactures customized electrical control panels. He is also the co-founding partner and director of Innovative Pvt. Ltd in Pakistan. Khalid graduated in electrical engineering from University of Engineering, Lahore, in 1976. His entrepreneurial acumen led him to drive business in South Asia, the Middle East, the United States and now Canada. Khalid Wain was selected as Chairman of the board for his international business knowledge and extensive experience of companies in the technological sphere.

Directors' Profile

Bakhtiar H. Wain, Founder and Chief Executive Officer – brings over 28 years of exemplary leadership. An engineer with experience within leading global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd. He founded Avanceon in 1984 and holds the position of Chief Executive Officer today. His entrepreneurial drive found its roots in his faith towards the educated and technically qualified human resources of Pakistan. At the onset, he wanted to build a company that could capitalize and promote this conviction globally, which he has implemented successfully ever since. Appointed CEO by the Board of Directors, he has spearheaded Avanceon towards market leadership in Pakistan and beyond.

Tanveer Karamat, Chief Operating Officer – brings a wealth of international business experience to Avanceon. 20 out of 28 years were spent in selling automation solutions to the oil and gas sector. After receiving a Bachelor's degree in Chemical Engineering from the University of Pakistan he embarked on his career as an Application Engineer at Zelin PVT Ltd in 1986. Developing his sales, management and business skills at key industry companies such as Wartsila NSD as well as Honeywell where he held the position of Country Head, Tanveer joined Avanceon in 2003 as Regional Manager. He transformed the South Region revenues in less than three years with wise strategic counsel, capitalizing on a dormant customer base and an internal reshuffle. He was promoted to GM Operations in 2006 before becoming COO in 2011. Over the past decade, Tanveer's leadership has been a major contribution towards building company value. He was included as member of the Board of Directors to help the board make informed decisions.

Amir W. Wain, Director – brings over 25 years of international expertise within the information technology and payments industries. Amir is founder and CEO of i2c, a global provider of payment processing and emerging commerce solutions, where he is responsible for defining the company's vision and strategic direction. After graduating from the University of Texas with a Computer Science and Engineering degree, Amir founded Innovative Private Limited in 1987. Propelled by the success of Innovative, he founded i2c in 2001 to bring next-generation processing solutions to the payments industry. Under Amir's guidance, i2c has expanded dramatically and brought a number of industry firsts to market, including card-linked offers, event-driven account holder communications and gift card voice personalization. Today, as market opportunities for payments & emerging commerce expand at a dramatic rate, Amir is leading i2c's continued push to innovate the enabling infrastructure and solutions that transform commerce. He was appointed to the Avanceon Board of Directors to advise on innovation and business strategy.

Tajammal Hussain, Director – brings 25 years international accounting and finance acumen to the Avanceon board of directors. Practicing as a Chartered Accountant with Fakharuddin Yousafali & Co since 1989, Tajammal oversees and maintains high quality outsourcing, financial and accounting services to a wide variety of global and local commercial enterprises. Tajammal Hussain comes with a broad spectrum of expertise and, besides Avanceon, he also sits on the boards of Xavor Pakistan and Kashf Foundation. He also holds an MPhil from the University of Cambridge and BSc from the London School of Economics &Political Science both in Economics and qualified as a Chartered Accountant in 1988 from the UK. Tajammal was selected as director because of his integrity and the values that he shares with the company. He advises on risk management and financial strategy, which are amongst the strengths he brings to the Avanceon Board.

Naveed Ali Baig, Director – brings over 28 years international business acumen to the Avanceon board of directors. 11 years of achievements as Chief Operating officer, Naveed was appointed Chief Executive Officer at Innovative Pvt in 2011, where he spearheads the success of his company through sound employee-centric management. Prior to joining Innovative, he worked for multi-nationals such as Gallup International and Ferguson Associates, affiliate of PriceWaterhouseCoopers. He did his post-graduate studies in Systems Analysis and Design from IBA. Naveed was selected as director because of his constructive and inspiring leadership, which are amongst the strengths he shares with the Avanceon Board.

Umar Ahsan Khan, Director – brings over 24 years of strategic accounting, finance and business management experience to the Avanceon Board of Directors. He currently holds the position of Chief Financial Officer of the Dawlance Group, which is the leading home appliances company in Pakistan. Umar oversees and supports all aspects of the group, which has a direct impact on its financial performance. Umar has been the key catalyst as advisor for business process reengineering and group restructuring over the past 4 years. Prior to joining Dawlance, he has worked his way up from trainee to corporate finance manager at ICI Pakistan Limited, which was then a part of the Fortune 500 Company, Akzo Nobel. He holds a BSc and an MSc in Accounting and Finance from the London School of Economics & Political Science. Umar was appointed as a director because of his strategic and hands-on perspective of business and financial management, which are amongst the strengths he brings to the Avanceon Board.

Review Report to the Members

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Avanceon Limited (the Company) for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors and upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2014.

Without qualifying our conclusion, we would like to draw attention to the Clause 23 and 24 of Statement of Compliance with the best practices of Corporate Governance which state that currently there is no Head of Internal Audit as required by the clause xii of the Code of Corporate Governance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

6th March 2015,
Lahore

Code of Corporate Governance

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

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

Role of the Board of Directors

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

Statement of Directors' Responsibilities

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

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

b) Proper books of accounts have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of the Corporate Governance, as detailed in the listing regulations.

Respective Role of the Chairman & the CEO

Role of the Chairman of the Board

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of Avanceon. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer. The Chairman acts as the communicator for Board decisions where appropriate. By separating the role of Chairman from CEO it points to an independency and more objective judgment focusing primarily on shareholder value.

Duties and responsibilities of the Chairman include: linking management and board, ensuring the Directors have sufficient information to form appropriate judgments, setting the agendas for meetings of the Board and shareholder, acting as Chair at meetings of the Board and shareholder, recommending an annual schedule of the date, time and location of Board and Committee meetings, reviewing and signing Board meeting minutes, to ensure that regularly, upon completion of the ordinary business of a meeting of the Board, the Directors hold discussions without management present.

Role of the CEO

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

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

The Board comprises of two executive and five non-executive directors including three independent directors. All the directors keenly take interest in the proper stewardship of the Company's affairs. The non-executive directors are independent of management of the Company, the existing directors tenure will complete the three year period on April 22, 2017. The Board has constituted the following committees:

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

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

CEO Performance Review by the Board

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

Role of the Board Committees

Responsibility to Stakeholders

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

- ✓ Our Shareholders: To protect shareholders' investments and provide an acceptable return to them.
- ✓ Our Customers: To win and maintain customers by developing and providing products and services, which offer value in terms of price, quality, safety and environmental impact supported by requisite technological expertise.
- ✓ Our People: To respect the human and legal rights of its employees with good and safe conditions of work and competitive terms of service.
- ✓ Our Business Partners: To seek mutually beneficial relationships with contractors and suppliers of goods and services to the Company.
- ✓ Our Society: To conduct business as a responsible member of society, to observe laws, express support for basic human rights and give proper regard to health, safety and environment not only at our various campuses but also beyond, extending it to society at large

Composition of the Audit Committee

The composition of the Committee is as follows:

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

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

Sr. No.	Member Name	Attnd.
1.	Mr. Tajammal Hussain, FCA, Chairman/Member	4
2.	Mr. Amir Waheed Wain, Member	4
3.	Mr. Naveed Ali Baig, Member	4

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

Role of the Audit Committee

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

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

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

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

The Human Resource & Remuneration Committee

The composition of the Committee is as follows:

1. Mr. Umar Ahsan Khan Chairman/Member, Independent Director
2. Mr. Bakhtiar H Wain, Member , Executive Director
3. Mr. Khalid H. Wain, Member, Non-executive

Sr. No.	Member Name	Attended
1.	Mr. Umar Ahsan Khan, Chairman/Member	2
2.	Mr. Bakhtiar H Wain, Member	2
3.	Mr. Khalid H. Wain, Member	2

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

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

Management Committee

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

Governance and Evaluation Committee

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

Board of Directors' Remuneration

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

Management initiatives on corporate governance

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

Ethics

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

The ethics program includes:

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

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

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

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

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

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

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

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

Business Governing Principles and Values

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

Integrity

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

Code of Conduct

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

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

Sustainability

Corporate Social Responsibility

Corporate social responsibility by giving back to the people that work with and the communities where we operate, and creating meaningful societal values and traits.

Avanceon, as a socially responsible organization has persistently worked towards increasing our emphasis on giving back to the community where we operate. This year, the company enrolled all the children of its support staff to their education program where we intend to finance their complete education expenses (including school fees, books, uniforms, home tutors and transportation) from primary school up to University level, and not only that, but also work towards finding them a suitable job. The Avanceoners pledged to donate very material amount which was doubled by the same contribution amount by the company for Army relief funds for the IDP's, to make a difference and volunteering support for the under privileged individuals in effort to better their lives.

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

Environmental Protection

As a service-providing company, our activities do not directly harm the environment, but the Company appreciates and takes part in several "green" initiatives. The Company believes in paperless working processes to preserve nature. AVN also started a campaign across all offices to generate environmental awareness amongst employees and their family members.

Occupational Safety and Health

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

The Company has established a safety department led by an experienced member of staff, equipped with sophisticated firefighting and safety equipment at all locations. Similarly, we have established facilities of Nestle water and dispensaries and ambulances at all locations. The Company also arranges fumigation on regular basis for insecticide in order to prevent dengue and other diseases, the company provides a nutritionally sound lunch to employees without hierarchical discrimination, especially in Pakistan.

Equal Opportunity Employer

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

Contribution to National Exchequer

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

Corporate Policies

Disclosure of policy for actual and perceived conflicts of interest

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

Disclosure for IT governance policy

Information Security governing policy is covered in the Acceptable Use of IT Resources, The policy describes the acceptable use of IT resource for the Company. The purpose is to outline the usage of Avanceon IT resources by all its employees. This applies to the 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.

Whistle Blowing Policy

Whistle blowing policy is covered in Avanceon's Irregularity Report Policy. In case of a violation of the Company's Business Ethics Policy, an Irregularity Report must be filed promptly with the Internal Control Custodian. This report allows the Company to learn from any violation and take appropriate measures to prevent its recurrence. Definition Irregularities are conditions or events which raise the question whether there has been a deviation from the Policy on Business Ethics or the occurrence of fraud, unauthorized use or misappropriation of company assets, use of position or information received in trust in performance of duties by an employee for personal gain in conflict with the company's interest.

Purpose of Reporting Irregularity reports is designed to provide:

- ✓ Information for the Senior Management's review of irregularities.
- ✓ Early information to Auditors and Security so that an assessment can be made as to whether or not additional investigative assistance should be provided.
- ✓ Particulars of how irregularities occurred so that internal controls, security or auditing procedures can be improved or expanded to discourage recurrence.
- ✓ Eye opener for other departments to guard against similar occurrences.

Human Resource Management Policies including preparation of succession plan

Human Resource Management

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

Succession Planning Policies

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

Social & Environmental Policy

Social & environmental policy is covered in Avanceon's Quality, Health, Security and Environment [QHSE] policy. Avanceon's unremitting growth and development is reliant on the very highest standards and best practices translated across all of our business. QHSE have utmost importance in every activity Avanceon performs. This commitment allows us to exceed international and national standards. Avanceon has a comprehensive set of procedures that ensures our solutions observe international standards.

Policy and Procedure for Stakeholder Engagement

Stakeholder engagement policies and procedures map out all aspects of outreach with the broader 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 Stakeholders Engagement through five key commitments: Ethics, Ownership, Customer Delight, Continuous Improvement and Community care, which need to be translated across all its communications

Investor Grievances Policy

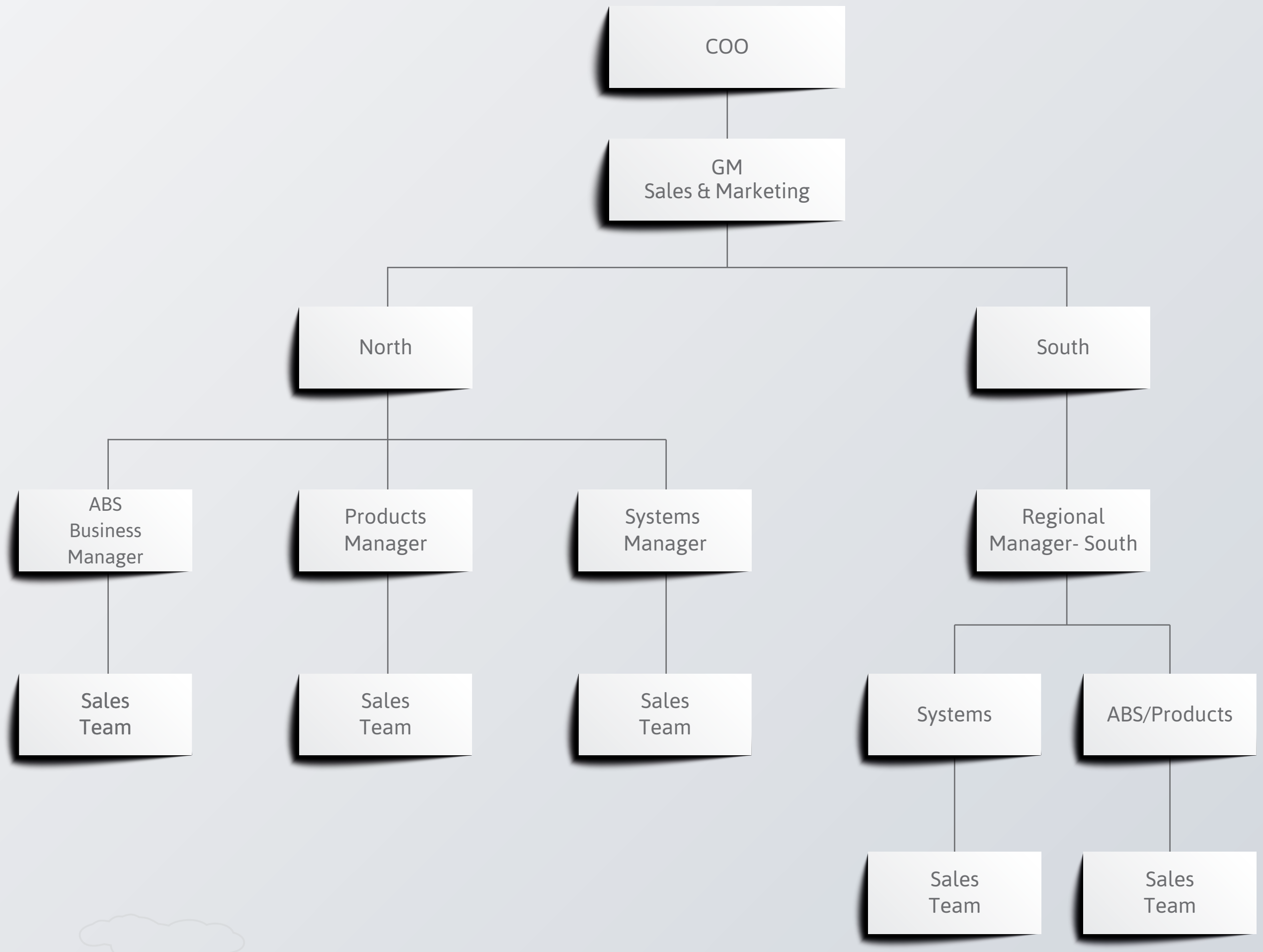
Investor grievances are covered in the Securities & Exchange Commission of Pakistan rules as at May 11, 2001. These statutory rules have been published by the Government .The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements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

Safety of Record

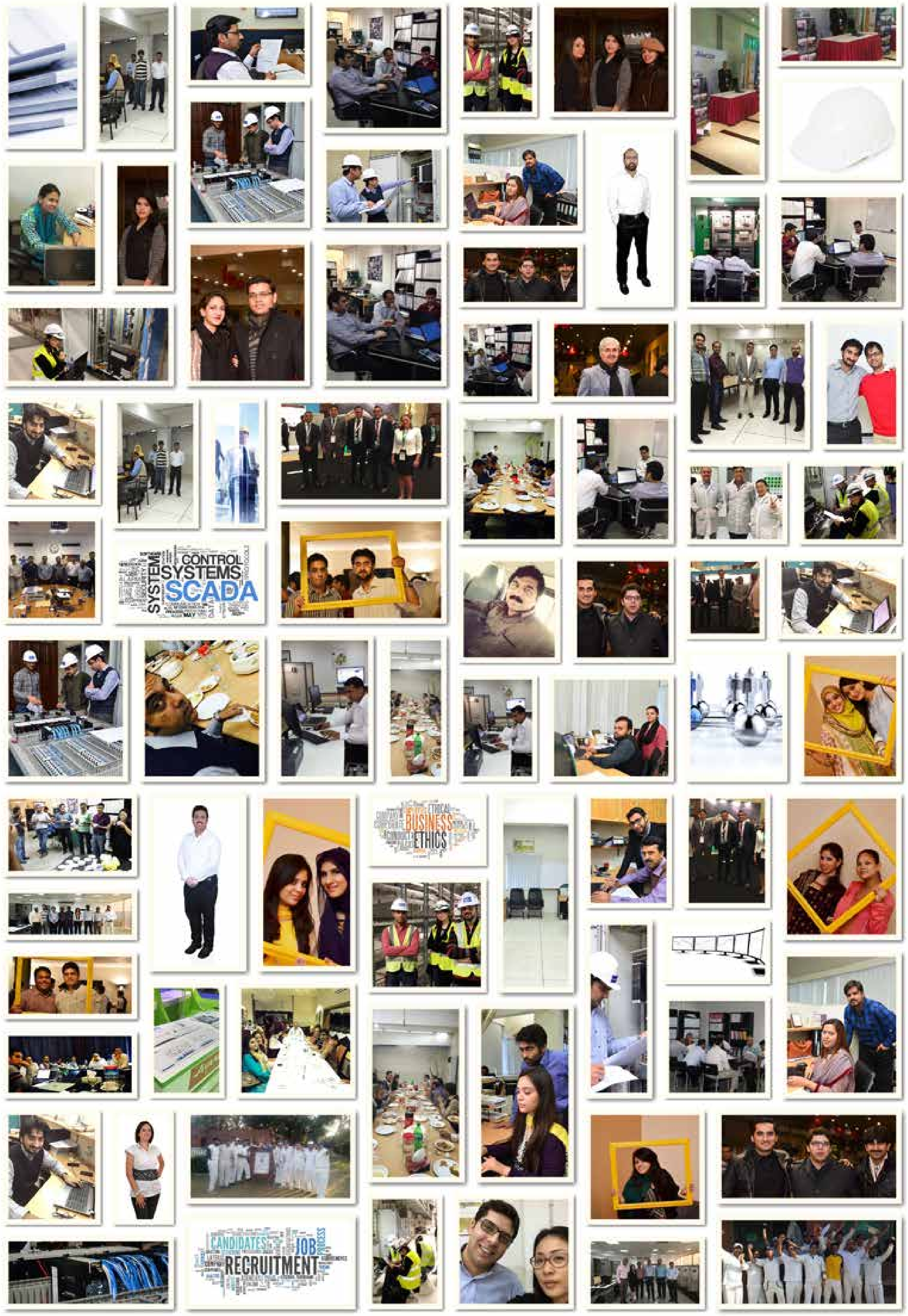
Safety of Record is ensured by the Information Security Governing Policy, which provides a framework for Information privacy, accessibility and integrity to the operation and management of Avanceon, which are of great importance. Failure in any of these areas can result in disruption to the services,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

Engineering & Support Hierarchy

Core Services & Sales Hierarchy



Seamless delivery through Sound Leadership



MANAGEMENT REVIEW AND REPRESENTATION

Directors' Report

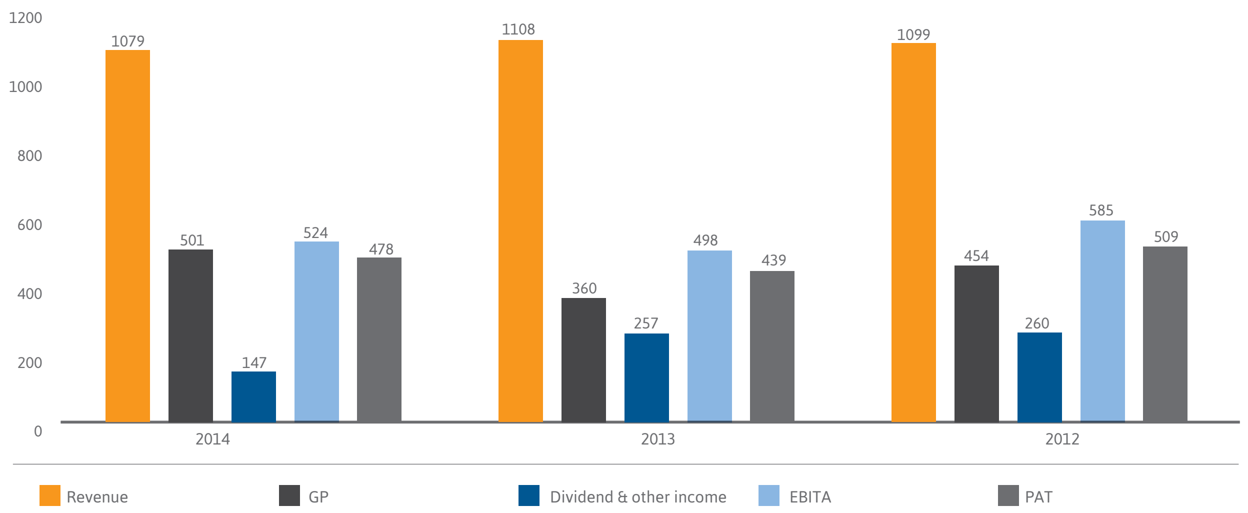
The directors of the company take pleasure in presenting their report together with the Company's audited annual financial statements for the year ended December 31, 2014. The Director's report, prepared under section 236 of the Companies Ordinance, 1984 will be put forward to the members at the 12th Annual General Meeting of the Company to be held on April 15, 2015 at 3pm, Avari, 87 The Mall, Lahore.

The Report

The performance of the Company remained satisfactory in term of order generation, revenue recognition, control over fixed cost, reduction of financial cost, net profits, excellent management of liquidity, timely repayments of loans & commitments, excellent performance of all business segment except energy management services, successful start of joint venture with ATCO in Kingdom of Saudi Arabia (KSA).

Operating results (standalone)	2014	2013
	— (Rupees in ,000)	—
Revenue	1,079,109	1,108,846
Profit before tax	494,052	463,467
Provision for taxation	(16,068)	(24,949)
Profit after taxation	477,984	438,518

Profit & Loss Statements (Standalone) for the period 31 - December 2014

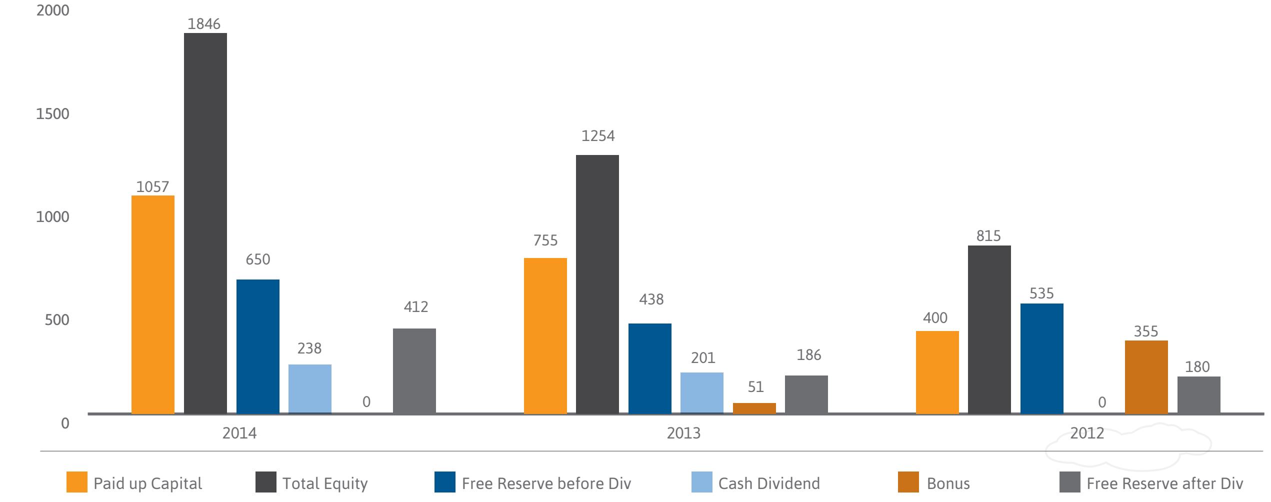


Subsequent Appropriations

The directors have recommended a cash dividend of Rs. 238 million (2013: Rs. 201millions) per share along with a Nil bonus issue (2013: 5%). The following appropriations have been made:

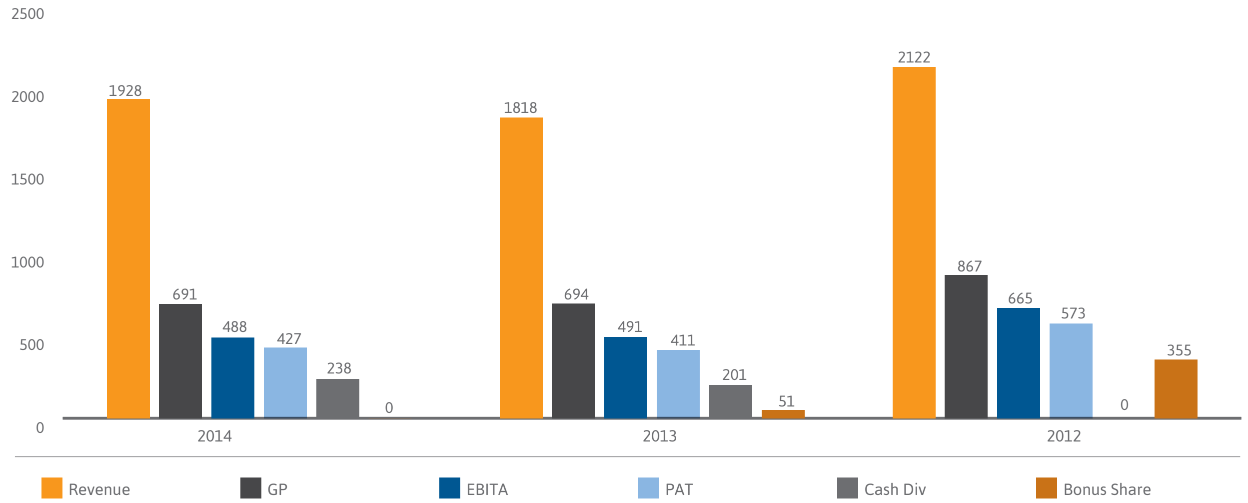
	2014	2013
	— (Rupees in ,000)	—
Reserve available for Appropriation (at standalone accounts)	575,023	391,181
Appropriation:		
Proposed dividend @ 22.5% (2013: 20)	(237,817)	(201,332)
Reserve for issuance of Bonus Share @ Nil (2013; 5%)	Nil	(50,333)
Unappropriated profits carried forward	337,206	139,517

Capital, total equity, free reserve and dividends (AVN Standalone)



Operating results (consolidated)	2014	2013
	— (Rupees in ,000)	—
Revenue	1,928,035	1,818,366
Profit before tax	443,279	436,242
Provision for taxation	(16,068)	(24,949)
Profit after taxation	427,211	411,293

Group Profit & Loss Statements for the period 31- December 2014



Earnings per Share (EPS)

Earnings per share of the Company remained steady over the last five years except this year which is indicative of persistent performance and profitability of the Company in all regions and shows proficiency of the management in meeting the expectations of the shareholders.

Standalone

The basic earnings per share after tax is Rs. 4.57(2013: Rs.5.53 restated)

Consolidated

The basic earnings per share after tax is Rs. 4.09(2013: Rs.5.19 restated)

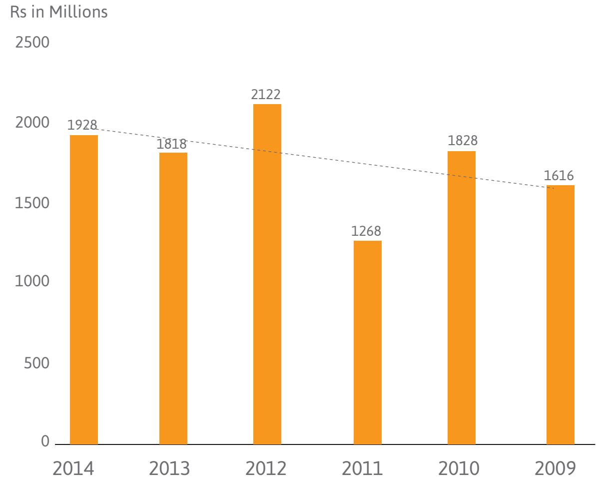
Financial Performance

Revenue

The Company's revenues are increasing in a positive trend and generating satisfactory and persistent net profits as compared to previous financial years mainly due to increase in revenue, control over fixed and financials cost. We observed a 6% increase in group revenues as compared to the previous year, a positive increase but not as per targets due to underperformance of the Energy Management Services (EMS) business segment, all other business segments like Core Automation, After Market Support (AMS) and specialized solution/systems performed extremely well in all regions. We are expecting Rs. 2.5 billion revenue in the financial year 2015.

REVENUE

Rs in Millions

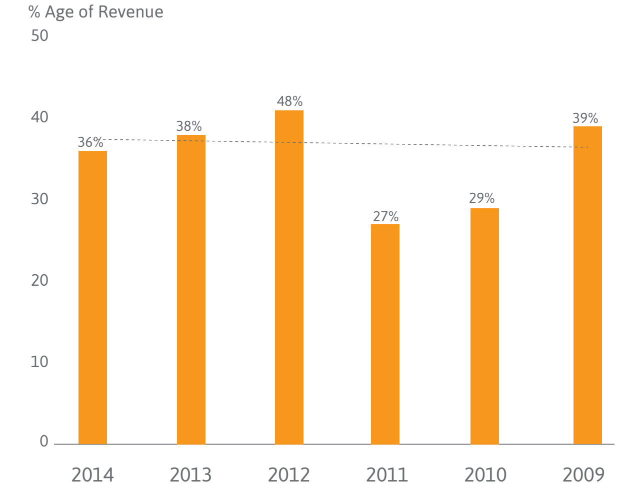


Gross Profits

We observed a 2% decrease in gross margins compared to the previous year because of low margin on on of the big value Project in UAE due to competition which contributed a material amount in revenues as compared to the last financial year; the management is very confident to restore margins at the previous year level in upcoming financial years.

GROSS PROFIT

% Age of Revenue

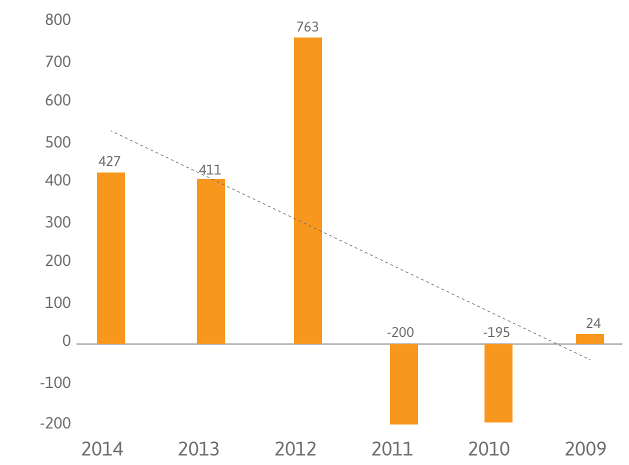


Profit after taxation

We observed a 4% increase in net profits as compared to the previous year which is low mainly due to low margins on of the big value Project in UAE which contributed a material amount in revenues as compared to the last financial year; the management is very confident to restore margins at previous level in current financial year.

PROFIT AFTER TAX

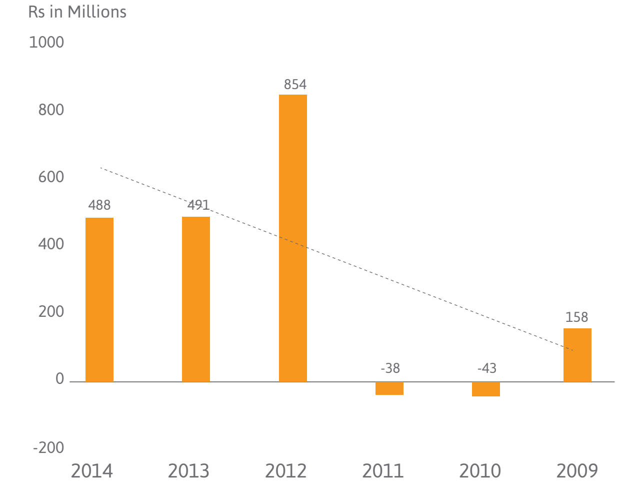
Rs in Millions



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

EBITDA

Rs in Millions

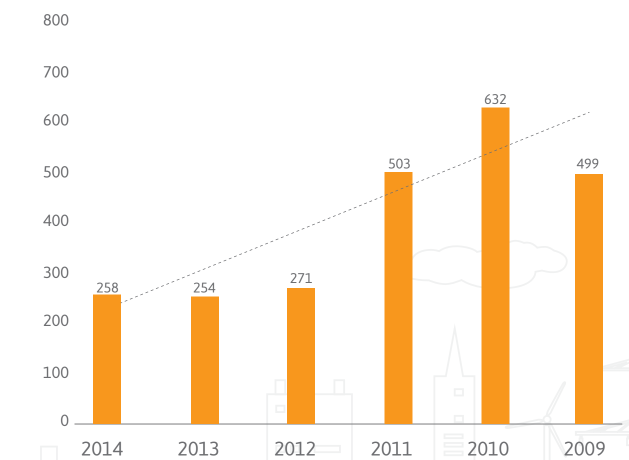


After paying all short and long term loans we observed excellent EBITDA from 2009 to 2014, as per current corporate plan we can expect same financial cost in FY 2015

Fixed Cost

FIXED COST

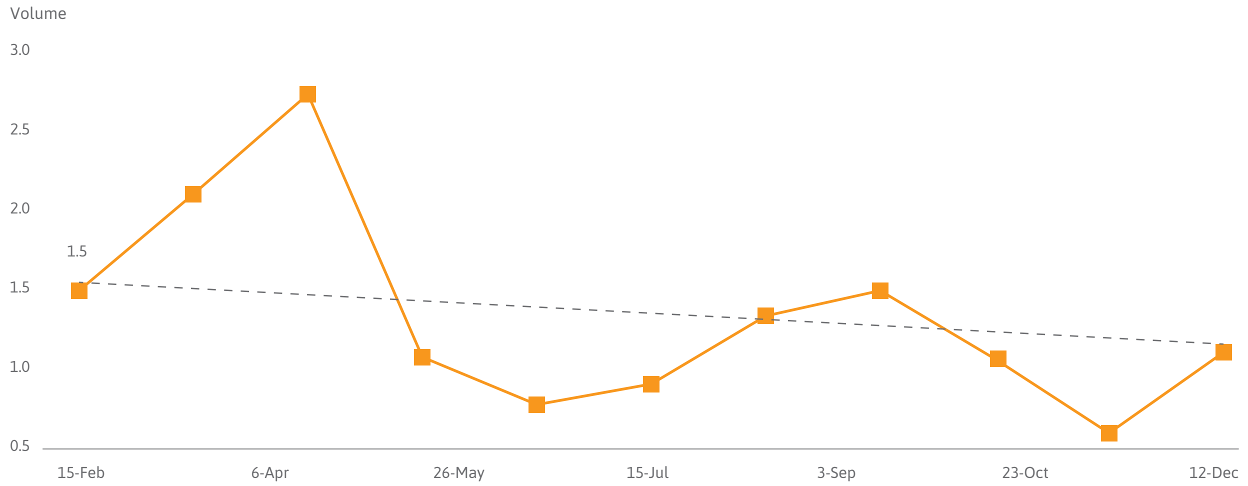
Rs in Millions



Initial Public Offering (IPO)

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

Average Volume Traded Per Day (in millions)



Employee Share Option Scheme (ESOS)

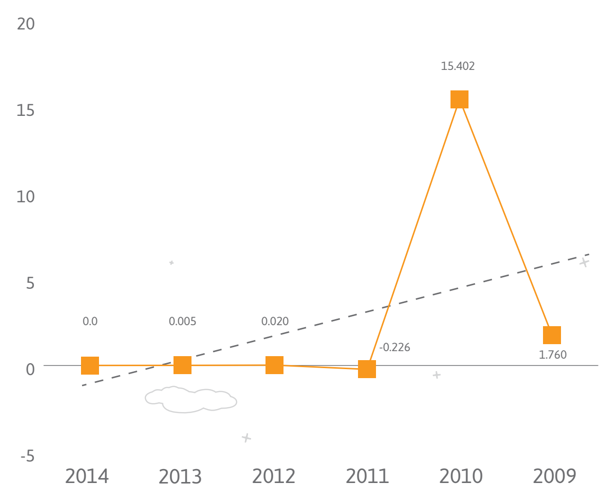
The Company successfully offered 5 million share options to key management personnel and highly technological trained engineers in FY 2013 & FY 2014 under Avanceon Employee Share Options Scheme Issue-1 of the Company at minimum of Rs. 1 per option which was 90% discount to the face value, to make them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

After successful offering of 1st Issue, the Board of Directors approved and proposed the 2nd Issue of additional 5 million options under "Avanceon Employee Share Option Scheme 2nd Issuance" which will be offered at the exercise price of Rs. 16.80 to Rs. 34.84 from FY 2015 to FY 2019 with minimum of five year exercise period from the year of offer, after the successful offering and achieving the objective of Avanceon ESOS 1st Issue, the company is fully confident to achieve the objectives of 2nd Issue, including retention of key management and highly trained engineering staff. Sharing the success and wealth as direct stakeholders along with ordinary shareholders, both schemes will play a important role in maximizing overall shareholder wealth.

Capital Structure

The Company is a very low geared business entity and maintains a balance capital structure which is evidence of its financial strength and excellent liquidity management. Currently, the Company capital structure consists of 100% shareholder equity. The Company successfully paid off all of its long terms loans except capital lease, the gearing ratio has improved materially over the previous two financial years. The Company have maintaining enough banking facilities including short term, long term and project financing in Pakistan and United Arab Emirates to meet any long term loan needs.

Gearing Ratio



Working Capital Management

Based on current and quick ratios for the last five years shows the solid liquidity improvement and impressive short term financial working capital position of the Company funded by operating activities. The company is managing all of its working capital needs by negotiating best credit terms with customers by making every order cash positive. The company effectively managed its working capital requirement by excellent and very strict financial discipline, the Company paid all of its short term loans to avoid financial cost by generating positive cashi inflow, the Company maintaining enough banking facilities including short term and project financing in Pakistan and United Arab Emirates to meet any working capital/cash loan needs.

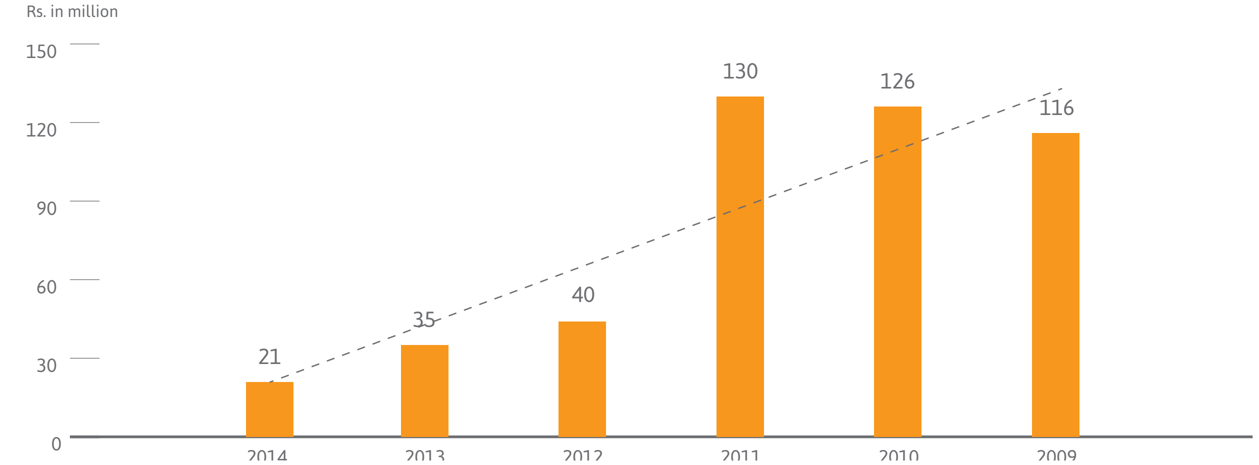
Strategy to Overcome Liquidity Issues

The constant stream of revenue has produced enough cash and strengthened the liquidity of the Company to easily finance its working capital requirements, helping to curtail the finance cost at very materially (from 2009 to 2014) the previous year's level in significant amounts.

Future Prospects

A vision of the future is an important ingredient in the formation of our board and management strategy and plans. The Company is very hopeful that the next year will bring full global economic recovery especially in Middle East, KSA, Qatar, Oman, USA and in particularly the political and economic stability in Pakistan.

Finance Cost



Service to Society

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

Health, Safety and Environment

At AVN 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 the safety standards and legal requirements.

Corporate Strategy

Our strategy setting and reviews are conducted annually by a designated Business Strategy Committee that drives and channels the process.

The Committee, comprising of our executive team, conducts an extensive 'SWOT analysis' regarding the business, by assessing internal and external issues and dependencies, counter measures, new opportunities and strengths. Using Balanced Scorecard approach, the

Committee agrees on a strategic direction and objectives under the four defined perspectives:

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

At the core of strategy review and development process is alignment with our mission, vision and values. The process of translating the vision helps the leadership team build a consensus around the organization's vision and strategy that helps to align operational terms that provide useful guides to action at the local and unit levels.

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

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

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

Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report, interim quarterly reports and through information portal of Karachi Stock Exchange and Lahore Stock Exchange as and when required. The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability and participation that's why we are arranging our AGM in Karachi instead of Lahore. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholder enquiries.

Annual Evaluation of the Board's Performance

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

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

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 Karachi and Lahore Stock Exchanges.

Auditors

The present auditors of the Company M/s Ernst & Young Ford Rhodes Sidat Hyder & Company Chartered Accountants have completed the annual audit for the year ending 31 December 2014 and have issued an unqualified audit report. The auditors will retire on the conclusion of the Annual General Meeting of the Company, and being eligible have offered themselves for reappointment for the year ending 31 December 2015.

Critical Performance Indicators

Objectives	CPIs	Analysis for the current year	Relevance for the future
Increase in revenue of the Company	25% net consolidated Increase in revenues of the company with minimum of 25% gross margins on each order	We achieved 6% net consolidated increased in revenues of the Company which are not satisfactory as per company plan due to under performance of EMS business segment, rest of the business segments performed very well, and more and less achieved their targets	This CPI shall remain relevant in the future
Perseverance of gross and net profit margins	Perseverance of 38% & 20% gross profit margins and net profit margins respectively with minimum of 10% net growth in net profit and return on capital employed	The Company successfully persevered the net profit margins but observed 4% growth in net profit on the company which is low as per targets due to underperformance of on the business segment list above.	This CPI shall remain relevant in the future
Control over fixed cost of the company	Freezing the fixed cost at FY 2013 level	8% net decreased in fixed cost of the company due to efficient control over fixed cost	This CPI shall not remain relevant in the future because 10% increase is expected in Fixed cost has been projected in FY 2015 due to plan fixed cost related to marketing and some other initiatives which will helpful to increase the revenue and net profits of the Company
Leading the market by outshining the competitors and introducing new improved quality of services by highly trained Engineers	Providing and delivering products & engineering services to customers with believe in no compromise on quality	Due to increased retention of highly trained engineers of different automation technologies have enabled us to increase the revenues in the current year by delivering high end quality services to the customers as per their requirements which also helped us in retaining major customers in competitive environment.	This CPI shall remain relevant in the future
Broaden the customer portfolio	Increase in revenues	Despite of financial depression in UAE & Pakistan market, our revenues has been increased in the current year as compared to the last year.	This CPI shall remain relevant in the future
Development and promotion of the Company image & presence in Middle East, Pakistan and rest of the world	Interaction and relationship with the all stakeholders like customers, venders etc.	We observed excellent retention of experience and highly trained staff and good reputation of the Company among its customers and suppliers by fulfilling all its obligations and commitments towards customers, vendors, staff, government and regulators depicts good image of the Company	This CPI shall remain relevant in the future
Promotion of environmental and Corporate social responsibility	Awareness and continuous improvement in the approach of all level of management, support and engineering staff.	Throughout the year we have not been taken and became the part of any activity which is against for the protection of the environment and also we have developed alternate ways to save the energy. As a social responsibility, we have opted to provide a clean environment to the society by disposing old generators which were producing more smoke. We have taken 100% responsibility of our low income employees children's education like admission fee, books, uniforms, stationery, tuition fee, Van fee etc.	This CPI shall remain relevant in the future
Adoption of technologies trends to facilitate the overall efficiency and productivity of support and engineering staff	Availability of efficient ERP tools for timely and error free financial and non-financial reporting and effective decision making	We have fully trained and developed accounting, finance and supply chain systems and process which help us in error free accounting as per IAS, accurate reporting as per IFRS with timely availability of reporting and effective decision making and cost effectiveness in a larger context. Our IT department updates and follows the latest IT technologies and trends that help in increasing our efficiency of support and engineering staff.	This CPI shall remain relevant in the future
Highly trained certified staff on company SOPs	Certification of support and engineering staff on company SOPs of Accounting, Finance, Supply Chain and Projects Managements	Our all Supply Chain Management staff is 100% certification by obtaining full marks on company SOPS	This CPI shall remain relevant in the future

Business Continuity Plan

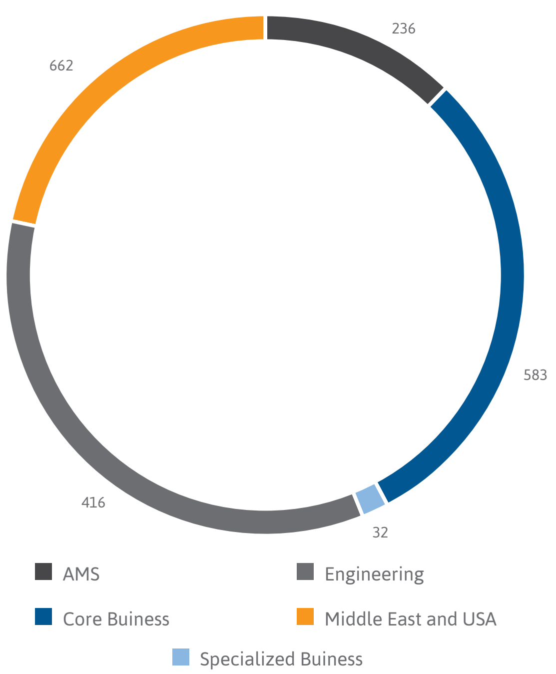
Operational continuity is of paramount importance for the short, medium and long term objectives, success and viability of any Company. Avanceon has developed business continuity plans which also provide a mechanism for disaster recovery in the respective areas. The Company has arranged the security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

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

Segmental Business Performance and Market Share Information

According to the Control Engineering Giant 2014, Avanceon's market share nears 2% and ranks amongst the top 15 system integrators worldwide. Current market leader owns 9% of the market. Revenues generated from Pakistan only is higher than the median revenue in USD of USD $9 million. The main objective of Avanceon resides in maintaining market leadership in Pakistan whilst increasing market share by developing untapped market and grow the portfolio of customer 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 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 3-folds the revenues of its closest competition.

Revenue



Corporate Governance Practices

The Board of Directors of Avanceon Limited is committed to the principles and do comply with requirements of Code of Corporate Governance included in the listing regulations of Karachi and Lahore Stock Exchanges.

The code of Corporate Governance has been disclosed and discussed in detail on Page No. 38

The statement of compliance is enclosed.

Management's Objectives and Strategies

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

Objectives for the previous year included not increasing fixed costs, growing revenue over the previous year, no reduction in margins and efficient management of liquidity & working capital needs wit.

Achieving these objectives has enabled the Company to remain profitable despite adverse local and international economic and political conditions especially in Pakistan.

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

In providing quality services as agreed and according to the needs of customers across the country, Middle East, KSA, Qatar and USA. AVN is able to build strong relationships with customers belonging to diversified business sectors in different regions. To achieve this objective, AVN are constantly making smart and timely investments on training and enhancing efficiencies and capabilities of local and internal engineering pools, encouraging and enabling the latest innovations and technologies.

Corporate Level Strategy

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

To increase shareholder value and confidence through qualitative management lies at the core of the corporate strategic goals. The Company will achieve this by upholding core values and by acting sensibly, responsibly, maintaining cost and quality management and looking for and to retain quality talented highly trained human resource.

Within the volatile business environment and opportunities, most specifically the nature of political imperatives in Pakistan, the Company is focusing on short-term & medium-term strategy ranging from one year to three year business objectives, aligned to longer-term objectives as set forth by the Company shareholders, and known as Highway 50.

Avanceon Business Level Strategy

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

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

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

Avanceon's market strategy

The market strategy calls to accelerate business development in Pakistan, UAE, KSA, Qatar and rest of the world by leveraging sales objective to ensure sustainable growth by capturing business within the Oil & Gas, Power as well as infrastructure for the Middle East, Sugar and Cement for South Asia, most specifically Pakistan. Avanceon's Information Technology strategy

IT strategy is strongly aligned with business goals and objectives, and is designed to continuously enhance company value and operational efficiency. We have plans to leverage more of our investments in enterprise resource planning systems and MS Share portal for business operational intelligence to support. This hasenabled us to calculate accurate and timely business decision making and corrective actions.

Avanceon's Human Resource strategy

HR Strategy is designed to contribute and implement for providing our people with good jobs and excellent attractive working environments that help to maximize their skills and realize the potential of both individual employees and teams for individual and collective goals and objectives. The HR strategy focuses on developing and introducing programs to supplement Company policies on quality and fair recruitment, training, performance evaluation, measurement and right arm length remuneration in a manner that build the confidence and strengthens the organization's skilled and non-skilled human capital. It also helps develops excellent friendly corporate culture, improves, comfortable and hygienic working environments and delivers on upholding our values. The Human Resource strategy focuses on enhanced required local and foreign training of our human capital with measurable outcomes, promoting an interactive friendly environment, improving succession readiness for future management and leadership, and development of culture of innovation and fair accountability where people are listened to and assessed with fairness and liberty without any undue influence.

Operational Level Strategy

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

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

We measure and readjust performance at the individual, departmental and entity and each wholly controlled subsidiary level which derived through regular feedback which enabling real time learning and right trainings. Our operational corporate strategy is centered on:

- ✓ Adherence and compliance of local laws and regulation
- ✓ True and fair presentation of financial transactions, accounting and reporting under prevailing accounting and financial reporting standards.
- ✓ Enhancing shareholders' confidence and value by generating reasonable and sustainable returns
- ✓ Conservative, sound risk profile management and monitoring
- ✓ Zero tolerance Ethical behavior, preserving the compliance and spirit of Company rules and regulations
- ✓ Sustainable Growing through business organic growth and geographical expansions,
- ✓ Functional & Operational agility
- ✓ Meeting international standards of quality for healthy working environment, safety and health
- ✓ Hiring, Retaining, training & developing and leveraging quality human resource capital

Human Resources

Being the premier and pioneer automation company in Pakistan and having excellent standing in Middle East, Qatar, KSA and USA, the Company provides direct and indirect employment to talented engineers and supporting staff. As on 31 December 2014, the total number of employees directly employed by the Company were 264 and more were engaged in different activities of the Company. Being a technological services provider, the management considers its experienced, talented and highly trained technical human resource the main force behind the Company's profitability and growth.

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

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

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

Forward-Looking Statement

Depending on our current financial strength and operational ability and excellent liquidity, we have maintained a positive growth trend in revenues, gross profits, controlled over fixed costs, decreased financial costs and increased net profits. All distributions of shareholders earnings via dividends and bonus shares as per expectation of the Company shareholders, the Company successfully maintained the leading position as best system integrator/automation Company of Pakistan along with excellent standing in the Middle East and American markets. Our equity and cash reserves also provide us great support to invest further in projects/joint ventures which will further enhance the prospects of future earnings for the Company.

Forward-Looking Statement of Financial Year 2013

Avanceon is expected to maintain its leading position as best Automation Company in Pakistan and excellent standing in the Middle East and American markets with positive increase trends in revenues, gross profits, controlled over fixed cost, decreased financial costs and increased net profits. AVN has excellent operational, liquidity management and 75% retention of experienced and highly trained staff.

Performance in Financial Year 2014

The Company has successfully maintained positive growth trend in revenues, Gross profits, control over fixed cost, and reduction in financial cost, net profits and distributions of earning amount shareholders via dividends and bonus and also maintained the leading position as best system integrator/automation Company of Pakistan along with excellent standing in Middle East and Americans markets, successfully achieved the retention of trained staff.

Forward-Looking Statement of Financial Year 2015

Avanceon is expecting to maintain its leading position as best system integrator and Automation Company of Pakistan with excellent standing in the Middle East and American markets. The Company can expect positive increases in revenue, gross profit, controlled fixed cost, the best management of financial & liquidity needs and net profits. The distribution of earnings will remain as per history of the Company and minimum of 75% retention of experience and highly trained staff.

Risk & Opportunity Report

Identification of strategic, commercial, operational and financial risks are assessed on a quarterly and yearly basis, which are addressed to avoid shifting and switching of cost due to fluctuation of foreign currencies, change in material prices as well as to monitor scope of work agreed with customers. With a clear understanding the following list is not through, here are the major risks and challenges faced by Avanceon along with steps and measures taken to overcome these risks.

Risks & Efforts Made to Mitigate the Adverse Impacts

MAJOR BUSINESS RISKS	EXTENUATING FACTORS / ACTIONS IN PLACE
MACRO-ECONOMIC SITUATION AND POLITICAL INSTABILITY	
The overall current liquidity position in the economies like Pakistan, UAE, KSA Qatar, specially fiscal deficit & political instability in the Pakistan may adversely affect the business of our specially Pakistan based customers, thereby indirectly having an impact on the Company's operations.	Avanceon operates through diversified business segments, which are competing in different industries with its distinct opportunities and risks in Pakistan, UAE, KSA and Qatar. The Company constantly seeks to increase its customer base and best quality services offering to maintain and grow its revenues.
MATERIAL/AUTOMATION EQUIPMENTS & SERVICES SOURCING / PRICING	
Inability to access materials and increase in cost and expenses materials may adversely influence the operations and non-availability of equipment's/material may lead to liquidated damages. Further, sensitivity in price movements of materials may lead to decrease of margins.	Avanceon believes long-term relationships with suppliers to acquire materials/equipments and safeguard their constant delivery at the best terms and conditions and obviously at best control price. Avanceon supplier base is constantly increased to ensure timely and uninterrupted procurement and reduction in lead times by not compromising quality of material/equipment's and services.
SHORT TERM INVESTMENT RISK	
Decrease in discounts rate by State Bank of Pakistan may affect the markup income of Term Deposits Receipts (TDRs)	To reduce this risk Avanceon does not invest in more than three month TDRs to avoid any risk of loss of markup and actively manages its portfolio to match the required risk profiles as developed for required rate of returns
FOREIGN CURRENCY RISK	
Exchange rate fluctuations may have an impact on financial results due to reliance on imports of material & equipment's	Avanceon uses various available means to hedge against currency fluctuations to minimize any resulting exchange losses by shifting material portion of orders to UAE company in US Dollar to meet supplier payments in US Dollars without any exchange loss.
CREDIT RISK	
Credit risk is the risk of financial loss to the Company if a customer, intimidate party, bank or any counterparty to a financial instrument fails to meet their contractual & mutually agreed obligations, and ascends principally from trade receivables, bank balances/deposits, security deposits, accrued income & markup and investment in debt securities.	To manage exposure to credit risk in respect of trade receivables, management performs regular credit reviews taking into account the customer's financial position, credit history, past experience and other factors. The business approval committee as per Limits of Authority Manuals approves sales orders and credit terms. In most cases, authorization from committee is mandatory. Advance payments are obtained without needing bank guarantees. Most sales-driven costs done on behalf of major customers are secured through "at-sight" letters of credit. Further, we limit our exposure to credit risk by investing and placing free and committed funds in counterparties that have minimum of A+ credit ratings and sound financial health, we monitors credit rating very regularly and CFO sign such reports monthly
SAFETY AND SECURITY OF TANGIBLE AND NON TANGIBLE ASSET	
There is a risk that operational demo equipment's of the company may be lost, damaged or made redundant due to theft, fire or any other unforeseen events that will adversely affect the operations.	The company has designed and applied very high quality standards for safety and security of all the operational demo equipment's, company maintained proper Log of each equipment's and compliance with such safety standards is strictly ensured and monitored. Apart from safety and security policies, standards & procedures, the Company has fully insured all the assets of the Company from A class Insurance companies to safeguard them from any unanticipated adverse event and to lessen the resulting financial and operational loss to a minimum level.
COST AND AVAILABILITY OF OPERATIONAL AND NON-OPERATIONAL FUNDS	
Exhaustion in the steady & smooth availability of funds for operational and non-operational free funds and rise in markup rates may adversely affect liquidity and overall financial conditions & availabilities of running finance from banks	Avanceon believes in running the operations of company from organic cash generated from business by getting advance payments from customers instead of working capital from banks, to mitigate these risk, the Company has been maintaining very sufficient banking facilities in Pakistan, KSA and UAE for running and projects financing to meet any urgent and unexpected cash needs, the company has also been maintaining enough free cash balances to meet any cash needs.
INTERNAL CONTROLS & COMPLIANCE	
In the absence of effective internal controls non-compliance internal and regulatory bodies, the Company may be exposed to financial and non-irregularities and resultant losses and adverse impact of repute in front of other stakeholders	A very strong internal control system is in place in the company and all wholly controlled subsidiaries that is being continuously monitored by the Company's Internal Audit Function and through other monitoring committees in light of very strict and zero tolerance policies and procedures. The process of monitoring internal controls is an ongoing process with the objective to further strengthen the controls and bring continuous improvements in the system. All controls in place also cover areas ranging from safeguarding of all tangible and intangible assets, very strict compliance with laws, regulations with accuracy and reliability of records and financial reporting as per Internal accounting and reporting standards as applicable and adopted voluntarily.
EMPLOYEE RECRUITMENT, TECHNOLOGICAL & OTHER TRAININGS AND RETENTION	
Failure to attract and retain the right and highly experienced and technologically trained human resources may adversely affect the achievement of the Company's growth plans and goals	A strong emphasis is being placed on the Company's technologically highly trained and experienced human resource capital, We attract, retain, motivate, educate and nurture our personnel successfully with well-defined payroll and incentives including the Employee Share Option Scheme, heath care facilities along with an enabling working environment.

Energy conservation and saving measures taken by the Company

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

Procedures adopted for quality assurance

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

This system provides all management levels throughout with necessary information to take early action if deviations from targets occur. Systems and processes are reviewed by third parties – in addition to corporate and divisional HSE audits – to ensure compliance with legal and Avanceon HSE standards.

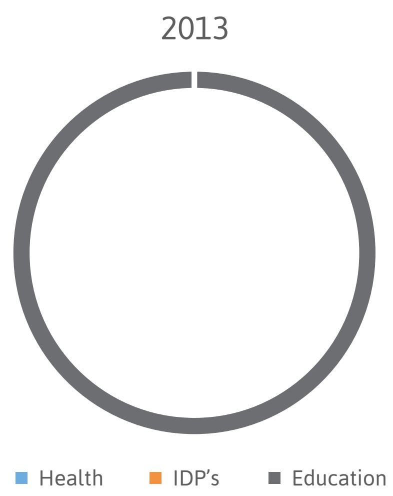
Donation & Charity

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

Statement of Charity Account

for the year ended December 31, 2014

	2014 (Rs in ,000)	**2013 (Rs. in ,000)**
Health	26.5	-
IDP's	169	-
Education	68535	172
	881	172



Employees Retirement Benefits

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

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

	30-June-2014 Audited		30-June-2013 Audited	
	Investments (Rupees in thousands)	Investment as % of size of the fund	Investments (Rupees in thousands)	Investment as % of size of the fund
Government Securities	30,798	78%	20,000	70%
Scheduled Banks	2,117	5%	3,328	12%
Other Mutual Funds	3,082	8%	51	0%
Listed Securities	3,426	8%	5,264	18%
	39,423		28,644	

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

Note: the fund year end comprised as on June 30 and latest audited figure are available till June 30, 2014

Operating Financial Data

Operating, financial data and key ratios of the Company for the last six years as disclosed are annexed.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2014 is annexed. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year, except those reported in the pattern of shareholding.

Statutory Auditors of the Company

The present Auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co. 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, 2015.

Communications

Communication with the shareholders is given a high priority. Financial results including quarterly, half yearly and annual results & reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company communicate all material information which fall under the material information category under listing regulations to Karachi & Lahore Stock Exchange and SECP (if any), The Company also has a website, www.avanceon.ae, which contains up to date information on the Company's activities and financial reports.

Acknowledgement

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

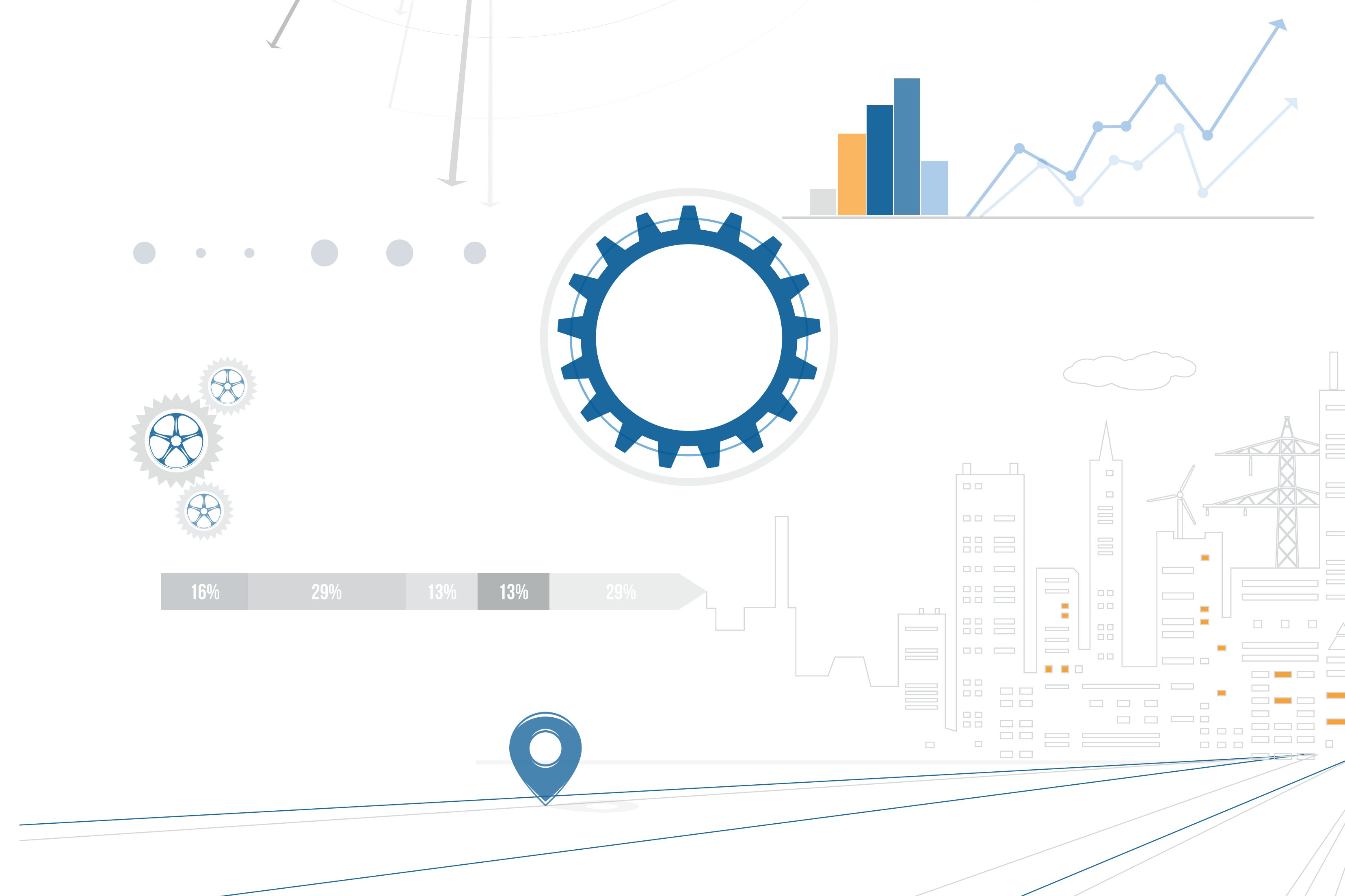
For and on behalf of the BOARD OF DIRECTORS

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

March 6, 2015, Lahore

Tomorrow's solution, today

STAKEHOLDER'S INFORMATION

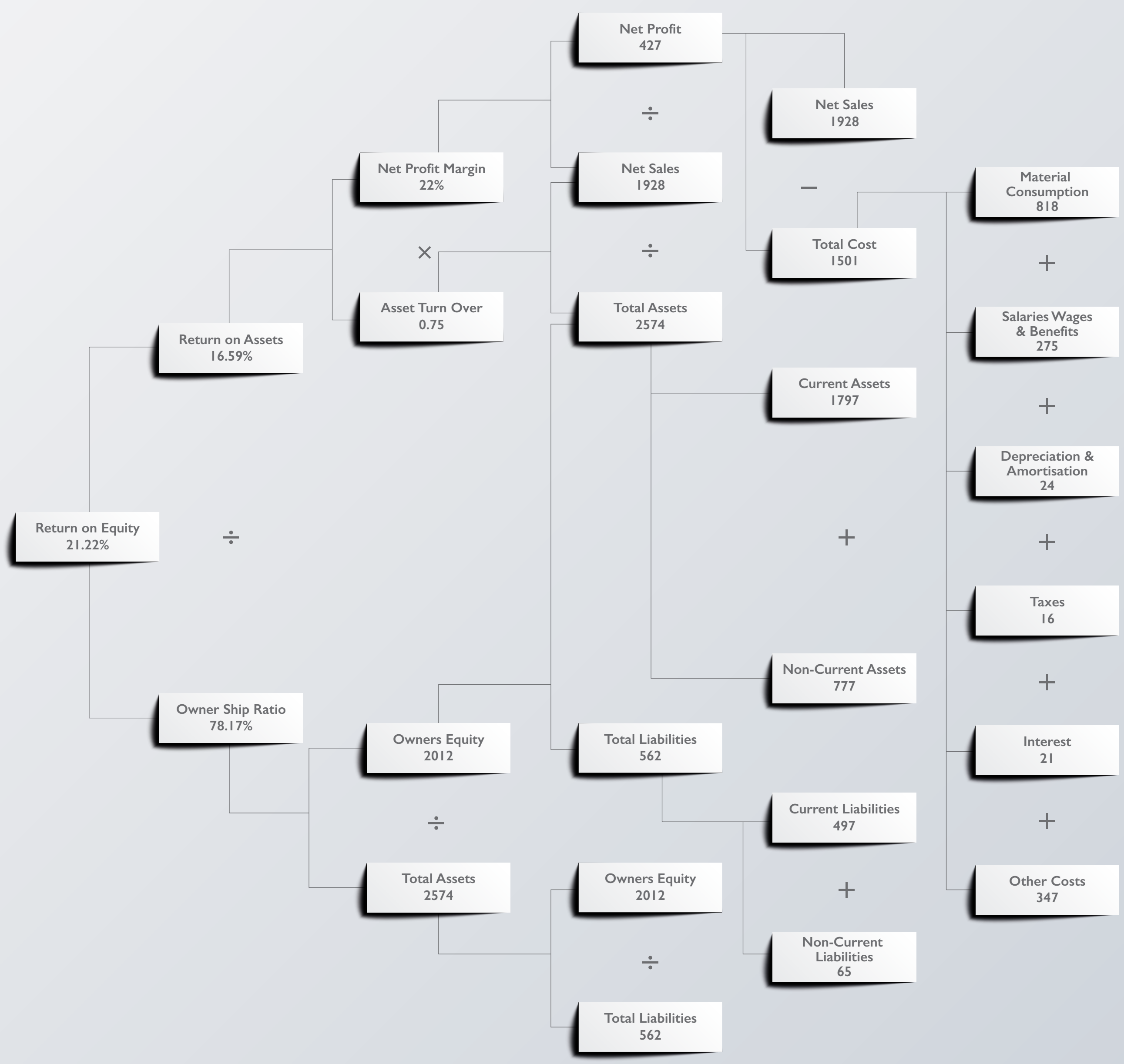


Performance Indicators Ratios for 6 Years

Years		2014	2013	2012	2011	2010	2009
Profitability Ratios							
Gross Profit ratio		36%	38%	41%	27%	29%	39%
Operating Result Ratio		24%	26%	39%	-5%	-4%	9%
Profit Before Tax		23%	24%	37%	-16%	-11%	2%
Profit After Tax		22%	23%	36%	-16%	-11%	1%
Return On Capital Employed		25%	36%	166%	-75%	-17%	34%
Interest Coverage Ratio	(Times)	22.1	13.5	18.8	(0.5)	(0.6)	1.3
EBITDA	(Rs. In million)	488	491	854	(38)	(43)	158
EBITDA Margin		25%	27%	40%	-3%	-2%	10%
Growth Ratios							
Net Sales		6.03%	-14.31%	67.35%	-30.63%	13.15%	-1.17%
Operating Results		-1.55%	-43.61%	-1327.99%	-5.97%	-147.93%	-422.24%
EBITDA		-0.57%	-42.52%	-2330.44%	-9.97%	-126.87%	-300.03%
Profit After Tax		3.82%	-46.07%	-481.87%	2.25%	-918.52%	-117.21%
Liquidity/Leverage							
Current ratio	(Times)	3.62	1.91	1.36	0.30	0.66	1.09
Quick ratio	(Times)	3.52	1.84	1.30	0.24	0.60	1.01
Cash to current liabilities	(Times)	0.48	0.64	0.24	0.01	0.12	0.05
Financial leverage ratio	(Times)	0.03	0.05	0.08	(0.40)	18.69	1.87
Total liabilities to equity	(Times)	0.29	0.66	1.17	(5.75)	100.25	5.18
Cost Ratios							
Cost of Sales (% of Sales)		64.16%	61.86%	59.15%	72.52%	70.85%	61.29%
Administrative & selling Cost (% of Sales)		12.09%	13.99%	12.77%	39.70%	34.50%	30.80%
Financial Cost (% of Sales)		1.09%	1.92%	2.09%	10.24%	6.89%	7.16%
Asset Utilization							
Total Asset turnover	(Times)	0.75	0.75	1.01	1.35	1.56	1.25
Fixed Asset Turnover	(Times)	9.22	9.30	12.58	7.34	12.91	10.70
Inventory Turnover	(Times)	38.56	32.70	37.43	20.58	34.49	27.90
Trade Debts Turnover	(Times)	1.43	2.01	2.25	7.30	5.05	2.98
Trade Creditors Turnover	(Times)	4.39	3.89	2.34	3.20	4.28	5.77
Capital Employed Turnover	(Times)	0.93	1.16	1.97	(17.39)	7.21	2.61

Years		2014	2013	2012	2011	2010	2009
Operating Cycle							
Inventory Holding Period	(No. of days)	18	9	17	23	16	24
Trade Debt collection period	(No. of days)	214	185	96	77	90	113
Trade Creditors payment period	(No. of days)	134	223	190	163	100	115
Equity Ratios							
Price Earnings Ratio		8.28	N/A	N/A	N/A	N/A	N/A
Dividend Per Share		22.50%	20%	N/A	N/A	N/A	N/A
Dividend Payout Ratio		55%	39%	N/A	N/A	N/A	N/A
Market Value at the end of The Year		33.85	N/A	N/A	N/A	N/A	N/A
Market Value at the start of the Year		14	N/A	N/A	N/A	N/A	N/A
Highest Value During Year		39.24	N/A	N/A	N/A	N/A	N/A
Lowest Value During Year		14	N/A	N/A	N/A	N/A	N/A
Return to Shareholders							
Return on Equity-Before Tax		23%	31%	84%	126%	-1625%	17%
Return on Equity-After Tax		22%	29%	81%	127%	-1601%	12%
Earnings per Share (Basic)	(Rs.)	4.09	5.19	19.21	(4.23)	(4.88)	0.60
Earnings per Share (Diluted)	(Rs.	3.90	5.19	19.21	(4.23)	(4.88)	0.59
Break Up value per share without surplus on revaluation	(Rs.)	18.13	18.65	23.44	(4.72)	0.28	5.09
Break Up value per share with surplus on revaluation	(Rs.)	18.98	37.30	25.17	(3.70)	1.11	5.92

DuPont Analysis



6 Years Summary of Financial Statements

Balance Sheet

Assets (Rupees in million)

Particulars	2014	2013	2012	2011	2010	2009
Non-Current Assets						
Property plan and Equipment	209	195	169	159	137	148
Intangible assets	-	0	0	14	4	3
Goodwill	-	-	-	428	410	403
Long term investments	546	571	527	-	-	-
Capital Work in Progress	-	-	-	-	-	-
Long term deposits	23	20	17	14	4	3
Deferred taxation	-	-	-	20	12	-
Deferred employee Compensation	-	-	-	-	-	-
Total Non-Current Assets	777	787	713	636	567	557
Current Assets						
Stock in trade	50	56	57	62	53	58
Current portion of deferred employee Compensation	-	-	-	-	1	6
Trade debts	1,352	904	942	174	362	543
Short term investments	200	140	3	-	-	-
Advances, deposits, prepayments and other receivables	155	123	140	58	75	93
Cash and bank balances	40	407	245	9	111	35
Non-Current assets attributable to discontinued operations	-	-	-	0	-	-
Total Current Assets	1,797	1,630	1,387	302	602	735
Total Assets	2,574	2,417	2,099	937	1,169	1,291

Balance Sheet

(Rupees in million)

Particulars	2014	2013	2012	2011	2010	2009
Equity and Liabilities						
Share Capital and reserves						
Issued, subscribed and paid up capital	1,057	755	400	400	400	400
Employees' share compensation reserve	45	45	-	11	12	12
Exchange revaluation reserve	185	211	153	47	46	41
Share Premium	62	-	-	-	-	-
Un-appropriated profit	574	397	385	(615)	(446)	(250)
	1,922	1,408	938	(158)	12	204
Non controlling interest	-	-	-	(31)	(1)	-
	1,922	1,408	938	(189)	11	204
Surplus On Revaluation Of Property, Plant And Equipment	90	84	69	41	33	33
Non-Current Liabilities						
Long term finances	-	7	19	36	188	358
Liabilities against assets subject to finance lease	34	33	31	23	14	14
Deferred Liabilities	31	31	21	16	7	9
Total Non-Current Liabilities	65	71	71	75	209	381
Current Liabilities						
Current portion of long-term liabilities	19	18	66	348	192	70
Finances under mark up arrangements and other credit facilities - secured	39	50	1	247	295	324
Short term loan from directors - unsecured	-	55	48	19	-	-
Cash received against IPO	-	264	-	-	-	-
Creditors, accrued and other liabilities	439	467	907	397	427	280
Liabilities directly associated with assets classified as Disc. Operations	-	-	-	0	-	-
Total Current Liabilities	497	854	1,022	1,010	914	673
Total Equity and Liabilities	2,574	2,417	2,099	937	1,169	1,291

Profit and Loss Statements

(Rupees in million)

Particulars	2014	2013	2012	2011	2010	2009
Sales	1,928	1,818	2,122	1,268	1,828	1,616
Cost Of Sales	(1,237)	(1,125)	(1,255)	(920)	(1,295)	(990)
Gross Profit	691	694	867	348	533	625
Administrative and Selling Expenses	(233)	(254)	(271)	(503)	(631)	(498)
Other Charges	(25)	(0)	(0)	(0)	(2)	(2)
Other Operating Income	31	32	240	87	27	25
	(227)	(222)	(31)	(416)	(605)	(474)
Profit/(Loss) from operations	464	471	836	(68)	(72)	151
Finance Cost	(21)	(35)	(44)	(130)	(126)	(116)
Profit/(Loss) Before Tax	443	436	791	(198)	(198)	35
Taxation	(16)	(25)	(29)	(2)	3	11
Profit/(loss) after Tax	427	411	763	(200)	(195)	24
Loss For the year from disc. Operations	-	-	-	(0)	-	-
Profit/(loss) after disc. Operations	427	411	763	(200)	(195)	24
Combined earnings/(loss) per Share						
Basic in Rs.	4.09	5.19	19.21	(4.23)	(4.88)	0.60
Diluted in Rs.	3.90	5.19	19.21	(4.23)	(4.88)	0.59

Cash Flow Statement

(Rupees in million)

Particulars	2014	2013	2012	2011	2010	2009
Cash Flow From Operating activities	-73	62	501	-23	171	-95
Cash Flow From Investing activities	-47	-140	-131	-36	-7	-18
Cash Flow From Financing activities	196	191	90	6	-60	219
Increase/(Decrease) in Cash & Cash equilant	-317	113	459	-54	104	107

6 Years Vertical and Horizontal Analysis

Balance Sheet

Assets

Particulars	Vertical Analysis (in %age) 2014	2013	2012	2011	2010	2009	Horizontal Analysis (in %age) 2014	2013	2012	2011	2010	2009
Non-Current Assets												
Property plan and Equipment	8%	8%	8%	17%	12%	11%	141%	132%	114%	107%	93%	100%
Intangible assets	0%	0%	0%	2%	0%	0%	0%	0%	3%	477%	137%	100%
Goodwill	0%	0%	0%	46%	35%	31%	0%	0%	0%	106%	102%	100%
Long term investments	21%	24%	25%	0%	0%	0%	-	-	-	-	-	0%
Capital Work in Progress	0%	0%	0%	0%	0%	0%	-	-	-	-	-	0%
Long term deposits	1%	1%	1%	1%	0%	0%	827%	735%	608%	500%	126%	100%
Deferred taxation	0%	0%	0%	2%	1%	0%	-	-	-	-	-	0%
Deferred employee Compensation	0%	0%	0%	0%	0%	0%	-	-	-	-	-	0%
Total Non-Current Assets	30%	33%	34%	68%	48%	43%	140%	141%	128%	114%	102%	100%
Current Assets												
Stock in trade	2%	2%	3%	7%	5%	4%	86%	96%	98%	106%	92%	100%
Current portion of deferred employee Compensation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	15%	100%
Trade debts	53%	37%	45%	19%	31%	42%	249%	167%	174%	32%	67%	100%
Short term investments	8%	6%	0%	0%	0%	0%	-	-	-	-	-	100%
Advances, deposits,prepayments and other receivables	6%	5%	7%	6%	6%	7%	167%	133%	150%	62%	81%	100%
Cash and bank balances	2%	17%	12%	1%	9%	3%	113%	1148%	692%	25%	315%	100%
Non Current assets attributable to discontinued operations	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Total Current Assets	70%	67%	66%	32%	52%	57%	245%	222%	189%	41%	82%	100%
Total Assets	100%	100%	100%	100%	100%	100%	199%	187%	163%	73%	91%	100%

Equity & Liabilities

Particulars	Vertical Analysis (in %age) 2014	2013	2012	2011	2010	2009	Horizontal Analysis (in %age) 2014	2013	2012	2011	2010	2009
Share Capital and reserves												
Issued, subscribed and paid up capital	41%	31%	19%	43%	34%	31%	264%	189%	100%	100%	100%	100%
Employees' share compensation reserve	2%	2%	0%	1%	1%	1%	378%	378%	0%	90%	103%	100%
Exchange revaluation reserve	7%	9%	7%	5%	4%	3%	447%	510%	370%	113%	111%	100%
Share Premium	2%	0%	0%	0%	0%	0%	-	-	-	-	-	0%
Un-appropriated profit	22%	16%	18%	-66%	-38%	-19%	230%	159%	154%	-246%	-179%	100%
	75%	58%	45%	-17%	1%	16%	944%	692%	461%	-77%	6%	100%
Non controlling interest	0%	0%	0%	-3%	0%	0%	-	-	-	-	-	0%
Surplus On Revaluation Of Property, Plant And Equipment	3%	3%	3%	4%	3%	3%	271%	254%	208%	123%	100%	100%
Non-Current Liabilities												
Long term finances	0%	0%	1%	4%	16%	28%	-	2%	5%	10%	52%	100%
Liabilities against assets subject to finance lease	1%	1%	1%	2%	1%	1%	236%	231%	214%	160%	99%	100%
Deferred Liabilities	1%	1%	1%	2%	1%	1%	360%	360%	241%	190%	84%	100%
Total Non-Current Liabilities	3%	3%	3%	8%	18%	30%	17%	19%	18%	20%	55%	100%
Current Liabilities												
Current portion of long-term liabilities	1%	1%	3%	37%	16%	5%	27%	26%	95%	497%	274%	100%
Finances under mark up arrangements & other credit facilities - secured	2%	2%	0%	26%	25%	25%	12%	15%	0%	76%	91%	100%
Short term loan from directors - unsecured	0%	2%	2%	2%	0%	0%	-	-	-	-	-	0%
Cash received against IPO	0%	11%	0%	0%	0%	0%	-	-	-	-	-	0%
Creditors, accrued and other liabilities	17%	19%	43%	42%	36%	22%	157%	167%	324%	142%	153%	100%
Liabilities directly associated with assets classified as Disc. Operations	0%	0%	0%	0%	0%	0%	-	-	-	-	-	0%
Total Current Liabilities	19%	35%	49%	108%	78%	52%	74%	127%	152%	150%	136%	100%
Total Equity and Liabilities	100%	100%	100%	100%	100%	100%	199%	187%	163%	73%	91%	100%

Profits & Loss Account

Assets	Vertical Analysis (in %age)						Horizontal Analysis (in %age)					
Particulars	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009
Sales	100%	100%	100%	100%	100%	100%	119.34%	112.55%	131.35%	78.49%	113.15%	100.00%
Cost Of Sales	-64%	-62%	-59%	-73%	-71%	-61%	124.94%	113.60%	126.76%	92.88%	130.80%	100.00%
Gross Profit	36%	38%	41%	27%	29%	39%	110.51%	110.92%	138.64%	55.70%	85.22%	100.00%
Administrative and Selling Expenses	-12%	-14%	-13%	-40%	-34%	-31%	46.83%	51.12%	54.48%	101.19%	126.76%	100.00%
Other Charges	-1%	0%	0%	0%	0%	0%	1470.59%	10.61%	12.20%	0.88%	88.24%	100.00%
Other Operating Income	2%	2%	11%	7%	1%	2%	124.00%	128.80%	960.28%	348.00%	107.20%	100.00%
	-12%	-12%	-1%	-33%	-33%	-29%	47.86%	46.87%	6.58%	87.79%	127.62%	100.00%
Profit/(Loss) from operations	24%	26%	39%	-5%	-4%	9%	307.28%	312.12%	553.49%	-45.07%	-47.93%	100.00%
Finance Cost	-1%	-2%	-2%	-10%	-7%	-7%	18.15%	30.25%	38.38%	112.27%	108.82%	100.00%
Profit/(Loss) Before Tax	23%	24%	37%	-16%	-11%	2%	1258.52%	1239.20%	2248.15%	-562.50%	-563.07%	100.00%
Taxation	-1%	-1%	-1%	0%	0%	1%	-140.11%	-218.91%	-251.84%	-14.89%	26.27%	100.00%
Profit/(loss) for the year	22%	23%	36%	-16%	-11%	1%	1789.61%	1723.81%	3196.14%	-836.97%	-818.52%	100.00%
Loss For the year from disc. Operations	0%	0%	0%	0%	0%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
	22%	23%	36%	-16%	-11%	1%	1789.61%	1723.81%	3196.14%	-837.30%	-818.52%	100.00%
Combined earnings/(loss) per Share												
Basic	0.21%	0.29%	0.91%	-0.33%	-0.27%	0.04%	681.67%	865.00%	3201.67%	-705.00%	-813.33%	100.00%
Diluted	0.21%	0.29%	0.91%	-0.33%	-0.27%	0.04%	661.02%	88%	3255.93%	-716.95%	-827.12%	100.00%

Cash Flow Statement

Assets	Vertical Analysis (in %age)						Horizontal Analysis (in %age)					
Particulars	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009
Cash Flow From Operating activities	23%	55%	109%	43%	164%	-89%	77%	-65%	-527%	24%	-180%	100%
Cash Flow From Investing activities	15%	-124%	-29%	67%	-7%	-17%	261%	778%	728%	200%	39%	100%
Cash Flow From Financing activities	62%	169%	20%	-11%	-58%	205%	-89%	87%	41%	3%	-27%	100%
Increase/(Decrease) in Cash & Cash equilant	100%	100%	100%	100%	100%	100%	-296%	106%	429%	-50%	97%	100%

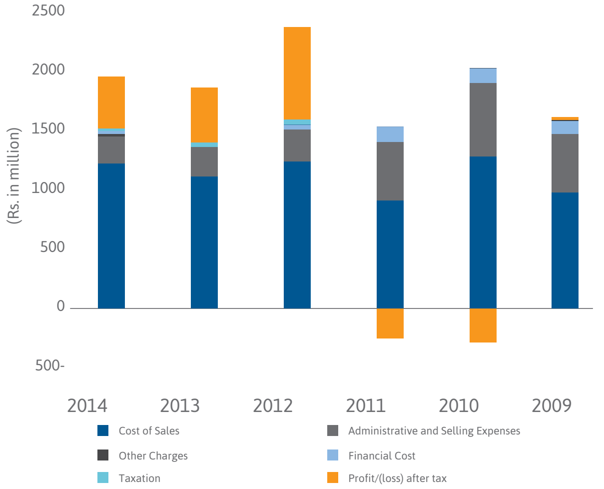
Cash Flow Statement by Direct Method

	2014 Rupees	2013 Rupees
Cash flows from operating activities		
Cash received from customers	1,479,936,099	1,855,800,703
Cash paid to suppliers and employees	(1,518,318,549)	(1,770,015,131)
Cash generated from continuing operations	(38,382,450)	85,785,572
Finance costs paid	(12,290,588)	(20,084,213)
Retirement benefits paid	(7,436,000)	(2,904,537)
Taxes paid	(15,228,641)	(1,044,722)
Net cash generated from operating activities	(73,337,679)	61,752,100
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,654,346)	(7,623,148)
Capital work in progress	(2,130,792)	–
Proceeds from disposal of property, plant and equipment and intangible assets	5,574,625	7,274,886
Income on bank deposits received	15,835,731	127,921
Short term investment	(59,876,837)	(136,187,996)
Net increase in long term deposits	(2,219,320)	(3,513,408)
Net cash used in investing activities	(47,470,939)	(139,921,745)
Cash flows from financing activities		
Repayment of long term finances	(10,000,000)	(64,354,707)
Issue of share capital	49,284,424	–
Dividend paid	(201,324,250)	–
Finances under markup arrangements	39,170,340	–
Cash received against IPO	–	264,243,000
(Payment of)/proceeds from loan from directors	(54,834,483)	6,679,450
Repayment of finance lease liabilities	(18,940,112)	(15,795,024)
Net cash generated from financing activities	(196,644,081)	190,772,719
Net increase in cash and cash equivalents	(317,452,699)	112,603,074
Cash and cash equivalents at the beginning of year	357,446,738	244,843,664
Cash and cash equivalents at the end of year	39,994,039	357,446,738

Graphic Representation 2009-2014

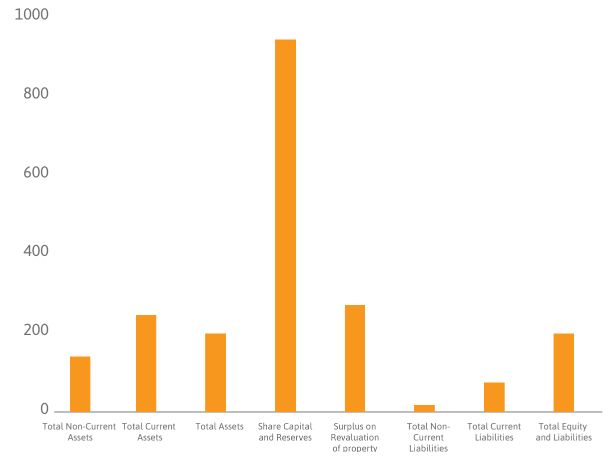
Profit and Loss

Profit & Loss Analysis



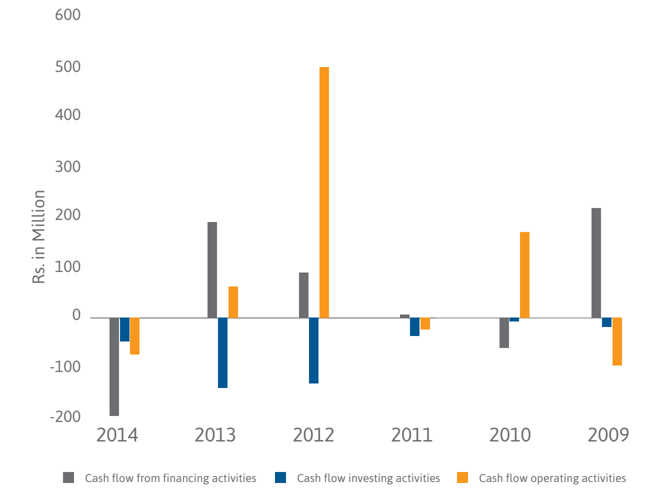
Balance Sheet Horizontal Analysis (Base Year 2009)

Percentage



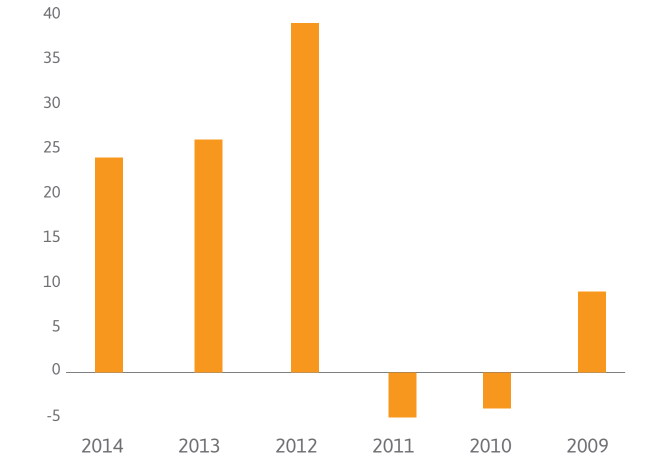
Cash Flow Statement

Cash Flow Analysis



Operating Result Ratio

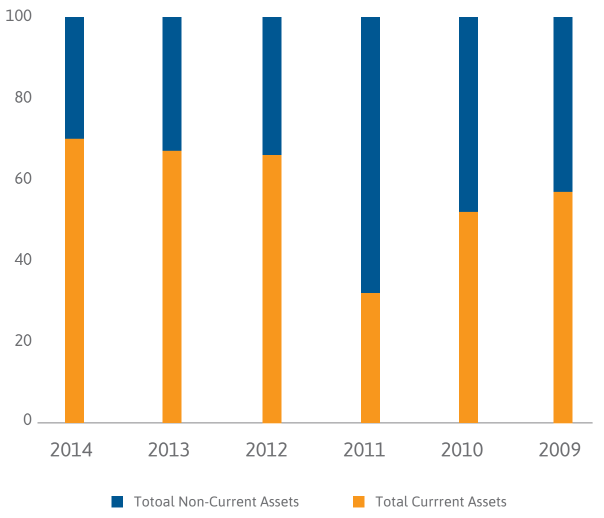
Percentage



Balance Sheet

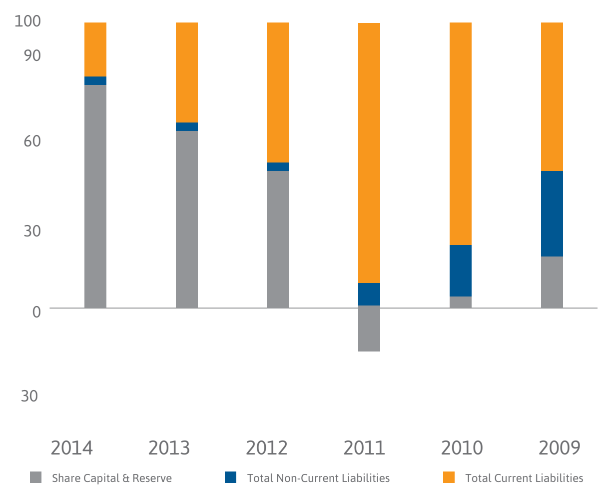
Balance Sheet Vertical Analysis

Percentage



Balance Sheet Vertical Analysis (Liabilities Side)

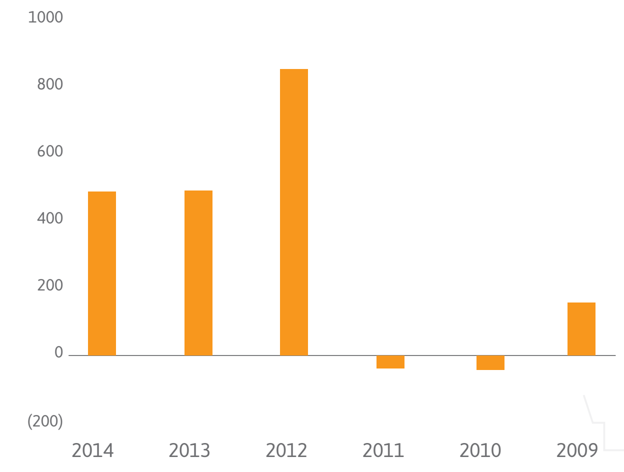
Percentage



Ratios

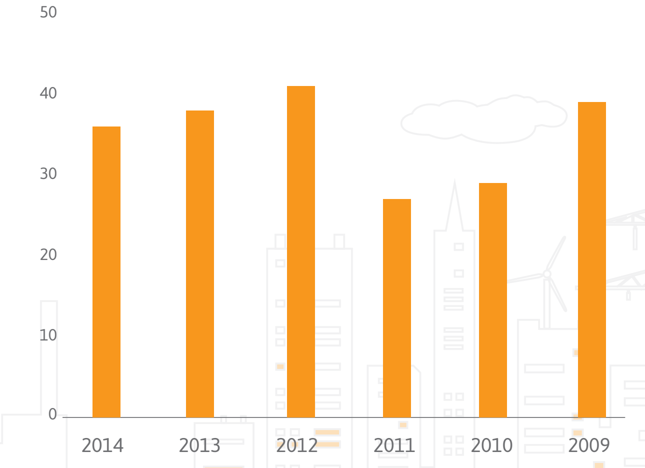
EBITDA

Rs. in Million

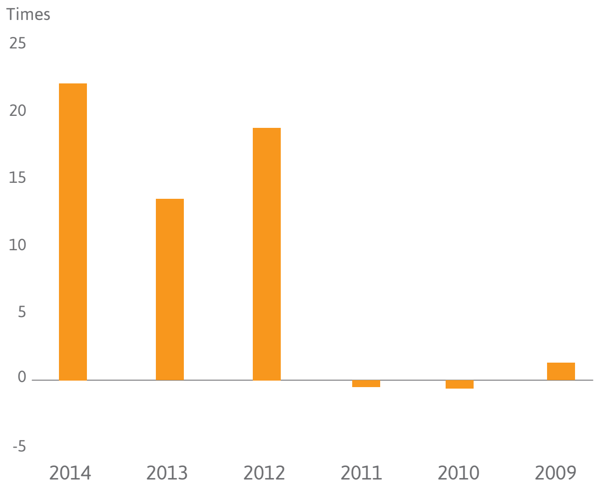


GROSS PROFIT RATIO

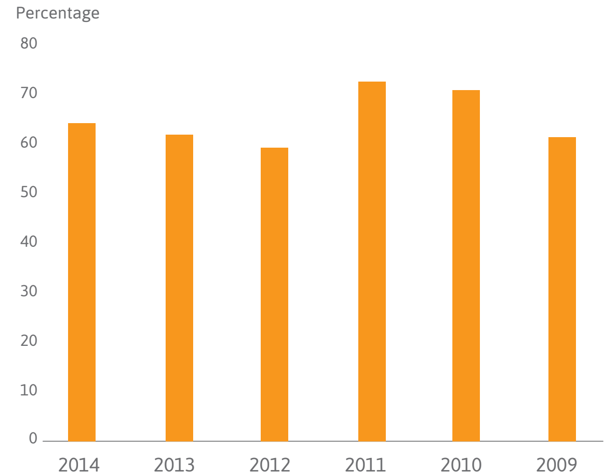
Percentage



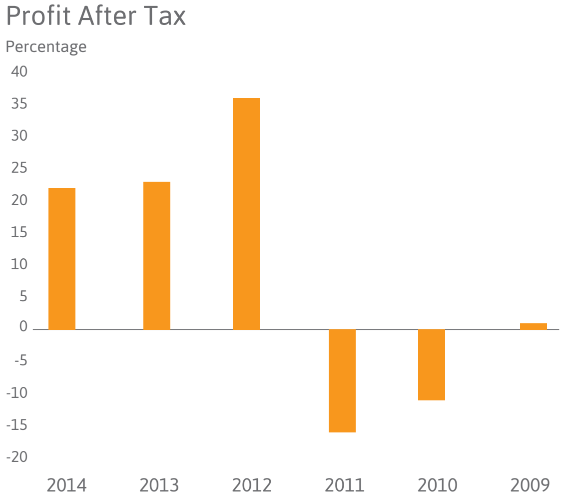
Interest Coverage Ratio



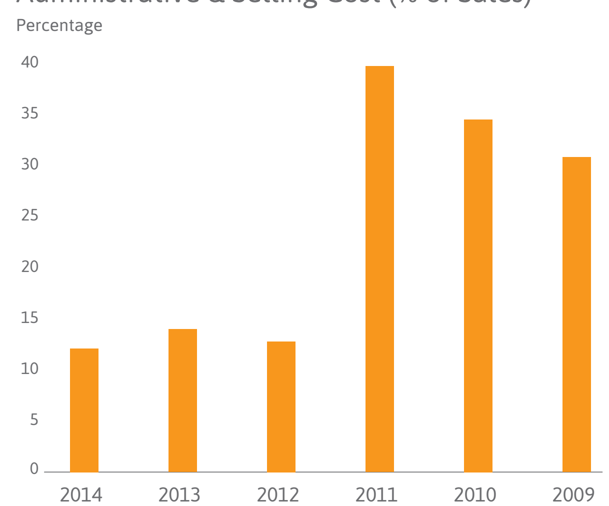
Cost of Sales (% of Sales)



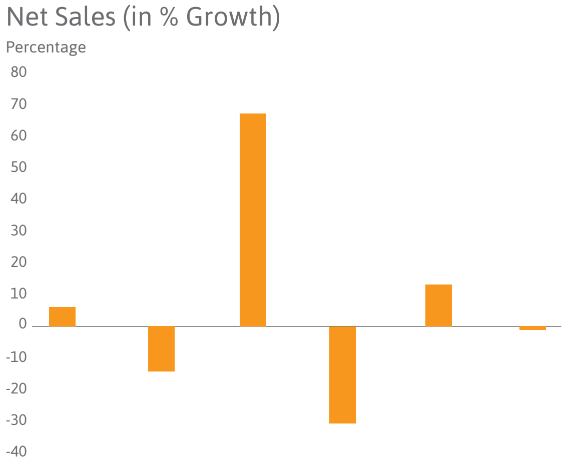
Profit After Tax



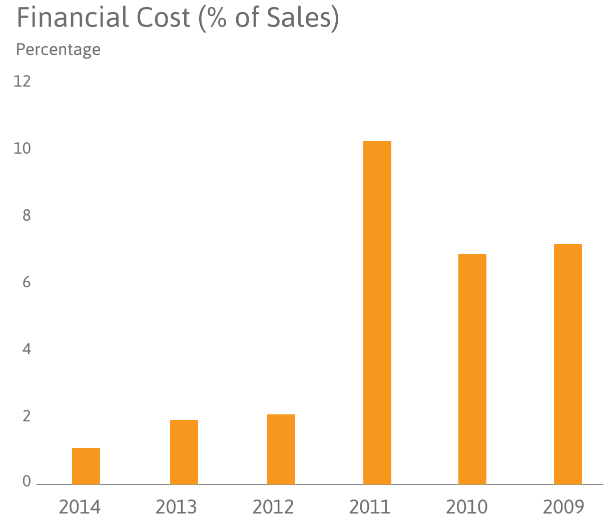
Administrative & Selling Cost (% of Sales)



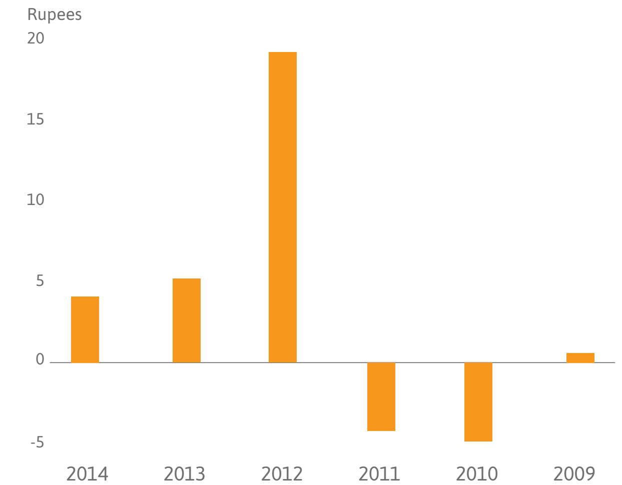
Net Sales (in % Growth)



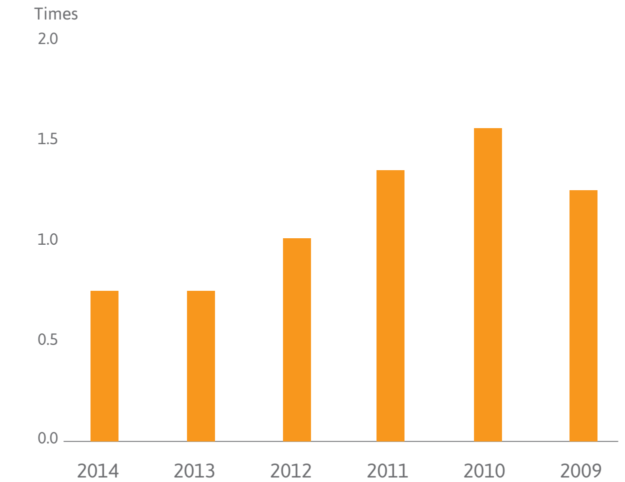
Financial Cost (% of Sales)



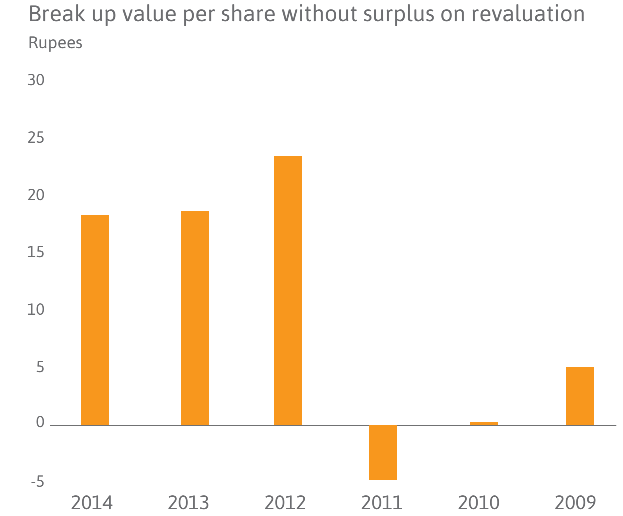
Earning Per Share (Basic)



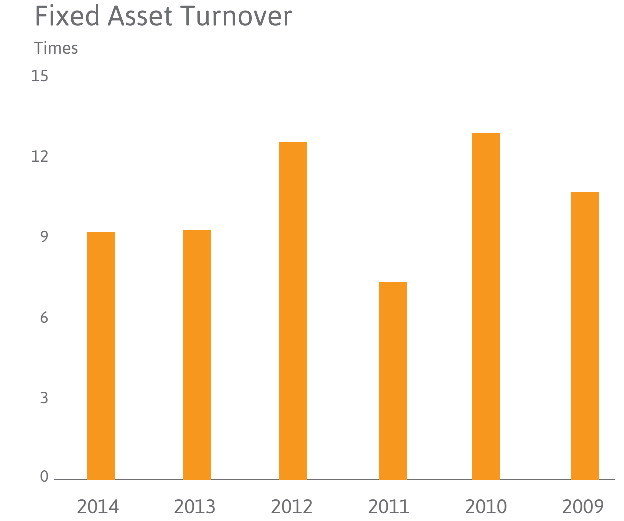
Total Asset Turnover



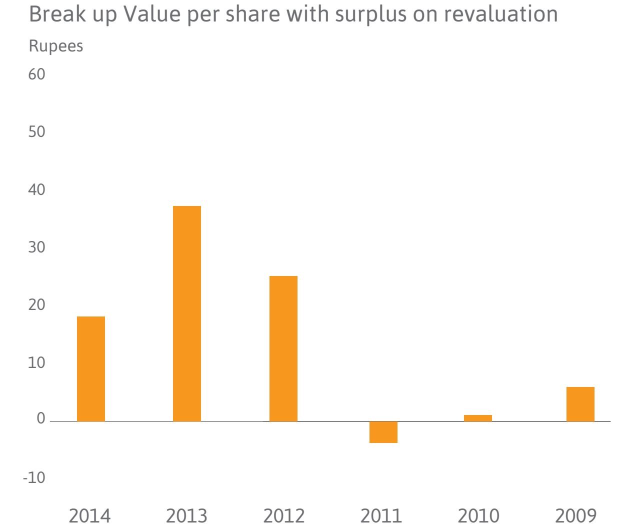
Break up value per share without surplus on revaluation



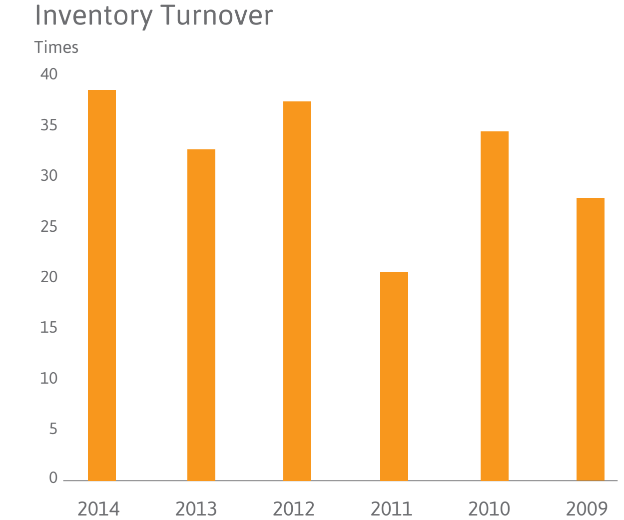
Fixed Asset Turnover



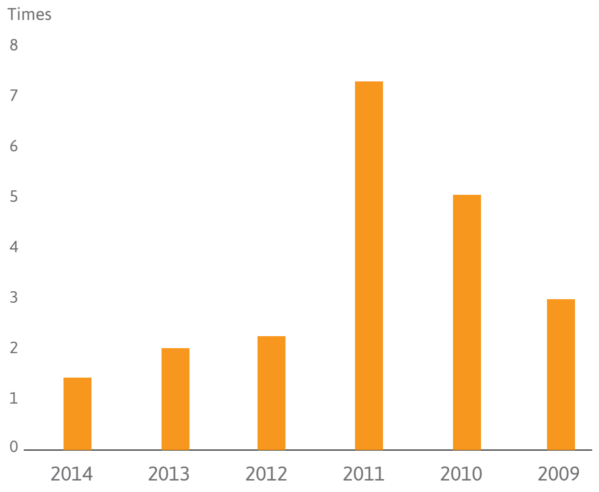
Break up Value per share with surplus on revaluation



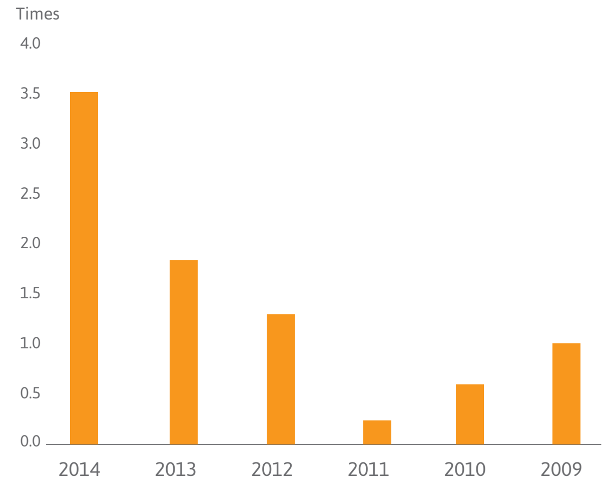
Inventory Turnover



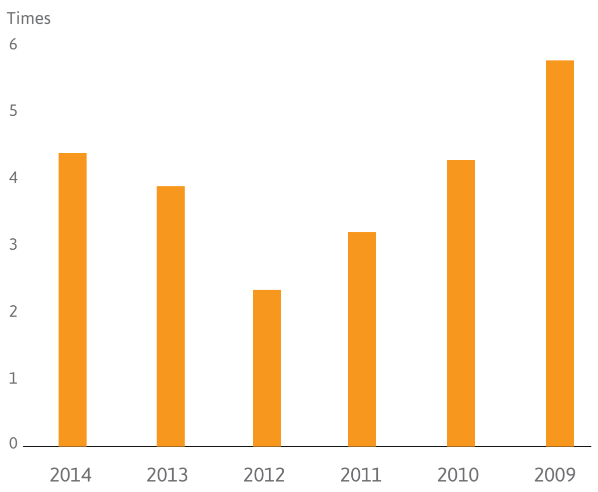
Trade Debts Turnover



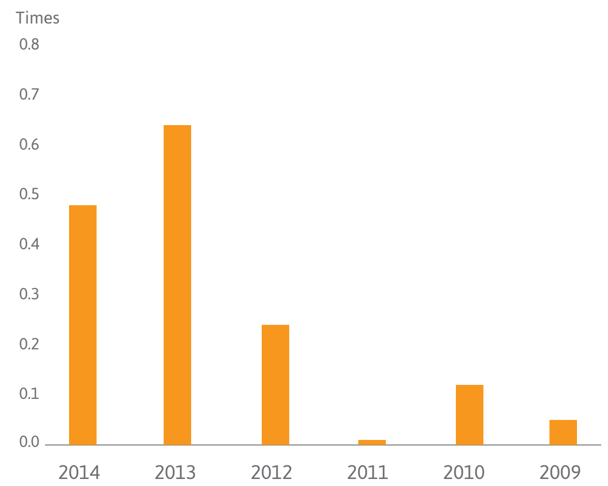
Quick Ratio



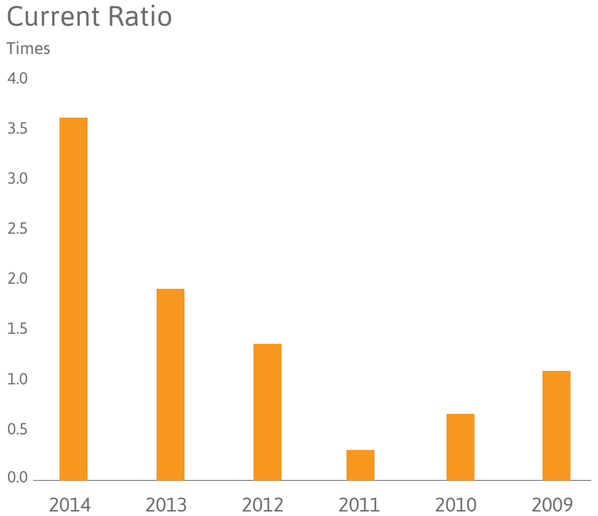
Trade Creditors Turnover



Cash to Current Liabilities



Current Ratio



Comments on Results for the Past 6 Years

Horizontal Analysis (Consolidated)

Balance Sheet

We observed 199% increase in the balance sheet, footing is constant for the last six years and 944% growth in total equity shows growth in earnings and profitability. 255% increase current assets also depict increasing trends which is an evidence of effective use of the Company's earnings in further investment in on human resource training and growth of the company as compare to only 74% increase in non-current liabilities of the company, 140% increase Non-current assets also depict increasing trends, which is an evidence of effective use of earnings.

Profit and Loss

Revenues have increased consistently from the year 2009 to year 2014, except in2011 with 3% average increase, which is not up to mark but as per corporate plan, the revenue took a dip in financial year 2011 due to under performance of United Arab Emirate (UAE) business region, we observed consistency and increase in the Gross profit throughout last six years except FY 2010 & FY 2011. However, growth has slowed down in the FY 2011 because of recession in UAE economy and rest of the world, Profit from operations has also recorded a persistent growth from year 2009 to year 2014 mainly on account of regular growth in revenue except above mentioned years, operational efficiencies and continuous increase in other income. Finance cost has reduced tremendously to 18% because of efficient management of liquidity and early recovery of receivables which enable the company to pay back all of its loan and advances to avoid any extra and unwanted financial cost that's why company is observing excellent profit after taxations

Vertical Analysis (consolidated)

Balance Sheet

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

Profit and Loss

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

Cash Flow Statement (consolidated)

Operating Activities:

We observed a negative cash flow from operating activities in 2014 because of net increase of Rs. 448 millions in receivable (considered good) due to billing and Earning is excess of billing recognition in last quarter, subsequently in FY 2015 we generated Rs. 97million net cash from operating activities, we generated positive cash flow from 2009 to 2014 except 2011 and 2014 which generated enough cash for investing and financing activities.

Investing Activities

A glance of cash flows from investing activities reveals that the Company is always engaged in making investment in fixed capital expenditure, short term and long term investment in subsidiaries and associated company in order to ensure future cash flows.

Financing Activities

One of the certain cash outflow from the financing activities is the payment of dividend and repayments of all long and short term loans to avoid financial cost.

Analysis of Variation

Results Reported in Interim Reports

Quarterly Analysis

Rs. In millions

	Revenue	Cost of goods sold	Gross profits	Operating Profit	Profit after tax	Capital Expenditures
Quarter 1	359	223	136	40	33	3
Quarter 2	302	192	109	74	60	5
Quarter 3	554	408	146	124	117	15
Quarter 4	713	413	300	225	217	6
	1,928	1,237	691	464	427	28

Revenue, cost of goods sold, gross profits, operating profit and net profits

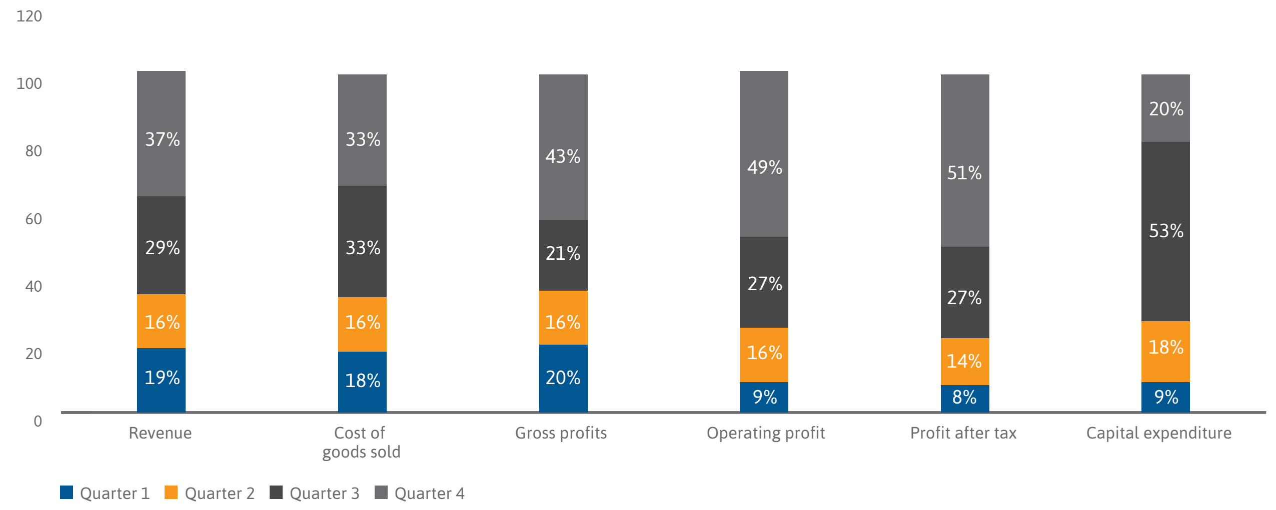
Historically, our revenue, cost and profits remain lower in 1st quarter and get start momentum in 2nd quarter and major portions of revenues of orders start getting recognition in 3rd and 4th quarter due to business cycle which is being observed from last many years and current year is also repeating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

Capital Expenditures

Rs. 15million which is 51% of total expenditure has been incurred in 2nd quarter mainly for purchase of company cars due to promotion of staff in April 2014, rest are normal routine capital expenditure like purchase of network equipment, generator and computers.

Quarterly Analysis

Percentage



Share Price Sensitivity Analysis

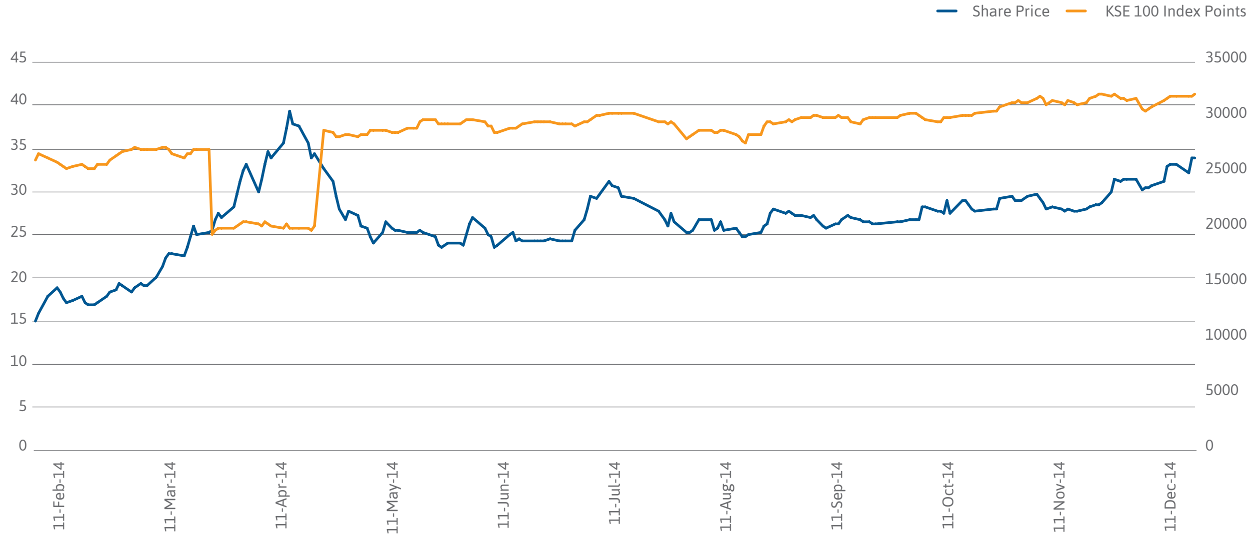
Trade Price

	Max trade per day	Min trade per day	Total monthly	High price	Low price
Jan-14					
Feb-14	7,489,000	4,500	19,464,000	18.96	15.00
Mar-14	7,117,500	518,000	44,367,500	25.99	17.82
Apr-14	5,382,500	514,000	60,176,500	39.24	25.57
May-14	4,884,500	17,000	22,746,000	32.70	24.10
Jun-14	4,056,000	98,000	16,291,500	27.11	23.55
Jul-14	4,671,500	65,000	17,338,500	31.19	24.23
Aug-14	3,525,500	111,000	25,477,500	27.70	24.66
Sep-14	4,899,000	375,500	32,926,000	27.96	25.18
Oct-14	3,749,000	234,500	21,436,000	29.06	26.28
Nov-14	2,239,000	82,500	10,860,000	29.72	27.70
Dec-14	3,371,000	174,500	24,339,000	33.85	27.88

Sensitivity Analysis

Avanceon holds a variety of businesses segments and operating in various regions including Pakistan, United Arab Emirate (UAE), Qatar, Kingdom of Saudi Arabia (KSA) and United State of America (USA) and a variety of external and internal factors can affect the company's financial performance. We observed very stable performance of AVN stock as compare to KSE 100index performance as under:

Share Price Analysis



The AVN stock performed exceptionally very well as new entrant at KSE and LSE after listing in early month of financial year 2014 and delivered excellent results and payouts to its shareholders, we are very much confident that AVN stock will improve its performance in FY 2015 and try to maintain its history of excellent payouts, the factors affected the share price:

1. **Business Segment**

   Due to under performance of Energy Business Segment, we posted little bit lower EPS in Q1, Q2 and Q3 which affected share price

2. **Revenue Recognition**

   We obtained major orders in 2nd quarter instead of 1st quarter that's why we recognized major portion of revenue in last quarter as compared to last year which also resulted lower PAT in early quarters

3. **Complex business structure**

   Due to complex business and segmental structure, we observed, a majority of the investor couldn't understand the company operation and revenue stream that also impacted share price below KSE 100index performance,

4. **First Engineering Technology Company**

   Avanceon was a first engineering technology company which was listed at Karachi and Lahore Stock Exchanges, we observed investor remained not fully successful to understand the company way of working and execution that also affected the investor confidence

Pattern of Shareholding

Pattern

No. of Shareholders	Shareholdings From	Shareholdings To	Shares Held
619	1	100	22,607
417	101	500	173,146
1046	501	1,000	696,759
1190	1,001	5,000	2,558,459
201	5,001	10,000	1,602,755
65	10,001	15,000	802,486
53	15,001	20,000	980,755
24	20,001	25,000	570,050
16	25,001	30,000	455,750
9	30,001	35,000	287,150
5	35,001	40,000	196,471
3	40,001	45,000	133,250
17	45,001	50,000	844,050
4	50,001	55,000	208,325
5	55,001	60,000	295,000
4	60,001	65,000	254,625
5	65,001	70,000	343,000
6	70,001	75,000	446,100
2	75,001	80,000	154,250
4	95,001	100,000	400,000
1	100,001	105,000	100,096
1	105,001	110,000	109,000
1	110,001	115,000	112,499
1	115,001	120,000	115,250
1	120,001	125,000	122,000
1	135,001	140,000	138,000
1	140,001	145,000	142,252
2	150,001	155,000	304,500
1	155,001	160,000	159,075
1	175,001	180,000	180,000
2	185,001	190,000	376,500
3	195,001	200,000	600,000
3	200,001	205,000	604,250
1	205,001	210,000	207,500
2	260,001	265,000	528,000
2	295,001	300,000	600,000
1	330,001	335,000	335,000
1	340,001	345,000	342,000
2	395,001	400,000	800,000
1	630,001	635,000	632,500
1	1,430,001	1,435,000	1,433,500
1	1,495,001	1,500,000	1,500,000
1	1,995,001	2,000,000	2,000,000
1	3,555,001	3,560,000	3,557,400
1	11,890,001	11,895,000	11,891,345
1	21,335,001	21,340,000	21,339,562
1	46,040,001	46,045,000	46,044,083
3,731			**105,699,300**

Category wise Shareholding

Sr. no.	Particulars	No Of shareholders	No of Shares	Percentage
01	Sponsors, Directors, CEO and Children	7	79,274,998	75.0005
02	Banks, DFI And NBFI	1	72,500	0.0686
03	Insurance Companies	1	152,500	0.1443
04	Modarabas and Mutual Funds	6	820,000	0.7758
05	General Public (Local)	3619	20,267,796	19.175
06	General Public (Foreign)	63	448,426	0.4242
07	Others	30	1,053,080	0.9963
08	Foreign Companies	4	3,610,000	3.4153
	Total	**3,731**	**105,699,300**	**100**

Pattern of Shareholding

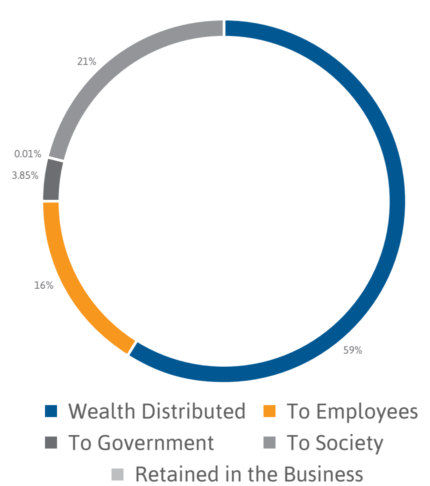
		Number of Shares
1	**Associated companies, Undertakings and Related parties**	NIL
2	**Mutual Funds**	
	First Prudential Modaraba	50,000
	Cdc - Trustee Akd Index Tracker Fund	5,500
	Cdc - Trustee Nafa Stock Fund	632,500
	Cdc - Trustee Nafa Pension Fund Equity Fund	69,500
	Cdc - Trustee Nafa Islamic Pension Fund Equity Fund	62,500
3	**Directors, CEO and their spouse(s) and minor children**	
	Mr. Bakhtiar Hameed Wain	46,044,083
	Mr. Khalid Wain	21,339,562
	Mr. Amir Wain	11,891,345
	Mr. Tanveer Karamat	2
	Mr. Umar Ahsan Khan	2
	Mr. Naveed A Baig	2
	Mr. Tajammal Hussain	2
4	**Executive**	
	Mr. Muhammad Ali Khan	100
	Mr. Hassan Abbas	525
	Mr. Irfan Rasheed	1,000
	Mr. Muhammad Younas	1,050
	Mr. Usman Khalid	1,050
	Mr. Safi Ullah Khan	1,500
	Mr. Armaghan Yusuf	2,000
	Mr. Umer Aslam	2,100
	Mr. Junaid Mushtaq Paracha	6,000
	Mr. Arif Shuja	32,000
	Mr. Ahsan Khalil	64,125
5	public sector companies and corporations	NIL
6	banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	225,000
7	shareholders holding five percent or more voting rights in the listed company	NIL

Statement of Value Addition

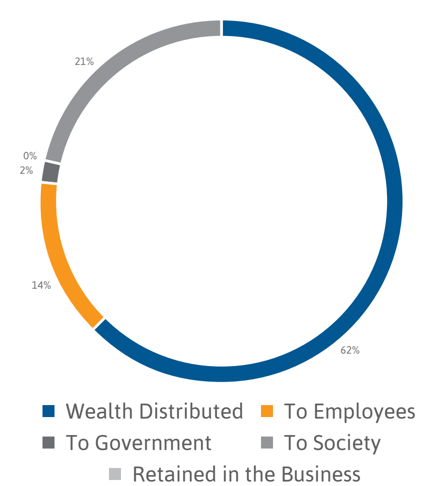
	2014 (Rs. In ,000)	%age	(Rs. In ,000)
Wealth generated			
Sales included Sales Tax	1,956,955	98%	1,891,884
Other oper¬ating income	31,259	2%	32,227
	1,988,214		1,924,111
Wealth distributed			
Cost of material and services	1,241,334	62%	1,137,552
To Employees			
Salaries and other related cost	273,801	14%	301,094
To Government			
Taxes	44,988	2%	74,000
To Society			
Donation	881	0.04%	172
Retained in the business			
To provide for growth: Retained profits	427,210	21%	411,293
	1,988,214		1,924,111

	2014	2013
Wealth distributed	62%	59%
To Employees	14%	16%
To Government	2%	3.85%
To Society	0%	0.01%
Retained in the business	21%	21%

FY 2013



FY 2014



Avanceon

Financial Statements

for the year ended December 31, 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of Avanceon Limited (the Company) as at 31 December 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:
   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Farooq Hameed

Lahore: 06 March 2015

Balance Sheet
as at December 31, 2014

	Note	2014 Rupees	2013 Rupees
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
150,000,000 (2013: 110,000,000) ordinary shares of Rs. 10 each		1,500,000,000	1,100,000,000
Issued, subscribed and paid up capital			
105,696,534 (2013: 75,500,000) ordinary shares of Rs. 10 each	5	1,056,965,340	755,000,000
Share Premium	6	61,892,584	–
Employees' share compensation reserve	7	45,000,000	45,000,000
Un-appropriated profit		681,661,058	453,974,085
		1,845,518,982	1,253,974,085
Surplus on Revaluation of Property, Plant And Equipment	8	90,295,262	84,265,939
Non Current Liabilities			
Long term finances		–	7,083,331
Deferred tax	9	18,159,938	15,517,626
Liabilities against assets subject to finance lease	10	29,315,989	26,730,405
		47,475,927	49,331,362
Current Liabilities			
Current portion of long-term liabilities	10	16,051,776	15,403,703
Finances under mark up arrangements and other credit facilities - secured		–	49,613,346
Short term loan from directors - unsecured		–	24,107,908
Cash received against Initial Public Offering		–	264,243,000
Creditors, accrued and other liabilities	11	467,859,642	499,821,844
		483,911,418	853,189,801
Contingencies and Commitments	12	–	–
		2,467,201,589	2,240,761,187

The annexed notes from 1 to 37 form an integral part of these financial statements

Chief Executive

	Note	2014 Rupees	2013 Rupees
Assets			
Non Current Assets			
Property, plant and equipment	13	199,700,583	185,473,715
Intangible assets		–	12,237
Long term investments	14	473,670,870	473,670,870
Long term deposits	15	11,038,106	9,154,904
		684,409,559	668,311,726
Current Assets			
Stock in trade	16	48,465,223	49,331,509
Trade debts	17	794,960,223	484,405,136
Short term investments	18	94,566,163	33,740,996
Advances, deposits, prepayments and other receivables	19	832,949,276	674,910,469
Cash and bank balances	20	11,851,145	330,061,351
		1,782,792,030	1,572,449,461
		2,467,201,589	2,240,761,187

Director

Profit & Loss Account

for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
Sales	21	1,079,109,310	1,108,846,819
Cost of sales	22	(578,138,341)	(748,579,535)
Gross profit		500,970,969	360,267,284
Administrative and selling expenses	23	(121,620,071)	(137,047,149)
Other charges	24	(23,189,552)	(180,439)
Other operating income	25	146,764,490	257,248,008
		1,954,867	120,020,420
Profit from operations		502,925,836	480,287,704
Finance costs	26	(8,871,335)	(16,820,642)
Profit before tax		494,054,501	463,467,062
Taxation def. tax only	27	(16,068,328)	(24,949,075)
Profit for the period		477,986,173	438,517,987
			Restated
Earnings per share - basic	28	4.57	5.53
Earnings per share - diluted		4.36	5.20

The annexed notes from 1 to 37 form an integral part of these financial statements

Chief Executive

Director

Statement of Comprehensive Income

for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Profit for the year	477,986,173	438,517,987
Other comprehensive income		
- Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets for the period- net of tax	1,355,550	810,345
Total comprehensive income for the period	479,341,723	439,328,332

The annexed notes from 1 to 37 form an integral part of these financial statements

Chief Executive

Director

Cash Flow Statement

for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
Cash flows from operating activities			
Cash used in operations	29.	(10,524,524)	(22,027,673)
Financial cost paid		(9,344,661)	(20,415,492)
Taxes paid		(35,896,809)	(18,167,740)
Net cash used in operating activities		(55,765,994)	(60,610,905)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,257,241)	(6,969,381)
Proceeds from sale of property, plant and equipment		5,179,092	5,780,370
Income on bank deposits received		13,246,867	127,921
Short term investment		(60,825,167)	(30,293,996)
Net increase in long term deposits		(1,883,202)	(1,343,845)
Net cash used in investing activities		(48,539,651)	(32,698,931)
Cash flows from financing activities			
Repayment of long term finances		(10,000,000)	(74,383,761)
Net cash received against shares issued		88,045,776	–
Cash received against initial public offering		–	264,243,000
Dividend paid		(201,324,250)	–
Repayment of/proceeds from director's loan		(24,107,908)	1,427,908
Repayment of finance lease liabilities		(16,904,833)	(7,014,388)
Net cash (used in) / generated from financing activities		(164,291,215)	184,272,759
Net (decrease) / increase in cash and cash equivalents		(268,596,860)	90,962,923
Cash and cash equivalents at the beginning of period		280,448,005	189,485,082
Cash and cash equivalents at the end of period	30.	11,851,145	280,448,005

The annexed notes from 1 to 37 form an integral part of these financial statements

Chief Executive

Director

Statement of Changes in Equity

for the year ended December 31, 2014

	Share capital	Share premium	Employee's share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on 1 January 2013	400,000,000	–	–	414,645,753	814,645,753
Profit for the year	–	–	–	438,517,987	438,517,987
Other comprehensive income	–	–	–	810,345	810,345
				439,328,332	439,328,332
Employee share option			45,000,000	(45,000,000)	–
Bonus shares issued	355,000,000	–	–	(355,000,000)	–
	355,000,000	–	45,000,000	(400,000,000)	
Balance as on 31 December, 2013	755,000,000	–	45,000,000	453,974,085	1,253,974,085
Profit for the year	–	–	–	477,986,173	477,986,173
Other comprehensive income	–	–	–	1,355,550	1,355,550
	–	–	–	479,341,723	479,341,723
Issue of 25,163,484 shares of Rs. 10 each fully					–
paid in cash @ premium of Rs. 4 each	251,634,840	100,653,936	–	–	352,288,776
Expenses incurred against Initial Public Offering	–	(38,761,352)	–	–	(38,761,352)
Cash dividend paid @ Rs. 2 per share	–	–	–	(201,324,250)	(201,324,250)
Bonus shares issued @ 5%	50,330,500	–		(50,330,500)	–
	301,965,340	61,892,584	–	(251,654,750)	112,203,174
Balance as on 31 December, 2014	1,056,965,340	61,892,584	45,000,000	681,661,058	1,845,518,982

The annexed notes from 1 to 37 form an integral part of these financial statements

Chief Executive

Director

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

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

2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2014:

New and amended standards and interpretations

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

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

IFAS 3	–	Profit and Loss Sharing on Deposits
IAS 32	–	Financial Instruments : Presentation – (Amendment) - Offsetting Financial Assets and Financial Liabilities
IAS 36	–	Impairment of Assets – (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	–	Financial Instruments: Recognition and Measurement – (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	–	Levies

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

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

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

		Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 10	–	Consolidated Financial Statements	01-Jan-15
IFRS 11	–	Joint Arrangements	01-Jan-15
IFRS 12	–	Disclosure of Interests in Other Entities	01-Jan-15
IFRS 13	–	Fair Value Measurement	01-Jan-15
IAS 1	–	Presentation of Financial Statements – (Amendment) - Disclosure Initiative	01-Jan-16
IAS 16 & 38	–	Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	01-Jan-16
IAS 16 & 41	–	Property, Plant and Equipment & Agriculture - (Amendment)-Agriculture: Bearer Plants	01-Jan-16
IAS 19	–	Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	01-Jul-14

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation			IASB Effective date (annual periods Beginning on or after)
IFRS 9 –	–	Financial Instruments: Classification and Measurement	01January 2018
IFRS 14	–	Regulatory Deferral Accounts	01January 2016
IFRS 15	–	Revenue from Contracts with Customers	01January 2017

3. BASIS OF MEASUREMENT

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

3.2 Significant accounting judgements and critical accounting estimates assumptions

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for taxation

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

b) Recoverable amount of property, plant and equipment

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

c) Cost to complete the projects

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

d) Stock in trade

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest rupee.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

The Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2013:10%) of the basic salary.

4.2 Taxation

Current

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

Deferred

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

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

4.3 Property, plant and equipment

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

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

Depreciation is charged to income using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in note 14 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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

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

4.4 Capital work in progress

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

4.5 Investments

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

Investments in equity instruments of subsidiaries

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

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

4.6 Leases

The Company is the lessee.

4.6.1 Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 14. Depreciation of leased assets is charged to profit and loss account. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

4.6.2 Operating leases

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

4.7 Stores and spares

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

4.8 Stock in trade

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

Materials in transit are stated at cost comprising invoice value plus other charges incurred thereon.
Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make a sale.

4.9 Financial instruments

4.9.1 Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

d) Held to maturity

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

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

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.12.

4.9.2 Financial liabilities

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

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Trade debts

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

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

4.12 Cash and cash equivalents

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

4.13 Borrowings

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

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

4.14 Creditors, accruals and provisions

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

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

4.15 Foreign currencies

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

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

4.16 Borrowing costs

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

4.17 Revenue recognition

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

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

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

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

4.18 Dividend income

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

4.19 Share based payment transactions

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

The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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

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

4.20 Operating segment disclosures

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

4.21 Related parties

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

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
Numbers of Shares			Rupees	Rupees
57,163,484	32,000,000	Ordinary shares of Rs. 10 each fully paid in cash	571,634,840	320,000,000
48,533,050	43,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	485,330,500	435,000,000
105,696,534	75,500,000		1,056,965,340	755,000,000

5.1 Wain Family holds 75% (2013: 100%) share capital of the Company.

6 SHARE PREMIUM

This represents premium on 25,163,484 shares at the rate of Rs. 4 each. Costs incurred on Initial Public Offering amounting to Rs. 38,761,352 have been written off against this.

7. EMPLOYEES' SHARE COMPENSATION RESERVE

This represents the options to purchase 5 million shares offered to employees at an exercise price of Rs. 1 per share which has been recorded as receivable from employees. The remaining amount of Rs. 45 million out of the total par value of these shares of Rs. 50 million has been set aside from unappropriated profit of the company. The contractual term of each option is 5 years.

	2014 Rupees	2013 Rupees
7.1 Employee share compensation reserve		
Balance as at January 1	45,000,000	–
Options issued during the year recognized at the grant date fair value	–	45,000,000
Balance as at December 31	45,000,000	45,000,000

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

	2014	2013
	(Number of options)	
7.2 Movement in share options outstanding at end of the year is as follows		
Balance as at January 1	5,000,000	–
Options issued during the year	–	5,000,000
Balance as at December 31	5,000,000	5,000,000

8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

	2014 Rupees	2013 Rupees
Opening balance of surplus on revaluation of property, plant and equipment	84,265,939	68,952,733
Revaluation surplus arising during the year - net of tax	7,384,873	16,123,551
Surplus transferred to other comprehensive income for the year on account of incremental depreciation	(1,355,550)	(810,345)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax	90,295,262	84,265,939

9. DEFERRED TAXATION

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

	2014 Rupees	2013 Rupees
Accelerated tax depreciation/ amortization	(2,150,286)	(1,230,148)
Unused tax losses	(49,500,000)	(22,685,801)
Surplus on revaluation of property, plant and equipment	2,235,474	1,567,814
Income taxable on receipt basis	67,574,750	37,865,761
	18,159,938	15,517,626

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 11.78% to 12.98% (2013: 11.78% to 12.98%) per annum. The amount of future payments and the period during which they will become due are:

	2014 Rupees	2013 Rupees
Year ended 31 December		
2015	20,020,470	18,925,945
2016 - 2018	32,496,452	29,179,832
Minimum lease payments	52,516,922	48,105,777
Less: Future finance charges	7,149,157	8,888,338
	45,367,765	39,217,439
Current portion	16,051,776	12,487,034
	29,315,989	26,730,405

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

	2014		2013	
	MLP	PV of MLP	MLP	PV of MLP
	Rupees		Rupees	
10.1 Minimum lease payments (MLP) and their present value (PV) are regrouped as below:				
Due not later than 1 year	20,020,470	16,051,776	18,925,945	12,487,034
Due later than 1 year but not later than 5 years	32,496,452	29,315,989	29,179,832	26,730,405
	52,516,922	45,367,765	48,105,777	39,217,439

	Note	2014 Rupees	2013 Rupees
11 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		87,190,308	113,343,406
Accrued expenses		29,919,014	38,169,302
Advances from customers		17,461,086	75,327,421
Payable to related parties	11.1	312,397,282	229,741,925
Sales tax payable		4,921,443	9,550,765
Social security payable		14,838	12,140
Mark up accrued on:			
- Long term finances		–	561,908
- Finances under mark up arrangements and other credit facilities - secured		–	644,035
- Finances under mark up arrangement from director - unsecured		–	1,569,448
Other liabilities	11.2	12,816,905	27,762,728
Withholding tax surcharge		3,138,766	3,138,766
		467,859,642	499,821,844

11.1 This represents amount due to Avanceon FZE (a wholly owned subsidiary) which is non-interest bearing.

11.2 This includes Rs. 1,851,567 (2013: 2,555,037) and Rs. 995,528 (2013: Rs. 16,525,073) relating to provident fund payable and withholding tax deducted at source payable respectively.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

(i) Bank guarantees issued amounting to Rs 3.6 million (2013: Rs 4 million) against the performance of various contracts.

(ii) Post dated cheques issued to IGI Insurance Company Limited as security against insurance guarantee issued by them in favour of AES Lalpir, Pakgen Power Limited and Lalpir Power Limited for performance of contracts amounting to Rs nil (2013: nil).

(iii) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the company has not made any provision for Workers' Welfare Fund (WWF) in the financial statements in the light of the Order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The company may be liable to pay WWF amounting to Rs. 18,445,062 if the Supreme Court's decision is unfavorable. This amount has been calculated based on accounting profits excluding dividend income. The amount of WWF on dividend is Rs. 9,927,731.

	Note	2014 Rupees	2013 Rupees
13. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	13.1	197,569,791	185,473,715
Capital work in progress	13.2	2,130,792	–
		199,700,583	185,473,715

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

13.1 Operating fixed assets:

	2014										
	Cost / revalued amount as at 01 January 2014	Additions / transfers	Deletions	Effect of revaluation as at 31 December 2014	Cost / revalued amount as at 31 December 2014	Accumulated depreciation as at 01 January 2014	Depreciation charge / (adjustments) for the year	Effect of revaluation / transfers as at 31 December 2014	Accumulated depreciation as at 31 December 2014	Net Book value as at 31 December 2014	Rate %
Owned Assets											
Freehold land	70,775,000	–	–	3,725,000	74,500,000	–	–	–	–	74,500,000	–
		–					–	–			
Buildings on freehold land	66,530,986	1,390,665	–	1,019,159	68,940,810	–	5,346,690	(4,443,339)	903,351	68,037,459	5
		–					–	–			
Furniture and fixture	10,584,464	86,697	–	–	10,995,277	10,584,464	380,321	–	10,206,471	788,806	20
		324,116					–	(758,314)			
Vehicles	8,404,820	–	(8,588,494)	–	6,782,384	8,254,954	896,655	–	6,480,409	301,975	20
		6,966,059					(7,652,646)	4,981,446			
	–				–						
Office equipment and appliances	26,554,099	1,179,450	(425,333)	–	22,568,851	19,353,981	1,458,692	758,314	20,408,118	2,160,733	20
		(4,739,366)					(302,573)	(860,296)			
Computers	11,714,105	1,600,429	(1,136,487)	–	12,178,047	9,179,224	1,689,303	–	9,787,732	2,390,315	33.33
		–					(1,080,795)	–			
	194,563,474	4,257,241	(10,150,314)	4,744,159	195,965,369	47,372,623	9,771,661	(4,443,339)	47,786,081	148,179,288	
		2,550,809		–			(9,036,014)	4,121,150			
Assets Subject to Finance Lease											
Vehicles	51,071,000	19,399,367	–	–	63,504,308	12,788,136	11,090,057	–	18,896,747	44,607,561	20
		(6,966,059)					–	(4,981,446)			
Office equipment and appliances	–	1,525,000	–	–	5,940,250	–	297,012	–	1,157,308	4,782,942	
		4,415,250					–	860,296			
	51,071,000	20,924,367	–	–	69,444,558	12,788,136	11,387,069	–	20,054,055	49,390,503	
		(2,550,809)	–	–	–	–	–	(4,121,150)	–	–	
	245,634,474	25,181,608	(10,150,314)	4,744,159	265,409,927	60,160,759	21,158,730	(4,443,339)	67,840,136	197,569,791	
		–	–	–	–	–	(9,036,014)	–	–	–	

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

	2013										
	Cost / revalued amount as at 01 January 2013	Addition transfers	Deletions	Effect of revaluation as at 31 December 2013	Cost / revalued amount as at 31 December 2013	Accumulated depreciation as at 01 January 2013	Depreciation charge / (adjustment) for the year	Effect of revaluation / transfers as at 31 December 2013	Accumulated depreciation as at 31 December 2013	Net Book value as at 31 December 2013	Rate %
Owned Assets											
Freehold land	59,600,000	–	–	11,175,000	70,775,000	–	–	–	–	70,775,000	–
		–					–	–			
Buildings on freehold land	61,638,515	145,925	–	4,746,546	66,530,986	–	2,751,258	(2,751,258)	–	66,530,986	5
		–					–	–			
Furniture and fixture	10,524,464	60,000	–	–	10,584,464	10,178,078	406,386	–	10,584,464	–	20
		–					–	–			
Vehicles	8,233,525	–	(10,039,505)	–	8,404,820	7,805,787	1,415,594	–	8,254,954	149,866	20
		10,210,800					(8,746,247)	7,779,820			
Office equipment and appliances	21,311,301	5,242,798	–	–	26,554,099	18,561,062	792,919	–	19,353,981	7,200,118	20
		–					–	–			
Computers	11,093,547	1,520,658	(900,100)	–	11,714,105	8,229,498	1,783,673	–	9,179,224	2,534,881	33.33
		–					(833,947)	–			
	172,401,352	6,969,381	(10,939,605)	15,921,546	194,563,474	44,774,425	7,149,830	(2,751,258)	47,372,623	147,190,851	
		10,210,800					(9,580,194)	7,779,820			
Assets Subject to Finance Lease											
Vehicles	41,041,946	20,239,854	–	–	51,071,000	11,268,689	9,299,267	–	12,788,136	38,282,864	20
		(10,210,800)					–	(7,779,820)			
	41,041,946	20,239,854	–	–	51,071,000	11,268,689	9,299,267	–	12,788,136	38,282,864	
	–	(10,210,800)	–	–	–	–	–	(7,779,820)	–	–	
	213,443,298	27,209,235	(10,939,605)	15,921,546	245,634,474	56,043,114	16,449,097	(2,751,258)	60,160,759	185,473,715	
	–			–	–	–	(9,580,194)	–	–	–	

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
13.1.1 The depreciation charge has been allocated as follows:			
Cost of goods sold	22.	10,579,367	8,224,550
Administrative and selling expenses	23.	10,579,363	8,224,547
		21,158,730	16,449,097

13.1.2 Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 30 November 2014. This revaluation resulted in surplus of Rs.3,725,000 and Rs. 5,462,498 in respect of freehold land and building. Detailed particulars are as follows:

	Depreciated cost Rupees	Revalued amount Rupees
Freehold land	70,775,000	74,500,000
Buildings on freehold land	63,478,313	68,940,810

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

	2014 Rupees	2013 Rupees
Freehold land	8,646,742	8,646,742
Buildings on freehold land	38,099,102	40,031,918

13.1.4 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain	Mode of Disposal
		Rupees					
Vehicles	**Employees**						
Suzuki Cultus LEB-09-8605	Sajjad Haider	929,328	919,001	10,327	433,790	423,463	Company Policy
Suzuki Cultus LEB-09-8602	Muhammad Ishaq	929,338	929,337	1	725,000	724,999	Company Policy
Honda Citi LEE-08-2643	Omer Bin Abdul Aziz	962,547	962,546	1	336,891	336,890	Company Policy
Honda Citi LEC-7528	Adeel Khalid	1,550,535	671,898	878,637	751,644	(126,993)	Company Policy
Honda Citi QF-127	Tauqeer Karamat	1,379,150	1,332,271	46,879	602,767	555,888	Company Policy
		5,750,898	4,815,053	935,845	2,850,092	1,914,247	
Outsiders							
Suzuki Cultus LEB-09-8609	Shaukat Pervaiz	929,328	929,327	1	700,000	699,999	Bidding
Suzuki Cultus LEB-09 1695	Mubeen Iqbal	978,940	978,939	1	735,000	734,999	Bidding
Suzuki Cultus LEB-09-8608	Muhammad Khursheed	929,328	929,327	1	737,000	736,999	Bidding
		2,837,596	2,837,593	3	2,172,000	2,171,997	
Others (scraped)		1,561,820	1,383,368	178,452	157,000	(21,452)	
		10,150,314	9,036,014	1,114,300	5,179,092	4,064,792	

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

13.2. Capital work in progress

	2014				
	Opening balance	Adjustment	Additions	Transfers	Closing balance
			RUPEES		
Work in progress-office	–	–	2,130,792	–	2,130,792
	–	–	2,130,792	–	2,130,792

	2014		2013	
	Equity % held	Investment at cost Rupees	Equity % held	Investment at cost Rupees
14. LONG TERM INVESTMENTS				
Wholly owned subsidiaries - unquoted				
- Avanceon FZE				
26 (2012 : 26) fully paid ordinary shares of AED 1 million each	100	473,670,870	100	473,670,870

15. LONG TERM DEPOSITS

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

	Note	2014 Rupees	2013 Rupees
16. STOCK IN TRADE			
Finished goods		48,465,223	55,215,414
Less: Provision for slow moving inventory	16.1	–	(5,883,905)
		48,465,223	49,331,509
16.1 Provision for slow moving inventory			
Opening balance		5,883,905	5,883,905
Less: Write off during the year		(5,883,905)	–
Closing balance		–	5,883,905
17. TRADE DEBTS			
Considered good - due from related parties	17.1	466,640,490	200,520,833
Considered good - due from others		250,918,616	230,590,936
		717,559,106	431,111,769
Due against construction work in progress and accrued revenue		77,401,117	53,293,367
Considered doubtful:			
- due against construction work in progress and accrued revenue		–	1,923,412
- due from others		1,357,645	1,686,654
		1,357,645	3,610,066
		796,317,868	488,015,202
Less: Provision for doubtful debts - specific	17.2	(1,357,645)	(3,610,066)
		794,960,223	484,405,136

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

17.1 This represents amount due from Avanceon FZE (wholly owned subsidiary).

17.2 Provision for doubtful debts and doubtful earnings

	2014 Rupees	2013 Rupees
Opening balance	3,610,066	2,684,204
Add: Provision for the year	1,357,645	925,862
Less: Write off during the year	(3,610,066)	–
Closing balance	1,357,645	3,610,066

17.3 Ageing of trade debts

	2014 Rupees	2013 Rupees
The ageing analysis of these trade debts is as follows:		
*Upto 3 months	537,114,464	210,697,659
3 to 6 months	119,304,593	82,179,670
More than 6 months	138,541,166	191,527,807
	794,960,223	484,405,136

*This include trade debts aggregating to Rs. 254,070,043 (2013: 141,279,375) which are neither past due nor impaired.

18. SHORT TERM INVESTMENTS

This represents investments in TDRs carrying interest at the rate of 7.67% (2013: 7%-8.5%)per annum.

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014 Rupees	2013 Rupees
Advances - considered good			
- To employees		10,465,396	4,897,399
- To suppliers		15,950,710	1,372,892
		26,416,106	6,270,291
Prepayments		1,112,632	14,709,762
Bank guarantee/ LC cash margin		7,258,305	12,292,126
Receivable from income tax department - considered good		57,457,373	36,789,205
Earnest money-Considered good		1,613,348	1,043,115
Due from subsidiaries - unsecured			
- Dividend receivable	19.1	637,540,001	533,199,645
- Others		94,903,927	61,968,480
		732,443,928	595,168,125
Other receivables - considered good		5,757,089	8,344,387
Interest accrued on short term investments		890,495	293,458
		832,949,276	674,910,469

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

		Note	2014 Rupees	2013 Rupees
20.	**CASH AND BANK BALANCES**			
	At banks on current accounts		11,825,582	329,994,891
	Cash in hand		25,563	66,460
			11,851,145	330,061,351
21.	**SALES**			
	Local sales and services	21.1	507,511,366	502,286,342
	Export sales and services	21.2	571,597,944	606,560,477
			1,079,109,310	1,108,846,819
21.1	**Local sales and services**			
	Local sales and services		536,430,887	575,804,282
	Less: Sales tax		(28,919,521)	(73,517,940)
	Net sales		507,511,366	502,286,342
21.2	**Export sales and services**			
	Agency commission		13,814,616	18,473,276
	Subcontracted supplies		123,815,628	177,441,142
	Outsourcing income		15,001,881	10,757,425
	Management fees		34,795,000	30,615,000
	Other engineering / support services		159,896,312	134,219,332
	Back office support		107,060,929	50,779,515
	Maintenance income-export		1,891,367	10,708,831
	Project revenue-export		115,322,211	173,565,956
			571,597,944	606,560,477
22.	**COST OF SALES**			
	Opening stock		49,331,509	53,629,475
	Purchases and direct expenses		577,272,055	744,281,569
	Closing stock	16	(48,465,223)	(49,331,509)
		22.1	578,138,341	748,579,535
22.1	**Cost of goods sold and services rendered**			
	Materials consumed		333,093,732	520,132,410
	Salaries, wages, allowances and other benefits	22.2	100,480,602	93,410,233
	Telephone, postage and telex		5,004,913	4,714,280
	Utilities		3,746,823	7,289,115
	Travelling and conveyance		34,889,671	41,260,605
	Installation charges		52,324,500	35,713,339
	Entertainment		3,495,755	2,921,131
	Repairs and maintenance		550,359	1,228,569
	Printing and stationery		882,165	360,287
	Import cost		27,496,960	30,184,200
	Insurance		3,747,525	1,926,418
	Rent, rates and taxes		1,155,934	933,322
	Fee & subscription control account		690,035	281,076
	Depreciation on property, plant and equipment	13.1.1	10,579,367	8,224,550
			578,138,341	748,579,535

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

22.2 Salaries, wages and benefits include Rs 4.830 million (2013: Rs 4.023 million) representing provident fund contribution by the Company.

	Note	2014 Rupees	2013 Rupees
23. ADMINISTRATIVE AND SELLING EXPENSES			
Director's remuneration		5,836,895	6,591,280
Salaries, wages, allowances and other benefits	23.1	43,063,116	62,273,488
Telephone, postage and telex		4,337,881	2,883,384
Utilities		3,746,823	7,289,115
Entertainment		2,870,442	1,482,094
Repairs and maintenance		1,651,076	1,463,538
Advertisement and sales promotion		4,679,851	2,315,883
Bad debts write-off expense		2,067,144	1,487,213
Printing, stationery and periodicals		879,229	339,438
Vehicle running and maintenance		1,279,280	1,316,699
Travelling and conveyance		18,002,155	24,745,289
Rent, rates and taxes		1,155,933	933,322
Training and tuition		431,249	255,705
Insurance		3,666,344	2,815,387
Legal and professional charges		3,195,940	2,128,336
Auditors' remuneration	23.2	1,318,000	1,275,000
Fee and subscription		3,493,601	379,975
Annual meeting expenses		2,630,336	820,621
Late delivery charges		858,400	–
Depreciation on property, plant and equipment	13.1.1	10,579,363	8,224,547
Amortization of intangible assets		12,237	6,944
Marketing Expense (Inter-Co Charge)		696,510	–
Withholding tax surcharge		–	3,138,766
Other expenses		3,810,621	3,856,228
Provision for doubtful			
- receivables and earnings	17.2	1,357,645	925,862
- earnest money		–	99,035
		1,357,645	1,024,897
		121,620,071	137,047,149

23.1 Salaries, wages and benefits include Rs. 2.070 million (2013: Rs 2.682 million), Rs 0.353 million (2013: Rs 1.5 million) for provident fund contribution by the Company, accumulating compensated absences respectively.

	2014 Rupees	2013 Rupees
23.2 Auditors' remuneration		
Statutory audit	750,000	750,000
Half yearly review	350,000	350,000
Other advisory services	118,000	75,000
Out of pocket expenses	100,000	100,000
	1,318,000	1,275,000

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

		Note	2014 Rupees	2013 Rupees
24.	**OTHER CHARGES**			
	Social security		177,502	180,439
	Donations		881,238	–
	Exchange loss		22,130,812	–
			23,189,552	180,439
25.	**OTHER OPERATING INCOME**			
	Income on bank deposits		13,843,904	355,449
	Gain on disposal of property, plant and equipment	13.1.4	4,064,792	4,420,959
	Exchange gain		–	19,137,608
	Dividend Income	25.1	126,797,180	225,965,000
	Others		2,058,614	7,368,992
			146,764,490	257,248,008

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

		2014 Rupees	2013 Rupees
26.	**FINANCE COSTS**		
	Mark-up and interest on:		
	- Long term loan	1,292,135	2,135,157
	- Director loan	280,815	2,816,875
	- Finances under mark up arrangements and other credit facilities - secured	193,379	2,594,436
	- Finance lease	4,642,522	4,341,288
	- Other financial arrangements	160,419	1,581,131
	Bank charges	352,383	424,534
	Late penalty charges	40,000	694,863
	Guarantee commission	1,909,682	2,232,358
		8,871,335	16,820,642
27.	**TAXATION**		
	Current		
	- for the year	13,426,016	18,167,740
	Deferred		
	- for the year	3,098,713	6,531,727
	- due to reduction in tax rate	(456,401)	249,608
		2,642,312	6,781,335
	Prior year	16,068,328	24,949,075

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

			2014 Rupees	2013 Restated Rupees
28.	**EARNINGS PER SHARE**			
	28.1 Basic earnings per share			
	Net profit for the year	Rupees	477,986,173	438,517,987
	Weighted average number of ordinary shares	Numbers	104,538,448	79,275,000
	Earnings per share - Basic and Diluted	Rupees	4.57	5.53

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has granted the share options to employees as explained in note 6.

		2014 Rupees	2013 Restated Rupees
Weighted average number of ordinary shares	Numbers	104,538,448	79,275,000
Assumed conversion of share options into ordinary shares	Numbers	5,000,000	5,000,000
Weighted average number of ordinary shares for diluted earnings per share	Numbers	109,538,448	84,275,000
Earnings per share - Diluted	Rupees	4.36	5.20

		2014 Rupees	2013 Rupees
29.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit before tax	494,054,501	463,467,062
	Adjustments for:		
	Depreciation on property, plant and equipment	9,771,661	7,149,830
	Depreciation on asset subject to finance lease	11,387,069	9,299,267
	Provision for doubtful debts	1,357,645	–
	Amortization on intangible asset	12,237	6,944
	Exchange loss/(gain)	22,130,812	(19,137,608)
	Gain on disposal of property, plant and equipment	(4,064,792)	(4,420,959)
	Finance cost	6,569,270	16,820,642
	Dividend income	(126,797,180)	(225,965,000)
	Income on bank deposits	(13,843,904)	(355,449)
		(93,477,182)	(216,602,333)
	Profit before working capital changes	400,577,319	246,864,729
	Effect on cash flow due to working capital changes:		
	(Increase) / decrease in current assets		
	- Stock in trade	866,286	4,297,966
	- Trade debts	(311,912,732)	(35,216,710)
	- Advances, deposits, prepayments and other receivables	(70,868,586)	(49,330,244)
	Increase / (decrease) in current liabilities		
	- Creditors, accrued and other liabilities	(29,186,811)	(188,643,414)
		(411,101,843)	(268,892,402)
	Cash used in operations	(10,524,524)	(22,027,673)

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
30. CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	11,851,145	330,061,351
Finances under mark up arrangements and other credit facilities - secured		–	(49,613,346)
		11,851,145	280,448,005

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, subsidiaries, post employment benefit plans, other related companies, and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

		2014 Rupees	2013 Rupees
i. Subsidiaries	Agency commission	13,814,616	18,473,276
	Export sales	123,815,628	177,441,142
	Outsourcing income	15,001,881	10,757,425
	Business process outsourcing	107,060,929	50,779,515
	Management fee charged	34,795,000	30,615,000
	Paid for provident fund audit	80,000	
	Fee for technical services	159,896,312	134,219,332
	based on the stage of completion	117,213,578	184,274,788
	Dividend income	126,797,180	225,965,000
ii. Associated undertakings	Charges in respect of management personnel seconded by associates	–	80,000
	Other charges and reimbursement of expenses	9,370,568	182,969
iii. Post employment benefit plans	Expense charged in respect of retirements benefit plans	6,899,851	7,148,716

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

	Note	2014 (Audited) Rupees	2013 (Audited) Rupees
32. PROVIDENT FUND			
Size of fund		48,201,082	47,245,580
Fair value of investments made		39,423,093	28,643,618
Cost of investment made		39,294,818	26,607,725
Percentage of investments made		82%	61%

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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

	2014 (Audited)		2013 (Audited)	
	Investments Rupees	Investments as % of size of the fund	Investments Rupees	Investments as % of size of the fund
Government Securities	30,798,400	78%	20,000,000	70%
Scheduled Banks	2,116,902	5%	3,328,412	12%
Other Mutual Funds	3,081,936	8%	51,091	0%
Listed Securities	3,425,855	9%	5,264,115	18%
	39,423,093		28,643,618	

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

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

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

Risk management is carried out by the Company's finance and planning department under guidelines approved by the Corporate Center of the holding 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. A foreign exchange risk management guideline has been provided by the Corporate Center. The policy allows the Company to take currency exposure within predefined limits while open exposures are monitored. The Company aims to protect itself against adverse currency movements by either linking the price of its products to foreign currency or hedge any exposure, either through forward contracts, options or prepayments, etc.

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

The Following significant exchange rates were applied during the year:

	2014	2013
Rupees per USD		
Average rate	103	100.95
Reporting date rate	100.4	105.00
Rupees per GBP		
Average rate	166	164.89
Reporting date rate	156.32	173.03
Rupees per Euro		
Average rate	134	136.51
Reporting date rate	122.13	144.83
Rupees per AED		
Average rate	28	27.49
Reporting date rate	27.33	28.59

At December 31, 2014, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post tax profit/ (loss) for the year would have been higher/lower as under, mainly as a result of foreign exchange losses/gains on translation of US Dollars-denominated liabilities.

Foreign currency sensitivity analysis

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

	Change in Exchange rate	Effect of profit before tax Rupees	Effect on equity Rupees
2014	5%	2,358,611	1,580,269
	-5%	(2,358,611)	(1,580,269)
2013	5%	(4,173,015)	(2,754,190)
	-5%	4,173,015	2,754,190

(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 long-term finances and liabilities against finances under mark-up arrangements. Long term and short term running finances obtained 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 6-month KIBOR.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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

	2014 Rupees	2013 Rupees
Financial liabilities		
Floating rate instruments		
Long term finances	–	7,083,331
Liabilities against assets subject to finance lease	45,367,765	39,217,439
Finances under mark-up arrangements and other credit facilities - secured	–	49,613,346
Net exposure	45,367,765	95,914,116

Interest rate sensitivity analysis

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

	Increase/decrease in basis points	Effect of profit/ (loss) before tax Rupees	Effect on equity Rupees
2014	+500	2,268,388	1,519,820
	-500	(2,268,388)	(1,519,820)
2013	+500	(4,941,539)	(3,261,416)
	-500	4,941,539	3,261,416

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as its entire investments are in wholly owned subsidiary companies and 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.

Company's credit risk is primarily attributable to its trade and other receivables amounting to Rs. 1.670 million (2013: Rs. 1.479 million). 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, prepayments and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with Company maintaining long term and short term loan facilities. The Company maintains an internal policy to monitor all outstanding receivables. The Company is also exposed to the credit risk of commercial banks on account of acceptance of bank guarantees as security against trade debts. The Company accepts bank guarantees of banks of reasonably high credit ratings as approved by the management.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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:

	2014 Rupees	2013 Rupees
Long term deposits	11,038,106	9,154,904
Short term investments	94,566,163	33,740,996
Trade debts	794,960,223	484,405,136
Advances, deposits, prepayments and other receivables	757,538,066	622,038,610
Bank balances	11,825,582	329,994,891
	1,669,928,140	1,479,334,537

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

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

				Balances at banks	
	Rating Short term	Rating Long term	Rating Agency	2014 Rupees	2013 Rupees
Bank Islami Limited	A1	A	PACRA	10,407	10,407
Faysal Bank limited	A1+	AA	PACRA	3,079,101	4,150,201
Habib Bank limited	A-1+	AAA	JCR-VIS	2,668,765	264,816,355
KASB Bank	C	B	PACRA	12,351	–
National Bank of Pakistan	A-1+	AAA	JCR-VIS	66,034	12,209
NIB Bank limited	A1+	AA-	PACRA	194,740	245,588
United Bank limited	A-1+	AA+	JCR-VIS	2,323,231	80,203
Muslim Commercial Bank	A1+	AAA	PACRA	124,849	973,105
JS Bank Limited	A1	A+	PACRA	512,125	58,912,853
Deutsche bank AG	P-2	A3	MOODY'S	58,241	793,970
Standard chartered	A+	AAA	PACRA	2,775,738	–
				11,825,582	329,994,891

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.

(c) Liquidity risk

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

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

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 Rupees	Less than one year Rupees	One to five years Rupees
2014			
Liabilities against assets subject to finance lease	45,367,765	16,051,776	29,315,989
Creditors, accrued and other liabilities	445,462,275	445,462,275	–
	490,830,040	461,514,051	29,315,989
2013			
Long term finances	10,000,000	2,916,669	7,083,331
Liabilities against assets subject to finance lease	48,105,777	18,925,945	29,179,832
Finances under mark up arrangements	49,613,346	49,613,346	–
Short term loan from directors - unsecured	24,107,908	24,107,908	–
Cash received against Initial Public Offering	264,243,000	264,243,000	–
Creditors, accrued and other liabilities	414,943,658	414,943,658	–
	811,013,689	774,750,526	36,263,163

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

		Loans and receivables	
		2014 Rupees	2013 Rupees
33.3	**Financial instruments by categories**		
	Assets as per balance sheet		
	Long term deposits	11,038,106	9,154,904
	Short term investments	94,566,163	33,740,996
	Trade debts	794,960,223	484,405,136
	Advances, deposits, prepayments and other receivables		
	- Advances to employees	10,465,396	4,897,399
	- Bank guarantee margin	7,258,305	12,292,126
	- Earnest money	-	1,043,115
	- Due from associated companies	732,443,928	595,168,125
	- Others	5,757,089	8,637,845
	Cash and bank balances	11,851,145	330,061,351
		1,668,340,355	1,479,400,997

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

	Financial liabilities at amortized cost	
	2014 Rupees	**2013 Rupees**
Liabilities as per balance sheet		
Long term finances	–	10,000,000
Liabilities against assets subject to finance lease	45,367,765	48,105,777
Finances under mark up arrangements and other credit facilities - secured	–	49,613,346
Short term loan from directors - unsecured	–	24,107,908
Cash received against initial public offering	–	264,243,000
Creditors, accrued and other liabilities	445,462,275	414,943,658
	490,830,040	811,013,689

33.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2014 and December 31, 2013 are as follows:

		2014 Rupees	**2013 Rupees**
Borrowings		45,367,765	98,830,785
Less: Cash and bank balances		11,851,145	330,061,351
Net debt		33,516,620	(231,230,566)
Total equity		1,845,518,982	1,253,974,085
Total capital		1,879,035,602	1,022,743,519
Gearing ratio	Percentage	N/A	N/A

Notes to and forming part of the Financial Statements

for the year ended December 31, 2014

34. REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

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

	COO /Director		Other Executives	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Managerial remuneration	3,587,690	4,430,800	25,439,872	22,102,018
House rent	1,435,076	1,200,820	10,175,949	8,840,807
Utilities	358,769	439,180	2,543,987	2,210,202
Contribution to provident fund	358,769	443,080	2,543,987	2,210,202
Others	96,591	77,400	766,872	1,123,242
	5,836,895	6,591,280	41,470,667	36,486,471
Number of persons	1	2	14	13

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

35. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 6 March 2015 has proposed a cash dividend in respect of the year ended 31 December 2014 of Rupees Cash Dividend of Rs. 2.25 per share and nil% bonus shares (2013: Cash Dividend of Rs. 2 per share and 5% bonus shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 6 March 2015 by the Board of Directors of the Company.

37. CORRESPONDING FIGURES

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

Chief Executive

Director

Avanceon

Consolidated Financial Statements

for the year ended December 31, 2014

Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Avanceon Limited (the Holding Company) and its subsidiary companies as at 31 December 2014 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Avanceon Limited. Financial statements of Avanceon FZE, subsidiary company, have been audited by Ernst & Young Abu Dhabi whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such auditors. The results of Engro Innovative Inc. USA have been consolidated based on the unaudited financial information prepared by management. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.
In our opinion the consolidated financial statements present fairly the financial position of Avanceon Limited and its subsidiary companies as at 31 December 2014 and the results of its operations for the year ended.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Farooq Hameed

Lahore: 06 March 2015

Consolidated Balance Sheet

as at December 31, 2014

	Note	2014 Rupees	2013 Rupees
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 150,000,000 (2013: 110,000,000)			
ordinary shares of Rs 10 each		1,500,000,000	1,100,000,000
Issued, subscribed and paid up capital			
105,696,534 (2013: 75,500,000)			
ordinary shares of Rs 10 each	5	1,056,965,340	755,000,000
Share Premium	6	61,892,584	–
Employees' share compensation reserve	7	45,000,000	45,000,000
Exchange revaluation reserve		184,640,918	211,115,509
Un-appropriated profit		573,689,258	396,775,229
		1,922,188,100	1,407,890,738
Surplus on Revaluation of Property, Plant And Equipment	8	90,295,262	84,265,939
Non Current Liabilities			
Long term finances - secured		–	7,083,331
Liabilities against assets subject to finance lease	9	33,767,362	33,166,155
Deferred liabilities	10	31,012,554	31,005,768
		64,779,916	71,255,254
Current Liabilities			
Current portion of long-term liabilities	9	18,993,605	17,947,821
Finances under mark up arrangements			
and other credit facilities	11	39,170,340	49,613,346
Short term loan from directors - unsecured		–	54,834,483
Cash received against IPO		–	264,243,000
Creditors, accrued and other liabilities	12	438,760,184	466,962,442
		496,924,129	853,601,092
Contingencies and Commitments	13	–	–
		2,574,187,407	2,417,013,023

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive

	Note	2014 Rupees	2013 Rupees
Assets			
Non Current Assets			
Property, plant and equipment	14	208,714,072	195,427,914
Intangible assets		–	12,237
Investments available for sale	15	545,589,419	571,341,725
Long term deposits	16	22,651,170	20,431,850
		776,954,661	787,213,726
Current Assets			
Stock in trade	17	50,290,402	55,629,054
Trade debts	18	1,352,375,789	904,277,239
Advances, deposits, prepayments and other receivables	19	155,058,433	123,197,924
Short term investment	20	199,511,833	139,634,996
Cash and bank balances	21	39,996,289	407,060,084
		1,797,232,746	1,629,799,297
		2,574,187,407	2,417,013,023

Director

Consolidated Profit & Loss Account

for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
Sales	22	1,928,034,649	1,818,365,648
Cost of sales	23	(1,236,856,018)	(1,124,783,127)
Gross profit		691,178,631	693,582,521
Administrative and selling expenses	24	(233,428,625)	(254,353,457)
Other charges	25	(24,987,793)	(180,439)
Other operating income	26	31,258,917	32,227,412
		(227,157,501)	(222,306,484)
Profit from operations		464,021,130	471,276,037
Finance costs	27	(20,741,823)	(35,033,768)
Profit before tax		443,279,307	436,242,269
Taxation	28	(16,068,328)	(24,949,075)
Profit for the year		427,210,979	411,293,194
			Restated
Combined earnings per share - basic	34	4.09	5.19
Combined earnings per share - diluted		3.90	5.19

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive

Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Profit for the year	427,210,979	411,293,194
Other comprehensive income		
Items to be subsequently recycled through profit and loss		
- Exchange differences on translating foreign operations	(26,474,591)	58,109,375
Items not to be subsequently recycled through profit and loss		
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the year - net of tax	1,355,550	810,345
Total comprehensive income for the year	402,091,938	470,212,914

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive

Director

Consolidated Cash Flow Statement

for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
Cash flows from operating activities			
Cash generated from continuing operations	32	(38,382,450)	85,785,572
Finance costs paid		(12,290,588)	(20,084,213)
Retirement benefits paid		(7,436,000)	(2,904,537)
Taxes paid		(15,228,641)	(1,044,722)
		(73,337,679)	61,752,100
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,654,346)	(7,623,148)
Capital work in progress		(2,130,792)	–
Proceeds from disposal of property, plant and equipment and intangible assets		5,574,625	7,274,886
Income on bank deposits received		15,835,731	127,921
Short term investment		(59,876,837)	(136,187,996)
Net increase in long term deposits		(2,219,320)	(3,513,408)
Net cash used in investing activities		(47,470,939)	(139,921,745)
Cash flows from financing activities			
Repayment of long term finances		(10,000,000)	(64,354,707)
Issue of share capital		49,284,424	–
Dividend paid		(201,324,250)	–
Finances under markup arrangments		39,170,340	–
Cash received against IPO		–	264,243,000
(Payment of)/proceeds from loan from directors		(54,834,483)	6,679,450
Repayment of finance lease liabilities		(18,940,112)	(15,795,024)
Net cash generated from financing activities		(196,644,081)	190,772,719
Net increase in cash and cash equivalents		(317,452,699)	112,603,074
Cash and cash equivalents at the beginning of year		357,446,738	244,843,664
Effect of cash and cash equivalents of subsidiary disposed off		–	–
Cash and cash equivalents at the end of year	33	39,994,039	357,446,738

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive

Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2014

	Share Capital	Share Premium	Employee's share compensation reserve	Exchange revaluation reserve	Un-appropriated profit/(loss)	Total
	(Rupees)					
Balance as on 01 January 2013	400,000,000	–	–	153,006,134	384,671,690	937,677,824
Profit for the year	–	–	–	–	411,293,194	411,293,194
Other comprehensive income	–	–		58,109,375	810,345	58,919,720
Total comprehensive income	–	–		58,109,375	412,103,539	470,212,914
Employee share option scheme recognized		–	45,000,000	–	(45,000,000)	
Bonus share issued at the rate of 88.75 percent	355,000,000	–	–	–	(355,000,000)	–
	355,000,000		45,000,000		(400,000,000)	
Balance as on 31 December 2013	755,000,000	–	45,000,000	211,115,509	396,775,229	1,407,890,738
Profit for the year	–	–	–	–	427,210,979	427,210,979
Other comprehensive income	–	–	–	(26,474,591)	1,355,550	(25,119,041)
Total comprehensive income				(26,474,591)	428,566,529	402,091,938
Issue of 25,163,484 shares of Rs. 10 each fully paid in	–	–	–	–	–	
cash @ Rs. 4 premium per share	251,634,840	100,653,936	–	–	–	352,288,776
Expenses incurred against initial public offering	–	(38,761,352)	–	–	–	(38,761,352)
Dividend paid at the rate of Rs. 2 per share	–	–	–	–	(201,322,000)	(201,322,000)
Bonus share issued at the rate of 5 percent	50,330,500	–	–	–	(50,330,500)	–
	301,965,340	61,892,584	–	–	(251,652,500)	112,205,424
Balance as on 31 December 2014	1,056,965,340	61,892,584	45,000,000	184,640,918	573,689,258	1,922,188,100

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive

Director

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

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

1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVL)

Subsidiary companies;	**% age of holding**
- Avanceon, Free Zone Establishment, UAE (AFZE);	100%
- Engro Innovative Inc., USA (EI);	100%

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

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

EI's registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Company holds 26.11% (2013: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

2 BASIS OF PREPARATION

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

2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2014:

New and amended standards and interpretations

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

IFAS 3	–	Profit and Loss Sharing on Deposits
IAS 32	–	Financial Instruments : Presentation – (Amendment)
	–	Offsetting Financial Assets and Financial Liabilities
IAS 36	–	Impairment of Assets – (Amendment)
	–	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	–	Financial Instruments: Recognition and Measurement – (Amendment)
	–	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	–	Levies

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

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

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

Standard or Interpretation			Effective date (annual periods Beginning on or after)
IFRS 10	–	Consolidated Financial Statements	01-Jan-15
IFRS 11	–	Joint Arrangements	01-Jan-15
IFRS 12	–	Disclosure of Interests in Other Entities	01-Jan-15
IFRS 13	–	Fair Value Measurement	01-Jan-15
IAS 1	–	Presentation of Financial Statements – (Amendment) - Disclosure Initiative	01-Jan-16
IAS 16 & 38	–	Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	01-Jan-16
IAS 16 & 41	–	Property, Plant and Equipment & Agriculture - (Amendment)-Agriculture: Bearer Plants	01-Jan-16
IAS 19	–	Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	01-Jan-14

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

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation			IASB Effective date (annual periods Beginning on or after)
IFRS 9	–	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	–	Regulatory Deferral Accounts	01 January 2016
IFRS 15	–	Revenue from Contracts with Customers	01 January 2017

3 BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of certain items of property, plant and equipment at revalued amounts as referred to in note 8.

3.2 The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

a) Provision for taxation

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

b) Recoverable amount of property, plant and equipment

The Group basis its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 8.

c) Cost to complete the projects

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

d) Stock in trade

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

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest rupee.

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Principles of consolidation

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

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

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

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

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

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

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

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

4.2 Staff retirement benefits

Defined contribution plan

The parent Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2013:10%) of the basic salary.

Defined benefit plan

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

4.3 Taxation

Current

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

Deferred

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

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

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

4.4 Property, plant and equipment

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

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

Depreciation is charged to income using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed during the month. The rates of depreciation are stated in note 14 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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

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

4.5 Capital work in progress

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

4.6 Leases

The Group is the lessee.

4.6.1 Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 19. Depreciation of leased assets is charged to profit and loss account.

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

4.6.2 Operating leases

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

4.7 Stores and spares

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

4.8 Stock in trade

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

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

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

4.9 Financial instruments

4.9.1 Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

d) Held to maturity

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

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

Notes to the Consolidated Financial Statements

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

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

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.12.

4.9.2 Financial liabilities

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

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Trade debts

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

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

4.12 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

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4.13 Borrowings

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

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

4.14 Creditors, accruals and provisions

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

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

4.15 Foreign currency transactions and translation

The Group's consolidated financial statements are presented in Pak Rupee, which is also the Holding Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances

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

ii) Group companies

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

4.16 Borrowing costs

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

4.17 Revenue recognition

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

4.18 Segment reporting

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

4.19 Share based payment transactions

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

The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

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

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

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

4.20 Provision

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

4.21 Related Parties

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

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

Notes to the Consolidated Financial Statements

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5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014 Numbers of Shares	2013 Numbers of Shares		2014 Rupees	2013 Rupees
57,163,484	32,000,000	Ordinary shares of Rs. 10 each fully paid in cash	571,634,840	320,000,000
48,533,050	43,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	485,330,500	435,000,000
105,696,534	75,500,000		1,056,965,340	755,000,000

5.1 Wain Family holds 75% (2013: 100%) share capital of the Company.

6 SHARE PREMIUM

This represents premium on 25,163,484 shares at the rate of Rs. 4 each. Costs incurred on Initial Public Offering amounting to Rs. 38,761,352 have been written off against this.

7. EMPLOYEES' SHARE COMPENSATION RESERVE

This represents the options to purchase 5 million shares offered to employees at an exercise price of Rs. 1 per share which has been recorded as receivable from employees. The remaining amount of Rs. 45 million out of the total par value of these shares of Rs. 50 million has been set aside from unappropriated profit of the company. The contractual term of each option is 5 years.

	2014 Rupees	2013 Rupees
7.1 Employee share compensation reserve		
Balance as at January 1	45,000,000	–
Options issued during the year recognized at the grant date fair value	–	45,000,000
Balance as at December 31	45,000,000	45,000,000

	2014 (Number of options)	2013 (Number of options)
7.2 Movement in share options outstanding at end of the year is as follows		
Balance as at January 1	5,000,000	–
Options issued during the year	–	5,000,000
Balance as at December 31	5,000,000	5,000,000

8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Opening balance of surplus on revaluation of property, plant and equipment	84,265,939	68,952,733
Revaluation surplus arising during the year - net of tax	7,384,873	16,123,551
Surplus transferred to unappropriated profit for the year on account of incremental depreciation	(1,355,550)	(810,345)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax	90,295,262	84,265,939

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 5.66% to 12.98% (2013: 6.60% to 12.98%) per annum. The amount of future payments and the period during which they will become due are:

	Note	2014 Rupees	2013 Rupees
Year ended 31 December			
2015		23,371,675	22,021,198
2016-2018		37,184,640	36,176,277
Minimum lease payments		60,556,315	58,197,475
Less: Future finance charges		7,795,348	10,000,168
		52,760,967	48,197,307
Current portion	9.1	18,993,605	15,031,152
		33,767,362	33,166,155

	2014		2013	
	MLP	PV of MLP	MLP	PV of MLP
	Rupees		Rupees	
9.1 Minimum lease payments (MLP) and their present value (PV) are regrouped as below:				
Due not later than 1 year	23,371,675	18,993,605	22,021,198	15,031,152
Due later than 1 year but not later than 5 years	37,184,640	33,767,362	36,176,277	33,166,155
	60,556,315	52,760,967	58,197,475	48,197,307

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

	Note	2014 Rupees	2013 Rupees
10 DEFERRED LIABILITIES			
Retirement and other service benefits		12,852,616	15,488,142
Deferred taxation	10.1	18,159,938	15,517,626
		31,012,554	31,005,768

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Note	2014 Rupees	2013 Rupees
10.1	**DEFERRED TAXATION**			
	The asset / (liability) for deferred taxation comprises temporary differences relating to:			
	Accelerated tax depreciation / amortization		(2,150,286)	(1,230,148)
	Unused tax losses		(49,500,000)	(22,685,801)
	Surplus on revaluation of property, plant and equipment		2,235,474	1,567,814
	Income taxable on receipt basis		67,574,750	37,865,761
			18,159,938	15,517,626
11	**FINANCES UNDER MARKUP ARRANGEMENT AND OTHER CREDIT FACILITIES**			
	Running finance		–	49,613,346
	Term loan	11.1	13,665,000	–
	Trust receipt loans	11.2	25,505,340	–
			39,170,340	49,613,346

11.1 This represents short term loan obtained by Avanceon FZE for the purpose of financing working capital. The rate of mark-up is 4.5 percent plus three months EIBOR with a floor of 9 percent per annum payable monthly. It is secured by way of undated cheque of AED 500,000 and personal and corporate guarantees of Mr. Bakhtiar Hamid Wain and Avanceon Limited.

11.2 The aggregate facilities of Trust Receipt Loans (TRs) obtained by Avanceon FZE from commercial banks have a limit of AED 6,000,000 with terms of 120 and 180 days. Rates of mark up are 2.5% above the bank's prime rate and 4.5% plus three months EIBOR with a floor of 9 percent per annum. These are secured by way of pledge over fixed deposit of AED 200,000 (note 21), assigment of receivables from Empower Project in favor of bank, hypothecation of stocks and personal and corporate guarantees of Mr. Bakhtiar Hamid Wain and Avanceon Limited.

		Note	2014 Rupees	2013 Rupees
12	**CREDITORS, ACCRUED AND OTHER LIABILITIES**			
	Trade creditors		312,141,837	210,411,055
	Accrued expenses	12.1	52,948,802	63,248,636
	Advances from customers		27,772,722	134,188,000
	Social security payable		14,838	12,140
	Sales tax payable		4,921,443	9,550,765
	Mark-up accrued on loans		–	2,775,391
	Due to related parties.		1,458,272	727,798
	Billing in excess of cost and estimated earning		23,165,017	13,590,493
	Other liabilities		13,198,487	29,319,398
	Withholding tax surcharge		3,138,766	3,138,766
			438,760,184	466,962,442

12.1 This includes Rs. 1,851,567 (2013: 2,555,037) and Rs. 995,528 (2013: 16,525,073) relating to provident fund payable and withholding tax deducted at source payable repectively.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(i) Bank guarantees issued amounting to Rs 3.6 million (2013: Rs 4 million) against the performance of various contracts.

(ii) Post dated cheques issued to IGI Insurance Company Limited as security against insurance guarantee issued by them in favour of AES Lalpir, Pakgen Power Limited and Lalpir Power Limited for performance of contracts amounting to Rs nil (2013: nil).

(iii) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the company has not made any provision for Workers' Welfare Fund (WWF) in the financial statements in the light of the Order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The company may be liable to pay WWF amounting to Rs. 18,445,062 if the Supreme Court's decision is unfavorable. This amount has been calculated based on accounting profits excluding dividend income. The amount of WWF on dividend is Rs. 9,927,731.

13.2 Commitments

(i) Avanceon FZE has provided the following guarantees at 31 December 2013.

	Note	2014 Rupees	2013 Rupees
Letters of guarantee		39,864,686	38,304,922
Letters of credit		132,254,325	32,989,702
Post dated cheques issued to			
J			
JAFZA against payment of rent		5,061,420	5,079,106
Emirates Islamic Bank against payment of lease of vehicle		3,716,950	–
Suppliers against supply of material		4,506,821	5,405,059
		13,285,191	10,484,165
		185,404,202	81,778,789

14 PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	14.1	206,583,280	195,427,914
Capital work in progress	14.2	2,130,792	–
		208,714,072	195,427,914

14. Operating fixed assets:

	2014											
	Cost/revalued amount as at 01 January 2014	Exchange adjustment on opening cost	Addition / adjustments / (Deletions)	Effect of revaluation as at 31 December 2014	Cost as at 31 December 2014	Accumulated depreciation as at 01 January 2014	Exchange adjustment accumulated depreciation	Adjustment/ transfer/ (Delections)	Depreciation charge for the year/ Effect of revaluation	Accumulated Depreciation as at 31 December 2014	Net Book value as at 3 December 2014	Rate %
Owned Assets												
Freehold land	70,775,000	– –	–	3,725,000	74,500,000	–	–	– –	– –	–	74,500,000	–
Building on freehold land	66,530,986	– –	1,390,665	1,019,159	68,940,810	–	–	– –	5,346,690 (4,443,339) *	903,351	68,037,459	5
Vehicles	10,079,891	(75,502)	– 6,966,059 * (10,188,064)	–	6,782,384	9,315,782	118,765	4,981,446 (8,892,322)	956,738 –	6,480,409	301,975	20
Furniture and fittings	16,569,994	(269,788)	166,637 324,116 *	–	16,790,959	16,255,059	(254,679)	(758,314) –	468,120 –	15,710,186	1,080,773	20
Office equipment and appliances	31,132,555	(206,366)	1,301,260 (4,739,366) * (425,333)	–	27,062,750	23,422,629	(180,643)	758,314 * (860,296) * (302,573)	1,706,973 –	24,544,404	2,518,346	20
Plant and machinery	3,973,081	(179,076)	– –	–	3,794,005	3,973,081	(179,076)	– –	– –	3,794,005	–	20
Computers	16,065,919	(196,151)	1,795,784 – (1,136,487)	–	16,529,065	13,130,186	(175,363)	– (1,080,795)	1,942,857 –	13,816,885	2,712,180	33.33
	215,127,426	(926,883)	4,654,346 2,550,809 (11,749,884)	4,744,159	214,399,973	66,096,737	(670,996)	4,121,150 (10,275,690)	10,421,378 (4,443,339) *	65,249,240	149,150,733	
Assets Subject to Finance Lease												
Motor vehicles	61,915,680	(488,796)	21,978,772 (6,966,059) *	– –	76,439,597	15,518,455	(276,217)	(4,981,446) *	13,529,200	23,789,992	52,649,605	20
Office equipment and appliances	–	–	1,525,000 4,415,250 *	–	5,940,250	–	(1)	860,296 * –	297,013	1,157,308	4,782,942	20
	61,915,680	(488,796)	23,503,772 (2,550,809)	–	82,379,847	15,518,455	(276,218)	(4,121,150)	13,826,213	24,947,300	57,432,547	
	277,043,106	(1,415,679)	28,158,118 – (11,749,884)	4,744,159	296,779,820	81,615,192	(947,214)	– (10,275,690)	24,247,591 (4,443,339)	90,196,540	206,583,280	

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2013												
	Cost/revalued amount as at 01 January 2013	Exchange adjustment on opening cost	Addition / transfers / (Deletions)	Effect of revaluation as at 31 December 2013	Cost as at 31 December 2013	Accumulated depreciation amount as at 01 January 2013	Exchange adjustment accumulated depreciation	Adjustment/ (Delections)	Depreciation charge for the year/ Effect of revaluation	Accumulated Depreciation as at 31 December 2013	Net Book value as at 3 December 2013	Rate %
Owned Assets												
Freehold land	59,600,000	–	–	11,175,000	70,775,000	–	–	–	–	–	70,775,000	–
Building on freehold land	61,638,515	–	145,925	4,746,546	66,530,986	–	–	–	2,751,258	–	66,530,986	5
			–				–		(2,751,258)			
Vehicles	9,779,249	129,347 *	10,210,800	–	10,079,891	8,648,741	(105,123) *	7,779,820	1,738,535	9,315,782	764,109	20
			(10,039,505)					(8,746,191)				
Furniture and fittings	15,809,315	442,240	318,439	–	16,569,994	15,347,859	435,095		472,105	16,255,059	314,935	20
			–					–				
Office equipment and appliances	25,477,003	348,588	5,306,964	–	31,132,555	22,064,507	302,877		1,055,245	23,422,629	7,709,926	20
			–					–				
Plant and machinery	3,666,289	306,792	–	–	3,973,081	3,457,386	297,458	–	218,237	3,973,081	–	20
Computers	14,803,729	310,470	1,851,820	–	16,065,919	11,599,889	292,780	(833,947)	2,071,464	13,130,186	2,935,733	33.33
			(900,100)					–				
	190,774,100	1,537,437	7,623,148	15,921,546	215,127,426	61,118,382	1,223,087	7,779,820	8,306,844	66,096,737	149,030,689	
			10,210,800									
			(10,939,605)	–				(9,580,138)	(2,751,258)			
Assets Subject to Finance Lease												
Motor vehicles	50,971,576	830,917	22,287,319	–	61,915,680	12,080,636	333,223	–	11,375,249	15,518,455	46,397,225	20
Furniture and fixtures			(10,210,800) *					(7,779,820)				
			(1,963,332)	–	–	–	–	(490,833)	–	–	–	20
Office equipment and appliances	–	–										
	–	–	–		–	–	–			–	–	20
	50,971,576	830,917	22,287,319	-	61,915,680	12,080,636	333,223	(7,779,820)	11,375,249	15,518,455	46,397,225	
			(10,210,800)					(490,833)				
			(1,963,332)					–				
	241,745,676	2,368,354	19,699,667	15,921,546	277,043,106	73,199,018	1,556,310	(10,070,971)	19,682,093	81,615,192	195,427,914	
			–				–	–	(2,751,258)			
			(12,902,937)									

Notes to the Consolidated Financial Statements

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	Note	2014 Rupees	2013 Rupees
14.1.1 The depreciation charge has been allocated as follows:			
Cost of goods sold	23.1	12,123,784	9,841,047
Administrative and selling expenses	24	12,123,807	9,841,046
		24,247,591	19,682,093

14.1.2 Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 30 November 2014. This revaluation resulted in surplus of Rs.3,725,000 and Rs. 5,462,498 in respect of freehold land and building. Detailed particulars are as follows:

	Depreciated cost Rupees	Revalued amount Rupees
Freehold land	70,775,000	74,500,000
Buildings on freehold land	63,478,313	68,940,810

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

	2014 Rupees	2013 Rupees
Freehold land	8,646,742	8,646,742
Buildings on freehold land	38,099,102	40,031,918

14.1.4 Disposal of property, plant and equipment

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

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain (Loss)	Mode of Disposal
			Rupees			
Vehicles						
	929,328	919,001	10,327	433,790	423,463	Company Policy
	929,338	929,337	1	725,000	724,999	Company Policy
	962,547	962,546	1	336,891	336,890	Company Policy
	1,550,535	671,898	878,637	751,644	(126,993)	Company Policy
	1,379,150	1,332,271	46,879	602,767	555,888	Company Policy
	1,599,570	1,239,676	359,894	395,533	35,639	Company Policy
	7,350,468	6,054,729	1,295,739	3,245,625	1,949,886	
	929,328	929,327	1	700,000	699,999	Bidding
	978,940	978,939	1	735,000	734,999	Bidding
	929,328	929,327	1	737,000	736,999	Bidding
	2,837,596	2,837,593	3	2,172,000	2,171,997	
Others (scraped)						
	1,561,820	1,383,368	178,452	157,000	(21,452)	
	11,749,884	10,275,690	1,474,194	5,574,625	4,100,431	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

14.2. Capital work in progress

	2014				
	Opening balance	Adjustment	Additions Rupees	Transfers	Closing balance
Work in progress-office	–	–	2,130,792	–	2,130,792
	–	–	2,130,792	–	2,130,792

	Note	2014 Rupees	2013 Rupees
15 INVESTMENTS AVAILABLE FOR SALE			
Unquoted			
Avanceon GP LLC		35,129	36,787
Avanceon LP		545,554,290	571,304,938
		545,589,419	571,341,725

Engro Innovative Inc., USA has a 26.11 (2013 : 26.11) % interest in Avanceon LP and Avanceon GP LLC. Avanceon LP is engaged in providing innovative technology solutions to clients in various industries. The partnership designs, develops, implements and provides support of automated manufacturing processes for its customers.

Due to absence of significant influence, Avanceon GP LLC and Avanceon LP are not considered associates for the purpose of consolidation.

	Note	2014 Rupees	2013 Rupees
16 LONG TERM DEPOSITS			
These are interest free deposits in the normal course of business.			
17 STOCK IN TRADE			
Finished goods		50,290,402	61,512,959
Less: Provision for slow moving inventory	17.1	–	5,883,905
		50,290,402	55,629,054
17.1 Provision for slow moving inventory			
Opening balance		5,883,905	5,883,905
Less: Write-off during the year		(5,883,905)	–
Closing balance		–	5,883,905
18 TRADE DEBTS			
Considered good - due from related parties		–	
Considered good - due from others		760,870,370	553,757,845
		760,870,370	553,757,845
Due against work in progress and accrued revenue		591,505,419	350,519,394
Considered doubtful			
- due against construction work in progress and accrued revenue		–	1,923,412
- others		1,357,645	1,686,654
		1,357,645	3,610,066
		1,353,733,434	907,887,305
Less: Provision for doubtful debts - specific	18.1	(1,357,645)	(3,610,066)
		1,352,375,789	904,277,239

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

18.1 Provision for doubtful debts and doubtful earnings

		2014 Rupees	2013 Rupees
Opening balance		3,610,066	2,684,204
Add: Provision for the year	24	1,357,645	925,862
Less: Amount written off during the year		(3,610,066)	
		1,357,645	3,610,066

18.2 Ageing of trade debts

		2014 Rupees	2013 Rupees
The ageing analysis of these trade debts is as follows:			
Upto 3 months		812,737,746	387,655,881
3 to 6 months		274,798,254	297,996,679
More than 6 months		264,839,789	218,624,679
		1,352,375,789	904,277,239

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2014 Rupees	2013 Rupees
Advances - considered good			
- To employees		19,834,448	18,711,386
- To suppliers		17,355,007	1,948,870
- Other deposits		–	3,658,609
		37,189,455	24,318,865
Prepayments		3,692,447	17,616,323
Bank guarantee/ LC cash margin		44,256,156	12,292,126
Receivable from income tax authorities - considered good		58,022,667	37,381,181
Earnest money			
- Considered good		1,613,348	1,043,115
Due from subsidiaries - unsecured			
- Considered good		3,636,776	–
Other receivables			
- Considered good		6,647,584	30,546,314
		155,058,433	123,197,924

20 SHORT TERM INVESTMENT

		2014 Rupees	2013 Rupees
Foreign currency	20.1	104,945,670	105,894,000
Local currency	20.2	94,566,163	33,740,996
		199,511,833	139,634,996

20.1 These deposits have value of AED 3,838,000 (2013:3,700,000) and term of upto 6 months bearing mark up at the rate of 0.5 to 0.8 percent per annum (2013:0.5 to 1.5 percent per annum).

20.2 These deposits have a term of 6 months bearing mark up at the rate of 7.67 percent per annum (2013:7 to 8.5 percent per annum).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Note	2014 Rupees	2013 Rupees
21	**CASH AND BANK BALANCES**			
	At banks on:			
	- current accounts		39,940,800	406,991,993
	In hand		55,489	68,091
			39,996,289	407,060,084
22	**SALES**			
	Local sales and services	22.1	1,519,228,523	1,441,185,792
	Export sales and services		408,806,126	377,179,856
			1,928,034,649	1,818,365,648
22.1	**Local sales and services**			
	Local sales and services		1,548,148,044	1,514,703,732
	Less: Sales tax		(28,919,521)	(73,517,940)
	Net sales		1,519,228,523	1,441,185,792
23	**COST OF SALES**			
	Opening stock		55,629,054	56,674,548
	Purchases and direct expenses		1,231,517,366	1,123,737,633
	Closing stock	17	(50,290,402)	(55,629,054)
		23.1	1,236,856,018	1,124,783,127
23.1	**Cost of goods sold and services rendered**			
	Materials consumed		818,359,223	787,494,602
	Salaries, wages, allowances and other benefits	23.1.1	142,878,913	141,649,030
	Telephone, fax and internet		8,264,531	7,638,379
	Electricity and water		3,746,823	7,289,115
	Travelling and conveyance		87,276,129	72,388,939
	Installation charges and other direct costs		75,296,521	33,732,054
	Entertainment		4,082,063	3,936,884
	Repairs and maintenance		1,452,927	1,939,453
	Printing and stationary		882,165	360,287
	Import cost		27,944,012	31,120,715
	Insurance		5,883,820	3,789,350
	Rent, rates and taxes		5,427,767	5,479,643
	Project financial cost		2,112,500	–
	Fee and subscription		690,035	281,076
	Depreciation on property, plant and equipment	14.1.1	12,123,784	9,841,047
	Amortization of Intangible assets		–	59,898
	Miscellaneous expenses		40,434,805	17,782,655
			1,236,856,018	1,124,783,127

23.1.1 Salaries, wages and benefits include Rs 4.830 million (2013:4.023 million), Rs. 0.824 million (2013: Rs. 3.5 million) and Rs. 2.760 million (2013: Rs. 2.558 million) on account of provident fund, accumulated compensated absences and gratuity contribution by the Group respectively.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Note	2014 Rupees	2013 Rupees
24.	**ADMINISTRATIVE AND SELLING EXPENSES**			
	Director's remuneration		45,992,863	48,932,852
	Salaries, wages, allowances and other benefits	24.1	85,461,427	110,512,285
	Telephone, fax and internet		7,597,472	2,883,384
	Electricity and water		3,746,823	7,289,115
	Entertainment		2,870,442	1,482,094
	Repairs and maintenance		2,553,590	2,174,422
	Advertisement and sales promotion		7,875,114	2,777,546
	Late delivery charges		858,400	2,164,877
	Printing, stationery and photocopies		879,229	339,438
	Travelling, conveyance and vehicle maintenance		25,383,741	34,620,766
	Rent, rates and taxes		4,651,069	4,652,675
	Insurance		4,378,442	3,436,355
	Legal and professional charges		6,373,762	4,867,720
	Training and tuition		431,249	–
	Auditors' remuneration	24.2	2,460,007	3,505,762
	Fee and subscription		5,662,777	900,433
	Withholding Tax Surcharge		–	3,138,766
	Annual meeting expenses		3,756,633	1,695,638
	Marketing charge (inter-co)		696,510	–
	Depreciation on property, plant and equipment	14.1.1	12,123,807	9,841,046
	Amortization of intangible assets		12,237	6,944
	Miscellaneous expenses		6,238,242	6,619,229
	Receivables written off		2,067,144	1,487,213
	Provision for doubtful			
	- receivables and earnings	18.1	1,357,645	925,862
	- earnest money		–	99,035
			1,357,645	1,024,897
			233,428,625	254,353,457

24.1 Salaries, wages and benefits include Rs. 2.070 million (2013: Rs 2.682 million), Rs 0.353 million (2013: Rs 1.5 million) and Rs. 2.760 million (2013: Rs. 2.558 million) for provident fund contribution, accumulating compensated absences and gratuity contribution respectively.

		2014 Rupees	2013 Rupees
24.2	**Auditors' remuneration**		
	Avanceon Limited		
	Audit Fee	750,000	750,000
	Half yearly review	350,000	350,000
	Other Certifications	118,000	75,000
	Out of Pocket Expenses	100,000	100,000
		1,318,000	1,275,000
	Avanceon, F.Z.E (UAE)		
	Audit Fee	1,142,007	1,926,775
	Engro Innovative Inc		
	Audit Fee	–	303,987
		2,460,007	3,505,762

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		2014 Rupees	2013 Rupees
25	**OTHER CHARGES**		
	Social Security	177,502	180,439
	Donations	881,238	–
	Exchange loss	23,929,053	–
		24,987,793	180,439
26	**OTHER OPERATING INCOME**		
	Income on bank deposits	16,550,013	355,449
	Gain on disposal of property, plant and equipment	4,100,431	4,442,976
	Exchange gain	–	18,670,480
	Other Income	10,608,473	8,758,507
		31,258,917	32,227,412
27	**FINANCE COSTS**		
	Mark-up and interest on:		
	- Long term loan	1,292,135	5,172,678
	- Finances under mark up arrangements and other credit facilities - secured	580,267	2,594,436
	- Loans from directors	280,815	2,816,875
	- Finance lease	5,165,449	5,064,643
	- Other financial arrangements	2,196,531	2,942,146
	Bank charges	8,801,500	12,935,137
	Late penalty charges	40,000	694,863
	Guarantee commission	2,385,126	2,812,990
		20,741,823	35,033,768
28	**TAXATION**		
	Current		
	- for the year	13,426,016	18,167,740
	Deferred		
	- for the year	3,098,713	6,531,727
	- due to reduction in tax rate	(456,401)	249,608
		2,642,312	6,781,335
		16,068,328	24,949,075

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

Notes to the Consolidated Financial Statements

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29. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Holding Company, 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 40. Other significant transactions with related parties are as follows:

		2014 Rupees	2013 Rupees
i. Associated Undertakings	Charges in respect of management personnel seconded by Associates	–	80,000
	Other charges and reimbursement of expenses	9,370,568	182,969
	Technical service fee	10,753,700	12,439,862
	Man hours sold	–	14,471,534
ii. Post employment benefit plans	Expense charged in respect of retirements benefit plans	6,899,851	7,148,716

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

30 RATES OF EXCHANGE

Foreign currency assets and liabilities have been translated into Rupees at US $ 1.00 (2013:US $ 1.05) and AED 2.733 (2013:2.859) equal to Rs. 100.

	Note	2014 (Audited) Rupees	2013 (Audited) Rupees
31 PROVIDENT FUND			
Size of fund		48,201,082	47,245,580
Fair value of investments made		39,423,093	28,643,618
Cost of investment made		39,294,818	26,607,725
Percentage of investments made		82%	61%

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

	2014 (Audited)		2013 (Audited)	
	Investments Rupees	Investments as % of size of the fund	Investments Rupees	Investments as % of size of the fund
Government Securities	30,798,400	78%	20,000,000	70%
Scheduled Banks	2,116,902	5%	3,328,412	12%
Other Mutual Funds	3,081,936	8%	51,091	0%
Listed Securities	3,081,936	9%	5,264,115	18%
	39,423,093		28,643,618	

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Note	2014 Rupees	2013 Rupees
32	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Profit before tax		443,279,307	436,242,269
	Adjustments for:			
	Depreciation on property, plant and equipment		10,421,378	8,306,844
	Depreciation on asset subject to finance lease		13,826,213	11,375,249
	Amortisation on intangible asset		12,237	66,842
	Exchange gain		(253,820)	(18,670,480)
	Employee benefits expense		4,800,474	–
	Provision for doubtful debts and advances		1,357,645	925,860
	Gain on disposal of property, plant and equipment		(4,100,431)	(4,442,976)
	Finance cost		9,515,197	35,033,768
	Income on bank deposits		(16,550,013)	(355,449)
	Loss before working capital changes carried forward		462,308,187	468,481,927
	Loss before working capital changes brought forward		462,308,187	468,481,927
	Effect on cash flow due to working capital changes:			
	(Increase) / decrease in current assets			
	- Stock in trade		5,338,652	1,045,494
	- Trade debts		(449,456,195)	36,509,495
	- Advances, deposits, prepayments and other receivables		(31,146,227)	16,484,129
	Decrease / (increase) in current liabilities			
	- Creditors, accrued and other liabilities		(25,426,867)	(436,735,473)
			(500,690,637)	(382,696,355)
	Cash generated from operating activities continuing operations		(38,382,450)	85,785,572
33	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	21	39,996,289	407,060,084
	Finances under mark up arrangements and other credit facilities - running finance		–	(49,613,346)
			39,996,289	357,446,738
34	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	34.1 Basic earnings per share			
	Net profit for the year	Rupees	427,210,979	411,293,194
				Restated
	Weighted average number of ordinary shares	Numbers	104,538,448	79,275,000
	Earnings per share	Rupees	4.09	5.19

Notes to the Consolidated Financial Statements

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34.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has granted the share options to employees as explained in note 7.

		2014 Rupees	2013 Rupees
Weighted average number of ordinary shares	Numbers	104,538,448	79,275,000
Assumed conversion of share options into ordinary shares	Numbers	5,000,000	–
Weighted average number of ordinary shares for diluted earnings per share	Numbers	109,538,448	79,275,000
Earnings per share - Diluted	Rupees	3.90	5.19

35 OPERATING SEGMENTS

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

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

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

No operating segments have been aggregated to form the above reportable operating segments, whereas certain operating segments not meeting the quantitative threshold have been reported since they are regularly reviewed by management for decision making purpose. The Group management has therefore determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

35.1 Consolidated operating segment results

2014 — Rupees

	AMS	Core Business	Specialized Business	Engineering	Middle East and USA	Elimination	Total
SEGMENT PROFIT AND LOSS ACCOUNT							
Revenue from external customers	305,040,117	754,136,028	40,944,334	537,663,737	856,858,738	(566,608,305)	1,928,034,649
Cost of sales	(165,088,909)	(530,298,769)	(27,358,515)	(303,047,157)	(686,495,973)	475,433,305	(1,236,856,018)
Gross Profit	139,951,208	223,837,259	13,585,819	234,616,580	170,362,765	(91,175,000)	691,178,631
SEGMENT ASSETS							
Debtors	213,962,812	503,969,982	14,719,386	62,308,040	1,024,056,060	(466,640,491)	1,352,375,789
- Considered good-due from related parties							
- Considered good - others	208,185,816	435,203,884	13,283,417	60,885,987	509,951,757	(466,640,491)	760,870,370
- Due against work-in-progress related parties							
- Due against work-in-progress others	5,776,996	68,766,098	1,435,969	1,422,053	514,104,303	–	591,505,419
Stock in Trade	13,044,369.97	30,724,829.46	4,696,022.78		1,825,180		50,290,402
Segment total assets	227,007,182	534,694,811	19,415,409	62,308,040	1,025,881,240	(466,640,491)	1,402,666,191

2013 — Rupees

	AMS	Core Business	Specialized Business	Engineering	Middle East and USA	Elimination	Total
SEGMENT PROFIT AND LOSS ACCOUNT							
Revenue from external customers	339,977,594	616,281,460	138,642,083	13,945,675	1,316,079,314	(606,560,478)	1,818,365,648
Cost of sales	(160,884,491)	(505,681,398)	(71,981,418)	(10,032,758)	(928,355,332)	552,152,270	(1,124,783,127)
Gross Profit	179,093,103.00	110,600,062	66,660,665	3,912,917	387,723,982	(54,408,208)	693,582,521
SEGMENT ASSETS							
Debtors	148,894,215	270,074,248	59,505,377	5,931,296	620,392,936	(200,520,833)	904,277,239
- Considered good-due from related parties							
- Considered good - others	132,554,220	240,454,545	52,841,965	5,261,039	320,821,387	(200,520,833)	551,412,323
- Due against work-in-progress related parties							
- Due against work-in-progress others	16,339,995	29,619,703	6,663,412	670,257	299,571,549	–	352,864,916
Stock in Trade	10,334,188.51	31,271,727.18	7,725,604.25	–	6,297,534		55,629,054
Segment total assets	159,228,404	301,345,975	67,230,981	5,931,296	626,690,470	(200,520,833)	959,906,293

Notes to the Consolidated Financial Statements

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35.2 For management purposes, the activities of the Group are organised into business units based on the nature of products and expertise required with four groups containing eight reportable operating segments.

(i) After Marketing Support (AMS)

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

(ii) Core Business

(a) Application Based Solutions (ABS)

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

(b) Systems

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

(c) Products

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

(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)

(iv) Engineering services

Engineering services business includes revenues from:
- man-hours charged to Avanceon LP and Avanceon FZE for in-house engineering and development of Human Machine Interfaces (HMI), logic design, and development of engineering control mechanisms; and

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

(v) Middle East and USA

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

Notes to the Consolidated Financial Statements

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		Note	2014 Rupees	2013 Rupees
35.3	**Reconciliation of segment profit and loss**			
	Reportable segments gross profit is reconciled to profit after tax as follows:			
	Gross Profit for reportable segments	35.1	691,178,631	693,582,521
	Administrative and selling expenses		(233,428,625)	(254,353,457)
	Other Charges		(24,987,793)	(180,439)
	Other operating Income		31,258,917	32,227,412
	Profit from operations		464,021,130	471,276,037
	Finance costs		(20,741,823)	(35,033,768)
	Profit before tax		443,279,307	436,242,269
	Taxation		(16,068,328)	(24,949,075)
	Profit for the year		427,210,979	411,293,194
35.4	**Reconciliation of segment assets**			
	Reportable segments assets are reconciled to total assets as follows:			
	Assets			
	Segment assets for reportable segments	35.1	1,402,666,191	959,906,293
	Corporate tangible and intangible assets		208,714,072	195,440,151
	Other corporate assets		568,240,589	591,773,575
			2,179,620,852	1,747,120,019
	Unallocated portion of current assets			
	Advances, deposits, prepayments and other receivables		155,058,433	123,197,924
	Short term investment		199,511,833	139,634,996
	Cash and bank balances		39,996,289	407,060,084
			394,566,555	669,893,004
	Total assets as per balance sheet		2,574,187,407	2,417,013,023

Segment assets include the operating assets used by each segment and consist of stocks and receivables (net of provisions). Liabilities are not allocated to operating segments as such information is not presented separately for each segment for the purposes of management decision making.

Finance costs are not allocated to segments, as this is driven by the central treasury function, which manages the cash position of the group.

36 FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

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

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

(a) Market risk

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

(i) Currency risk

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

This exists due to the Group's exposure resulting from outstanding import payments or foreign creditors. A foreign exchange risk management guideline has been provided by the Corporate Centre. The policy allows the Group to take currency exposure within predefined limits while open exposures are monitored. The Group aims to protect itself against adverse currency movements by either linking the price of its products to foreign currency or hedge any exposure, either through forward contracts, options or prepayments, etc.

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

The following significant exchange rates were applied during the year:

	2014	2013
Rupees per USD		
Average rate	103	100.95
Reporting date rate	100.40	105.00
Rupees per AED		
Average rate	28	27.49
Reporting date rate	27.33	28.59

Foreign currency sensitivity analysis

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

	Change in Exchange rate	Effect of profit before tax Rupees	Effect on equity Rupees
2014	5%	2,358,611	1,580,269
	-5%	(2,358,611)	(1,580,269)
2013	5%	(4,173,015)	(2,754,190)
	-5%	4,173,015	2,754,190

The Group management believes that its foreign subsidiaries Avanceon FZE and Engro Inc. are not materially exposed to foreign currency risk as the currencies for both United States (USD) and United Arab Emirates (AED) are pegged.

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from long-term finances and running finance facilities. Long term and short term running finances obtained are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

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 6-month KIBOR. The Group further manages its exposure to interest rate risk by managing and maintaining a mix of fixed and floating rate borrowings.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

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

	2014 Rupees	2013 Rupees
Financial liabilities		
Floating rate instruments		
Loan term finances	–	10,000,000
Liabilities against assets subject to finance lease	60,556,315	58,197,475
Finances under mark-up arrangements and other credit facilities- secured	39,170,340	49,613,346
Net exposure	99,726,655	117,810,821

Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on loans and borrowings, with all other variables held constant, of the Group's profit before tax is affected through the impact on floating rate borrowings and cash balances as follows:

(Rupees)	Increase/decrease in basis points	Effect of profit/ (loss) before tax	Effect on equity
2014	+500	4,986,333	4,119,804
	-500	(4,986,333)	(4,119,804)
2013	+500	(4,941,539)	(3,261,416)
	-500	4,941,539	3,261,416

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group does not hold any investments which exposes it to other price risk.

(b) Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk from trade and other receivables, other assets and prepayments and cash and cash equivalents.

Group's credit risk is primarily attributable to its trade and other receivables amounting to Rs. 2.036 million (2013: Rs. 1.969 million). However, this risk is mitigated by a credit control policy and applying individual credit limits.

Credit risk arises from deposits with banks and financial institutions, trade debts, long term deposits, advances, deposits, prepayments and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with the Group maintaining long term and short term loan facilities. The Group maintains an internal policy to monitor all of debts and other receivables. The Group is also exposed to the credit risk of commercial banks on account of acceptance of bank guarantees as security against trade debts. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by the management.

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Long term deposits	22,651,170	20,431,850
Investments available for sale	545,589,419	571,341,725
Advances, deposits, prepayments and other receivables	75,988,312	66,251,550
Trade debts	1,352,375,789	904,277,239
Bank balances	39,940,800	406,991,993
	2,036,545,490	1,969,294,357

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The customer credit risk is managed by using established policies and procedures relating to customer credit risk management including frequent review of aging of accounts and setting up of credit limits where considered necessary. The credit quality of receivables can be assessed with reference to Group's Credit Control policy and their historical performance with negligible default rate.

(c) Liquidity risk

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

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

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

The following are the contractual maturities of financial liabilities as at 31 December 2014:

(Rupees)	Carrying amount	Less than one year	One to five years	More than five years
Loan from director	–	–	–	–
Liabilities against assets subject to finance lease	60,556,315	23,371,675	37,184,640	–
Finances under mark up arrangements	39,170,340	39,170,340	–	–
Short term loan from directors - unsecured	–	–	–	–
Creditors, accrued and other liabilities	382,886,164	382,886,164	–	–
	482,612,819	445,428,179	37,184,640	–

The following are the contractual maturities of financial liabilities as at 31 December 2013:

(Rupees)	Carrying amount	Less than one year	One to five years	More than five years
Long term finances	10,000,000	2,916,669	7,083,331	–
Liabilities against assets subject to finance lease	58,197,475	22,021,198	36,176,277	-
Finances under mark up arrangements	49,613,346	49,613,346	–	–
Short term loan from directors - unsecured	54,834,483	54,834,483	–	–
Cash received against IPO	264,243,000	264,243,000	–	–
Creditors, accrued and other liabilities	320,072,771	320,072,771	–	–
	756,961,075	713,701,467	43,259,608	–

36.2 Fair values of financial assets and liabilities

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Available for sale	
		2014	2013
		Rupees	
36.3	**Financial instruments by categories**		
	Investments available for sale	545,589,419	571,341,725

	Loans and receivables	
	2014	2013
	Rupees	
Long term deposits	22,651,170	20,431,850
Trade debts	1,352,375,789	904,277,239
Advances, deposits, prepayments and other receivables	75,988,312	66,251,550
Cash and bank balances	39,996,289	407,060,084
	1,491,011,560	1,398,020,723

	Financial liabilities at amortised coat	
	2014	2013
	Rupees	
Liabilities as per balance sheet		
Long term finances	–	10,000,000
Liabilities against assets subject to finance lease	60,556,315	58,197,475
Finances under mark up arrangements and other credit facilities - secured	39,170,340	49,613,346
Short term loan from directors - unsecured	–	54,834,483
Cash received against IPO	–	264,243,000
Creditors, accrued and other liabilities	382,886,164	320,072,771
	482,612,819	756,961,075

36.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. As at the year end, the Group's cash and cash equivalents exceed its borrowings, therefore it is not geared.

36.5 Fair value estimation

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction. The estimated fair values of all financial instruments are not significantly different from their book values. Fair values of each financial instruments is disclosed in their respective notes.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

37 REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

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

	COO & CEO /Director		Other Executives	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Managerial remuneration	43,178,669	44,799,109	75,687,814	53,802,404
Retirement benefits	1,986,388	443,080	4,736,850	2,210,202
Other benefits	827,806	3,690,664	3,706,796	14,016,684
	45,992,863	48,932,853	84,131,460	70,029,290
Number of persons	2	1	17	15

The Group also provides executives and director with company maintained cars.

38 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 6 March 2015 has proposed a cash dividend in respect of the year ended 31 December 2014 of Rupees Cash Dividend of Rs. 2.25 per share and nil% bonus shares (2013: Cash Dividend of Rs. 2 per share and 5% bonus shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 6 March 2015 by the Board of Directors of the Holding Company.

40 CORRESPONDING FIGURES

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

Chief Executive

Director

Avanceon

Annexures

for the year ended December 31, 2014

Definitions and Glossary of Terms

Capital employed

The value of all resources available to the company, typically comprising share capital, retained profits and reserves, long-term loans and deferred taxation. Viewed from the other side of the balance sheet, capital employed comprises fixed assets, investments and the net investment in working capital (current assets less current liabilities). In other words: the total long-term funds invested in or lent to the business and used by it in carrying out its operations.

Liabilities

General term for what the business owes. Liabilities are long-term loans of the type used to finance the business and short-term debts or money owing as a result of trading activities to date. Long term liabilities, along with Share Capital and Reserves make up one side of the balance sheet equation showing where the money came from. The other side of the balance sheet will show Current Liabilities along with various Assets, showing where the money is now

Current Liabilities

Money owed by the business that is generally due for payment within 12 months of balance sheet date. Examples: creditors, current portion of long term loans and lease liabilities, taxation etc.

Current assets

Cash and anything that is expected to be converted into cash within twelve months of the balance sheet date

Fixed assets

Assets held for use by the business rather than for sale or conversion into cash, eg, fixtures and fittings, equipment, buildings.

Cost of goods sold (COGS)

The directly attributable costs of products or services sold, (like materials, installations, direct labour & wages etc.)

Gross Profit Ratio

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

Net Profit Ratio

Net profit ratio is the ratio of net profit (after taxes) to net sales or revenue.

Operating Profit Ratio

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production.

Current Asset Ratio

The key indicator of whether you can pay your creditors on time. The relationship between current assets like cash, book debts, stock and work in progress and current liabilities like overdraft, trade and expense creditors and other current debt.

Current Ratio

A company's current assets divided by its current liabilities. This ratio gives you a sense of a company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

Debt-Equity Ratio

The ratio of a company's liabilities to its equity. The higher the level of debt, the more important it is for a company to have positive earnings and steady cash flow. For comparative purposes, debt-equity ratio is most useful for companies within the same industry.

Dividend

A dividend is a payment made per share, to a company's shareholders by a company, based on the profits of the year, but not necessarily all of the profits, arrived at by the directors and voted at the company's annual general meeting.

Earnings per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Profit Margin

Determined by dividing net income by net sales during a time period and is expressed as a percentage. Net profit margin is a measure of efficiency and the higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising/falling price of the goods sold.

Return on Assets

The amount of profits earned (before interest and taxes), expressed as a percentage of total assets. This is a widely followed measure of profitability, thus the higher the number the better. As long as a company's ROA exceeds its interest rate on borrowing, it's said to have positive financial leverage.

Return on Equity (ROE)

A percentage that indicates how well common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a company is doing compared to its competition.

Return on Investment (ROI)

Also known as return on invested capital (ROIC). ROI is a measure of how well management has used the company's resources. ROI is calculated by dividing earnings by total assets. It is a broader measure than return on equity (ROE) because assets include debt as well as equity. It is useful to compare a company's ROI with others in the same industry.

Event Calendar of the Company

follows the period of January 1, 2015 to December 31, 2015

FINANCIALS:

Financial Results will be announced as per the following tentative schedule:

Annual General Meeting	15TH April 2015
Analysis Briefing	17th of April 2015
1st Quarter ending 31 March 2015	Last week of April 2015
Half year ending 30 June 2015	Last week of July 2015
3rd Quarter ending 30 September 2015	Last week of October, 2015
Financial year ending 31 December 2015	2nd week of April 2015

Non Financials

Annual Fiesta	25th of April 2015
Rockwell Road Shows	15th of April 2015

Form of Proxy

12th Annual General Meeting of Avanceon Limited

I/We ____

of ____

being a member of Avanceon Limited and holder of ______________________________

______________________________ Ordinary Shares as per Share Register Folio
(No. of Shares)

No. ________________ and / or CDC Participant I.D. No. ________________

and Sub Account No. ________________ hereby appoint ________________

of ____

or failing him ________________ of ________________

as my/our proxy to vote for me/us and on my/our behalf at the 12th Annual General Meeting of the Company to be held on April 15, 2015 and at any adjournment thereof.

Signed this ________________ day of ________________ 2014.

Witnesses:

1. Signature ________________
Name ________________
Address ________________
____
NIC or ________________
Passport No. ________________

2. Signature ________________
Name ________________
Address ________________
____
NIC or ________________
Passport No. ________________

Signature on
Rs. 5/-
Revenue stamp

(Signature should agree with the specimen
signature registered with the Company)

Note:

1. A member entitled to be present and vote at the meeting may appoint a proxy to attend and vote for him/her. A Proxy need not be a member of the Company.

2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.

3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or Passport with this Proxy form.

AFFIX
CORRECT
POSTAGE

The Company Secretary
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