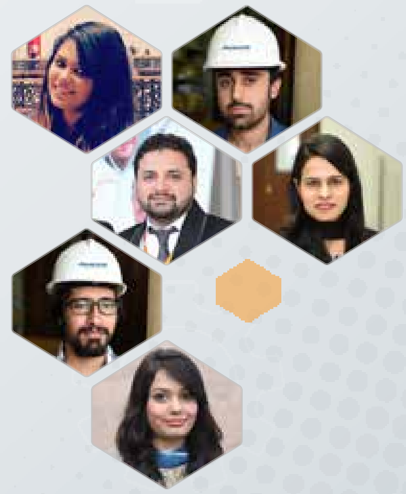
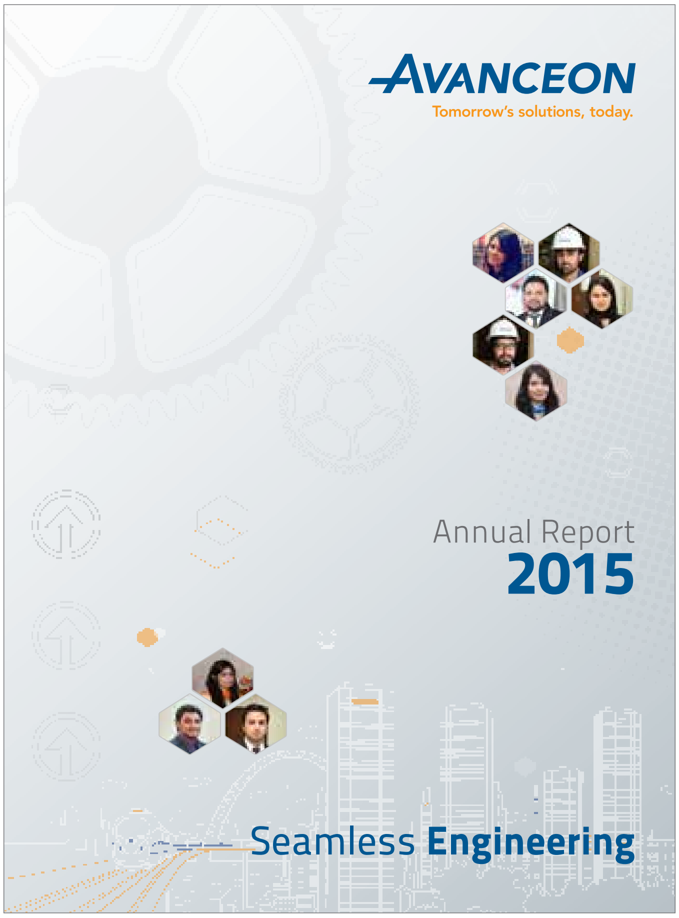
AVANCEON

Tomorrow's solutions, today.



Annual Report 2015

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.

To view our founder and CEO, Bakhtiar H. Wain's message on our Annual Report 2015, please visit www.avanceon.ae/investors

Letter from the Founder

Welcome to our third annual report, which charts out the impressive progress and success throughout 2015 in details. Creating long term shareholder value is a major component of our strategic plan and we thank our investors, both actual and potential, for their continuous support. Our journey along Highway 50 gathers pace as we achieve the various strategic milestones shared during our IPO in 2013.

This year, more than ever before, we are being recognized by our stakeholders and peers for our work. We were awarded Best System Integrator of 2015 in Middle East by Schneider and also won a CSR award for "Tomorrow's Empowerment, Today", an educational scholarship we created for the unsung heroes of Avanceon and their families. Our core values shine through each and every employee and provides both the reason and the opportunity to enhance the life of everyone.

We held the first ever Pakistan Automation Symposium in Lahore in October 2015. This was our opportunity to share the knowledge archive we have within the company with a much wider audience. The positive feedback has been overwhelming and automation applications in action chimed through our target audience. We were able to introduce a larger cross-section of industry to business-critical virtualization solutions in a full day of workshops, panel discussions and demonstrations. Building on this success, we are already in full planning mode for the 2016 edition!

In an ever-changing business landscape, we have been able to provide customer value where perhaps competitors could not, because of our incredibly diversified skillset developed over time. Whilst receiving glowing testimonials on flagship projects such as the first LNG project in Pakistan, we have been selected to work on the world's largest port and maintained consistent revenue streams through our After Market Support business.

The robustness of or business model was tested during the challenging and uncertain business environment in 2015. The steep drop in oil price dried out capital across verticals and geographies; however our lean and efficient operational model that leverages IX helped us sail through this period in flying colors. An order backlog of over US$ 18m and huge pipeline of opportunities is a testament for the strength our great team which makes 2016 a success for us already.

We will continue to invest in our team; the Subject Matter Expert (SME) plan has kicked of which in my opinion will be the cornerstone of our future growth. With all of us excited about applying new technologies like IoT, the future seems to be even brighter. With this in mind, it is essential that we properly reward all Avanceoners for the everyday brilliance they provide. Therefore, alongside our dedicated training facilities and opportunity to grow on international projects, we have enhanced the employee stock option program so that the whole team collectively enjoys the benefits of our success – onwards together into 2016 and beyond!

Yours truly,

Bakhtiar H. Wain
Founder and CEO, Avanceon

Tomorrow's Empowerment Today

In 2015, inspired by our founder and CEO's vision, Avanceon launched a life-changing initiative, offering full-funding and support for all the children of our unsung heroes throughout their educational journey. With 38 children enrolled across 12 schools in the first intake, we believe that education empowers these individuals so they contribute to the betterment of not only their family but wider society in the future.


I want to be an
Engineer

Company Information

Directors

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

Audit Committee

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

Human Resource & Renumeration Committee

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

Auditors

Ernst & Young
Ford Rhodes 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) 35456957

Email: support@avanceon.ae

Regional Headquarters - Middle East

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

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

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

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

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

Global Headquarters
Avanceon GP – Exton, PA, USA

180 Sheree Boulevard
Suite 1400
Exton, PA 19341
United States of America
Phone: +1 610 458 8700

Regional Headquarters - South Asia

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

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

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

Trade Mark

AVANCEON
Tomorrow's solutions, today.

Board of Directors

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

Khalid brings over 39 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 29 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 29 years of international business experience to Avanceon in automation solutions for the Oil & Gas and Power sector. Prior to joining Avanceon in 2003, he spearheaded business at Wartsila NSD and Honeywell as country head.

Amir W. Wain
Director (Non-Executive)

Amir brings over 26 years of strategic planning & international business development experience to the board. Amir is the founder and CEO of i2c Inc, a global provider of payment processing and emerging commerce solutions serving consumers in all 24 time zones.

Umar Ahsan Khan
Director (Non-Executive/Independent)

Umar brings over 26 years of strategic accounting, finance and business management experience to the Avanceon Board of Directors. He currently holds the position of Chief Operating Officer at Thal Engineering.

Tajammal Hussain
Director (Non-Executive/Independent)

Tajammal brings over 26 years of international accounting and financial acumen to the Avanceon BOD. Chartered Accountant at Fakharuddin Yousafali & Co since 1989. He advises the Avanceon BODs on risk management and financial strategy.

Naveed Ali Baig
Director (Non-Executive/Independent)

Naveed brings over 30 years of international business acumen to the Avanceon Board of Directors. He is currently spearheading the success of Innovative Pvt Ltd. through sound employee-centric management, as CEO.

Board of Directors' Profiles

Board of Directors Structure & Corporate Governance

Composition of board and directors' independence

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

Chairman of the Board

Khalid H. Wain, Chairman – Khalid brings over 39 years of international expertise in electrical engineering, cost engineering, project management and business strategy to the Avanceon board of directors. Khalid is the founder of H&G Control, which he owns and operates in Canada. H&G Control designs and manufactures customized electrical control panels. He is also the co-founding partner and director of Innovative Pvt. Ltd in Pakistan. Khalid graduated in electrical engineering from University of Engineering, Lahore, in 1976. His entrepreneurial acumen led him to drive business in South Asia, the Middle East, the United States and now Canada. Khalid Wain was selected as Chairman of the board for his international business knowledge and extensive experience of companies in the technological sphere.

Directors' Profile

Bakhtiar H. Wain, Founder and Chief Executive Officer – brings over 29 years of exemplary leadership. An engineer with experience within leading global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd. He founded Avanceon in 1984 and holds the position of Chief Executive Officer today. His entrepreneurial drive found its roots in his faith towards the educated and technically qualified human resources of Pakistan. At the onset, he wanted to build a company that could capitalize and promote this conviction globally, which he has implemented successfully ever since. Appointed CEO by the Board of Directors, he has spearheaded Avanceon towards market leadership in Pakistan and beyond.

Tanveer Karamat, Chief Operating Officer – brings a wealth of international business experience to Avanceon, with 20 out of 29 professional years spent selling automation solutions to the oil and gas sector. After receiving a Bachelor's degree in Chemical Engineering from the University of Pakistan he embarked on his career as an Application Engineer at Zelin PVT Ltd in 1986. Developing his sales, management and business skills at key industry companies such as Wartsila NSD as well as Honeywell where he held the position of Country Head, Tanveer joined Avanceon in 2003 as Regional Manager. He transformed the South Region revenues in less than three years with wise strategic counsel, capitalizing on a dormant customer base and an internal reshuffle. He was promoted to GM Operations in 2006 before becoming COO in 2011. Over the past decade, Tanveer's leadership has been a major contribution towards building company value. He was included as member of the Board of Directors to help the board make informed decisions.

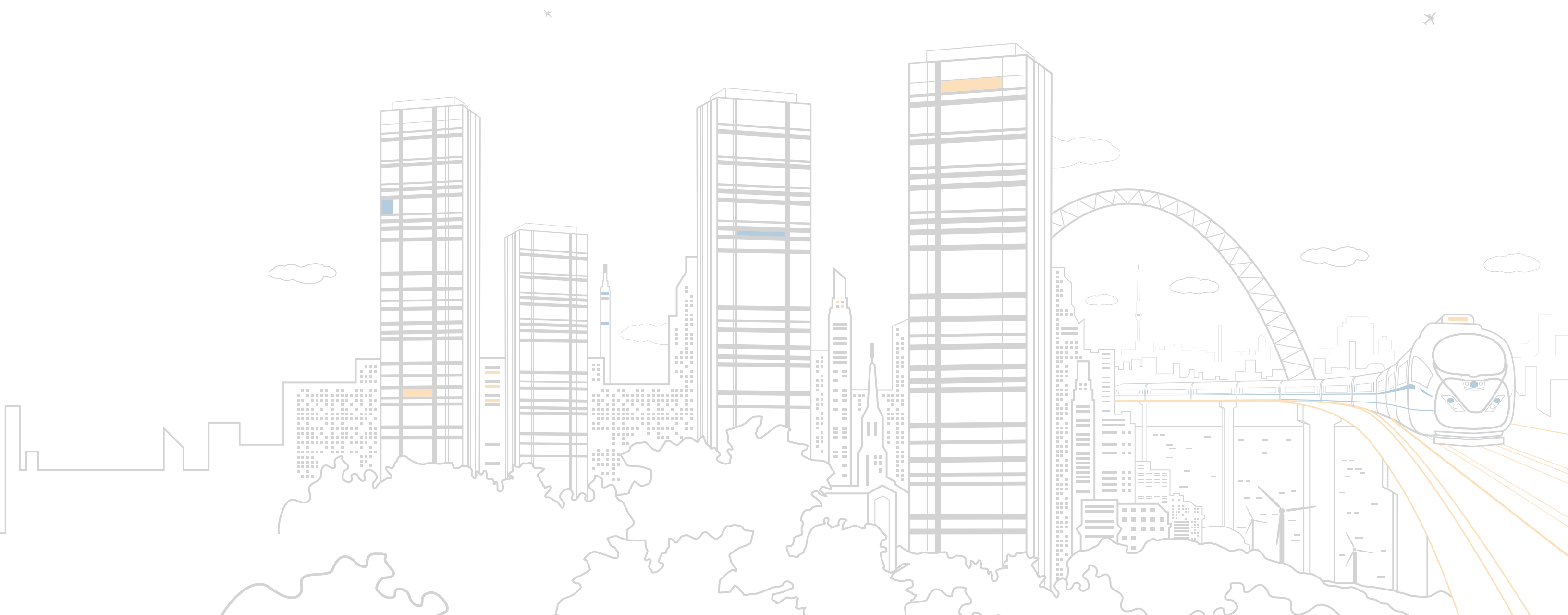
Amir W. Wain, Director – brings over 26 years of international expertise within the information technology and payments industries. Amir is founder and CEO of i2c, a global provider of payment processing and emerging commerce solutions, where he is responsible for defining the company's vision and strategic 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 26 years international accounting and finance acumen to the Avanceon board of directors. Practicing as a Chartered Accountant with Fakharuddin Yousafali & Co since 1989, Tajammal oversees and maintains high quality outsourcing, financial and accounting services to a wide variety of global and local commercial enterprises. Tajammal Hussain comes with a broad spectrum of expertise and, besides Avanceon, he also sits on the boards of Xavor Pakistan and the Kashf Foundation. He holds an MPhil from the University of Cambridge and BSc from the London School of Economics & Political Science both in

Economics and qualified as a Chartered Accountant in 1988 from the UK. Tajammal was selected as director because of his integrity and the values that he shares with the company. He advises on risk management and financial strategy, which are amongst the strengths he brings to the Avanceon Board.

Naveed Ali Baig, Director – brings over 29 years international business acumen to the Avanceon board of directors. 11 years of achievements as Chief Operating officer, Naveed was appointed Chief Executive Officer at Innovative Pvt in 2011, where he spearheads the success of his company through sound employee-centric management. Prior to joining Innovative, he worked for multi-nationals such as Gallup International and Ferguson Associates, a regional affiliate of PriceWaterhouseCoopers. He did his post-graduate studies in Systems Analysis and Design from IBA. Naveed was selected as director because of his constructive and inspiring leadership, which are amongst the strengths he shares with the Avanceon Board.

Umar Ahsan Khan, Director – brings over 25 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-approach to business and financial management, which are amongst the core strengths he brings to the Avanceon Board.



Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of Avanceon Limited will be held at Avari Lahore 87, The Mall, Lahore, Pakistan on Thursday, 21 April, 2016 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 2015 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/- per share i.e. 20% for the year ended 31 December, 2015.

N.B

(1) The share transfer book of the Company will be closed and no transfer of shares will be accepted for registration from Thursday, 14 April, 2016 to Thursday, 21 April, 2016 (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. Zia Uddin Ahmed Road, Karachi by the close of business (5.00 p.m.) on Wednesday, 13 April, 2016 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.

By Order of the Board

Ahsan Khalil
Company Secretary

Lahore,
Dated: 31 March 2016

Shareholder Information

The 13th Annual General Meeting of Avanceon Limited will be held at Avari Lahore, Shareholders as of April 13 on Thursday, 21 April, 2016 at 3.00 P.M. 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%

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.

Ownership

As on December 31, 2015 there were 2,819 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 2016 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

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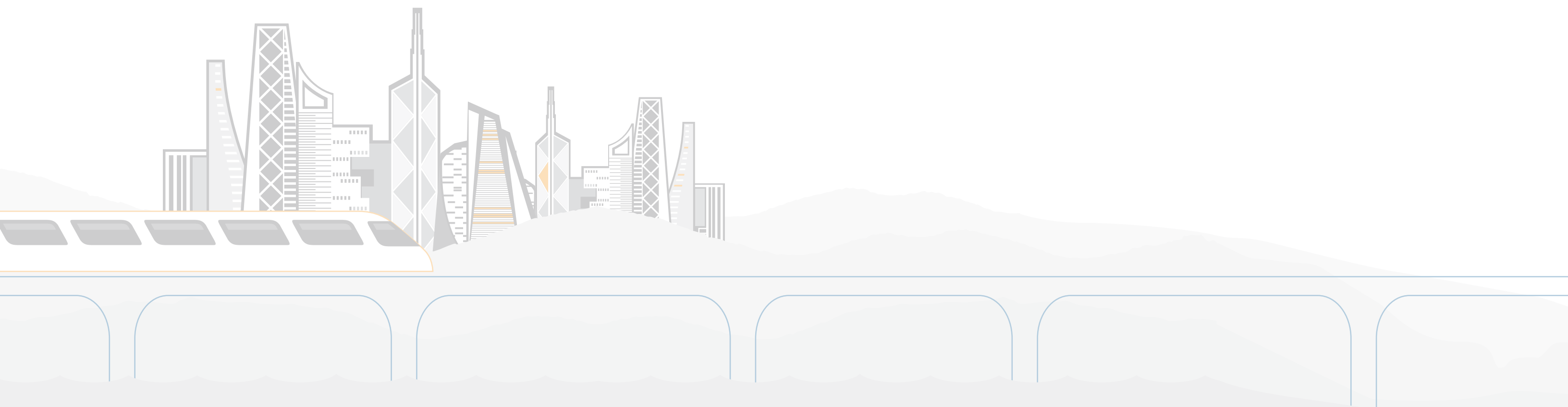


Key Highlights

Global Presence

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

+25 years
of commitment

+10 key partners
worldwide

+1,000 medium &
large scale projects

+150 Public & Private
blue chip customers

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

Tomorrow's solutions, today.

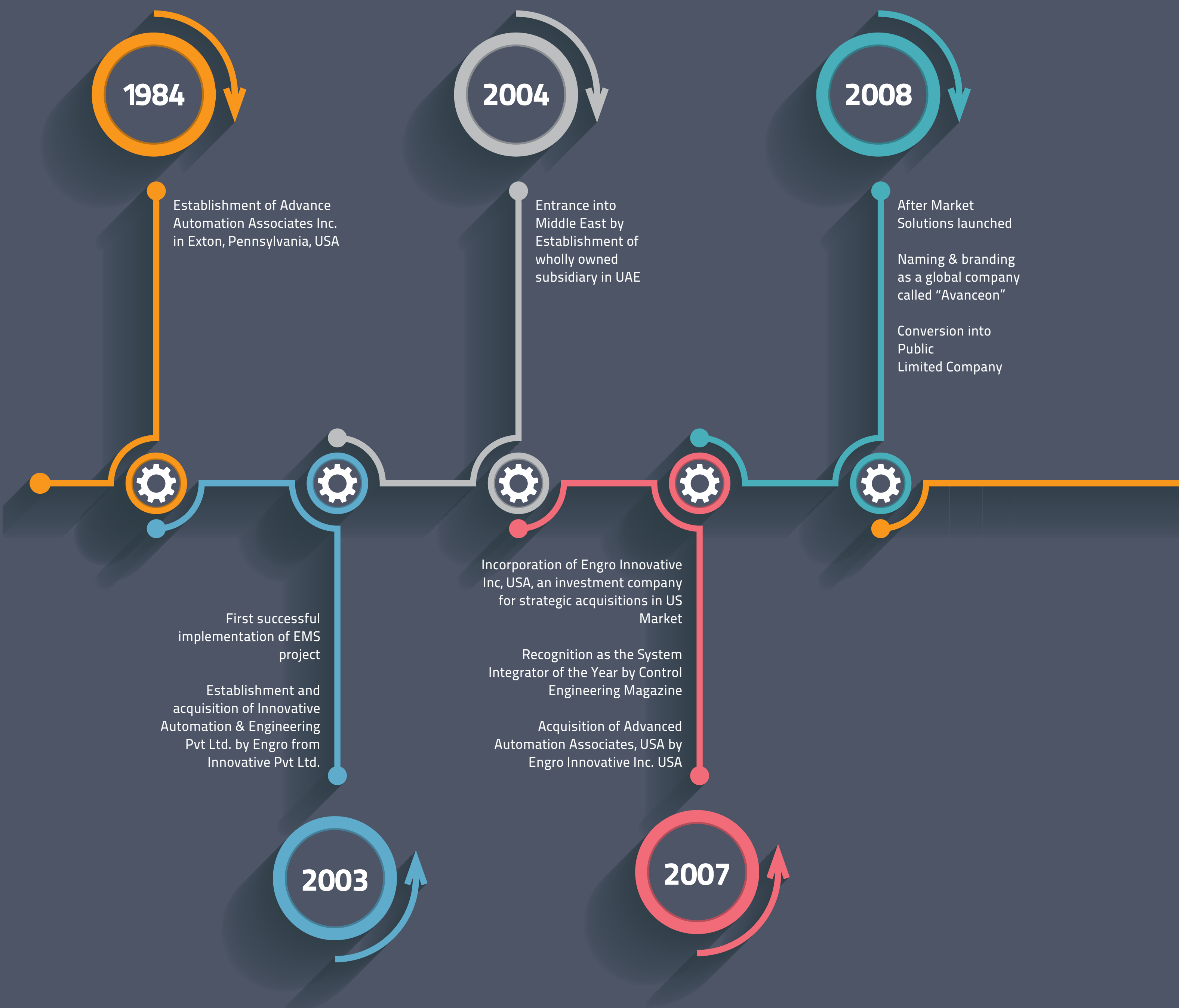
+200
employees

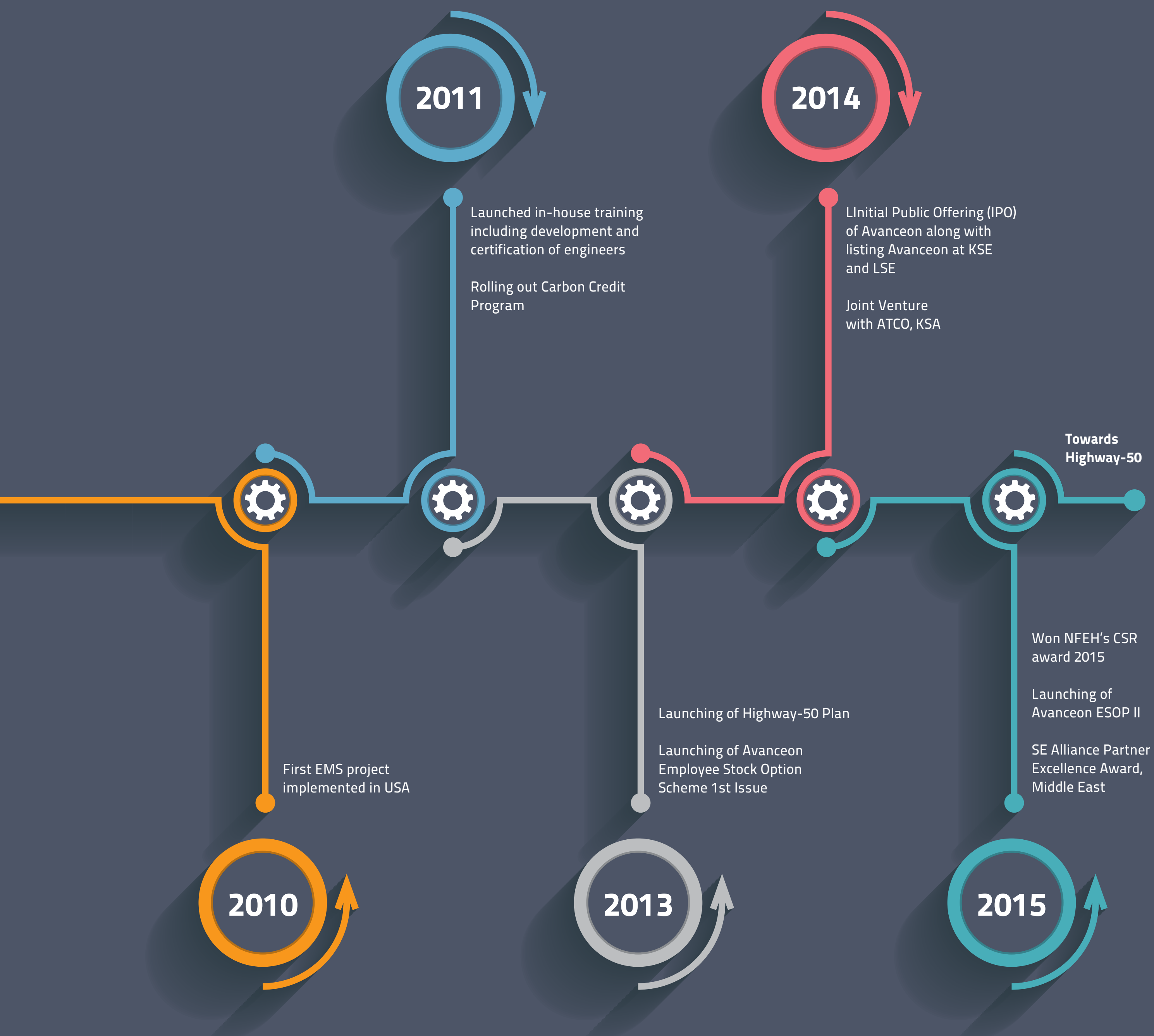
+10 offices,
3 operating centers

+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
LInitial Public Offering (IPO) of Avanceon along with listing Avanceon at KSE and LSE
Joint Venture with ATCO, KSA
2015
Won NFEH's CSR award 2015
Launching of Avanceon ESOP II
SE Alliance Partner Excellence Award, Middle East
Towards Highway-50

Overall Strategic Objectives: Highway 50

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

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

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

Goal 1 – Live Our Brand

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

Goal 2 – Increase and Retain Human Capital

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

Goal 3 – Reduce Variability in Process Execution

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

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

Goal 4 – Relationships & Responsiveness for Client Success

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

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

Goal 5 – Driving After Project Sales & Services

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

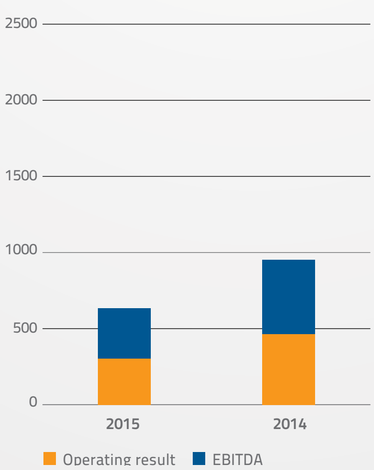
Financial Highlights

(As at December 31, 2015) Consolidated

	2015	2014
Net Sales (Rs. in Million)	1,636	1,928
Operating result (Rs. in Million)	303	464
Profit before tax (Rs. in Million)	273	443
Profit after tax (Rs. in Million)	242	427
EBITDA (Rs. in Million)	331	488
EBITDA Margin (Percentage of Net Sales)	20%	25%
Earning Per Share (Rupees)	2.29	4.09
Equity (Rs. in Million)	1,953	1,922
Price Earning Ratio	17.82	8.28
Return on Capital Employeed (Percentage)	14%	25%
Current Ratio (Times)	2.81	3.62
Capital Expenditure (Rs. in Million)	39	28

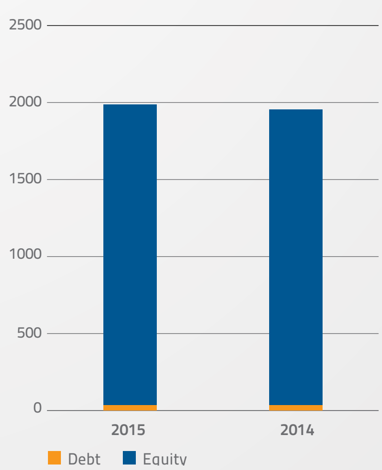
Operating Result and EBITDA

Rs Million



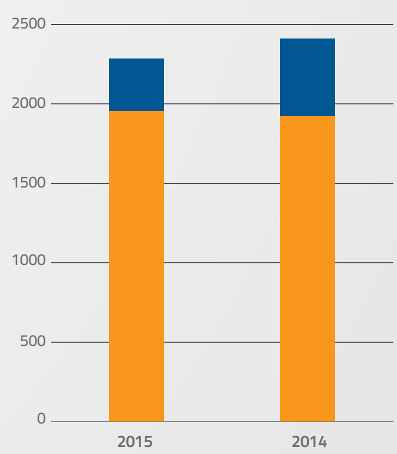
Net Debt and Equity

Rs Million



Shareholder's Equity and EBITDA

Rs Million



INTRODUCTORY

Vision & Mission Statement

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

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

Vision

Our Vision & our Mantra is our everlasting commitment to always move forward and ensure that we always co-create value with each and every one of our stakeholders by delivering: Tomorrow's Solutions, Today.

Mission

Our mission is to passionately grow to be the leader of engineered solutions through the inspired development of our teams by delivering forthcoming value to our customers.

Values

Our values are deeply rooted within Avanceon and act as guide in building value with both our internal and external stakeholders. These are the beliefs, which drive our conduct and serves as base of our business: Candour, Agility, Creativity, Quality, Teamwork, Integrity and Sustainability.

Sustainability

Integrity

Teamwork

Quality

Creativity

Agility

Candor

Profile & Group Structure

Corporate Profile

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

Avanceon has been in the automation business for the last 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, Avanceon is also listed on the Control Engineering Magazine's System Integrator Hall of Fame. Avanceon recently expanded its footprint in the Middle East by setting up offices in Qatar and Kingdom of Saudi Arabia.

Organizational Structure

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

Avanceon Limited Pakistan

PSX : AVN
A holding Company

Avanceon F.Z.E. United Arab Emirates

100% Wholly Owned Subsidiary

Innovative Automation Formerly Engro Innovative Inc. United States of America

100% Wholly Owned Subsidiary

Avanceon G.P. United States of America

An Associated Undertaking with 26.13% holding

Avanceon L.P. United States of America

An Associated Undertaking with 26.13% holding

Letter from the Chief Operating Officer

Looking back on 2015, it was a year of growth, innovation and awareness for Avanceon. Here are some of my highlights and how they help build towards Highway 50:

Live our Brand – 2015 was the year of Avanceon giving back – to our employees, our customers, our partners and our investors. We have accumulated a great deal over our 30 years of operation, both in terms of knowhow and industry respect, and we have reached a position of strength as experts in our field and have begun to act as such.

As a valued pillar of industry, we were entrusted to install key process control and emergency shutdown systems in Pakistan's first ever Liquified Natural Gas terminal at Karachi, a milestone project in our home territory. Based on a highly successful delivery we have since won a similar project at Doha's Hammad Port, a significantly larger project in what will be the world's largest port when it opens later this year. We are honoured to work on such developments, truly proud, but the most important element from my perspective is our ability to complete the work without straying from Avanceon's brand values.

Another first for Pakistan was our hugely successful collaborative event with Rockwell Automation held in October 2015 : The Automation Symposium. Pakistan's first ever dedicated day of automation workshops allowed us to give back to customers both existing and potential, sharing deep expertise from actual industrial scenarios under the tagline "Educate today, activate tomorrow". Engineers across Pakistan took home actionable knowhow with Avanceon very much front-of-mind for their next virtualization and automation projects. Overwhelmed with positive feedback and testimonials, planning is very much underway for the 2016 edition, so watch this space!

Increased and Retained Human Capital – With a belief that charity starts at home, Avanceon has taken an initiative towards its unsung heroes to ensure quality education for their children. This innovative educational scholarship, launched in 2014 and now in full operation, covers the children of our janitorial staff, drivers, and office boys. We shortlisted schools after a rigorous evaluation and Allied School was ultimately selected due to their regional school network and excellent learning environment. Avanceon promises to help these children with everything they require for a quality education including stationery, uniforms, pick-up and drop-off, home tutors and meeting with teachers whenever there is a need to meet regarding child's progress.
The children have already started learning across 12 different branches of Allied School including Lahore, Karachi, Islamabad, Okara, and Renala Khurd. Initial report cards are very good, and this looks like excellent value considering what we hope they will bring to society in the future. It stands as a leading example of corporate social responsibility to our peers both in Pakistan and the region and was awarded by the National Forum for Education and Health as such.

We have also launched ESOP II, an enhanced version of our employee stock option scheme. This ensures we award employee loyalty and give our colleagues a sense of ownership in company success, another aspect of how we boost morale and encourage everyone to work so hard for each other. The five-year timeframe of this scheme ensures that our most valued and valuable employees remain at Avanceon for extended periods of time, thus providing greater shareholder value creation. Our attrition rate has fallen drastically over the years and in 2015 it was just 4%. In order to provide equal opportunity to our employees we monitor their variable earning potential year on year and address the presence of any significant disparities which could create dissonance in the teams and may affect their moral. This initiative, launched in 2014, has had a profound impact on the team's satisfaction and retention.

Reduced Variability in Process Execution – Our last year's Key Account Management initiative to providing focused coverage of the select few large size accounts having multiple production sites spread over a wide area 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 76% of our engineering team, 4 percentage points more than the previous year.

This year we developed our very own CRM using Microsoft's platform to record, plan and strategise business opportuintes. This tool will help to achieve better sales forcasting, resource planning and overall business analysis. Sales forcasting can be a tedious process as number of variables are impacting the correctness and accuracy, more so if there is no structured process of doing it, leaving it to the mercy of sales person thus leading to greater overall inaccuracy. We have adopted a Customer Centric Selling sales process in our CRM which brings all sales on the same platform when forcasting business. This is a precursor of having better control over business dynamics and sales management.

Strengthened Relationships & Responsiveness for Client Success
It is essential to our continued growth to place the customer at the centre of everything we do. Following the successful opening of our first office in Saudi Arabia, our Middle Eastern footprint continues to grow and facilitates even more facetime with clients at crucial moments throughout projects. We have been very fortunate this year to be regarded ever-highly by our technology partners as well: in the Middle East, Schneider Electric names us Best System Integrator of 2015 and we kept momentum on several other key partnerships to boost our profile and expertise through strategic accreditations.

Drove After Market Services – Avanceon has managed to stay ahead of competition through a diversified offering, relying upon the intelligence and agility of our engineers to delivery high quality integrations across many sectors. We differentiate ourselves by continuing the relationship with end-user long after initial project delivery, by offering ongoing maintenance services as part of AMS. Driven by a strong desire to provide the very best customer service, the 24 hour hotline is central to ongoing revenues and helps build ever-stronger client relationships. AMS revenue CAGR is 22% over last five years (including 2015) which is the hightest in comparison to all other revenue streams of the company. Into 2016 we have high hopes for this trend to continue and the project pipeline, combined with additional contracts won as a result of the Automation Symposium, feeds our optimism.

In conclusion, our overall performance in the stock market has been a major boon for the Pakistani economy, the overall company value stable at a healthy 36PKR I see, at the time of writing. Avanceon has long been seen as a beacon for the economic health of the country and we are repaying the ongoing faith of investors and stakeholders. With the pipeline of upcoming projects and continuosouly evolving offering ensuring we meet the needs of our discerning quality-conscious customers, 2016 and beyond looks set to maintain our impressive trajectory.


Tanveer Karamat - Chief Operating Officer

Elevate Today, Activate Tomorrow

Automation Symposium 2015

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

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

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

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

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

Process Safety Seminar

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

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

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

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

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


Emerging Trends
in Automation
FALETTI'S HOTEL
AVANCEON
Global Partner
Automation &

Code of Business Conduct & Ethical Principles

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

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

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

Corruption and Bribery Prevention

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

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

Information Technology & Communications

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

- ✓ Information Security Governing Policy

Employee Empowerment Framework

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

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

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

Equal Employment and Anti-Harassment

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

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

Customer Centricity and Sustainability

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

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

Quality, Health, Safety and Environment

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

Avanceon's 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

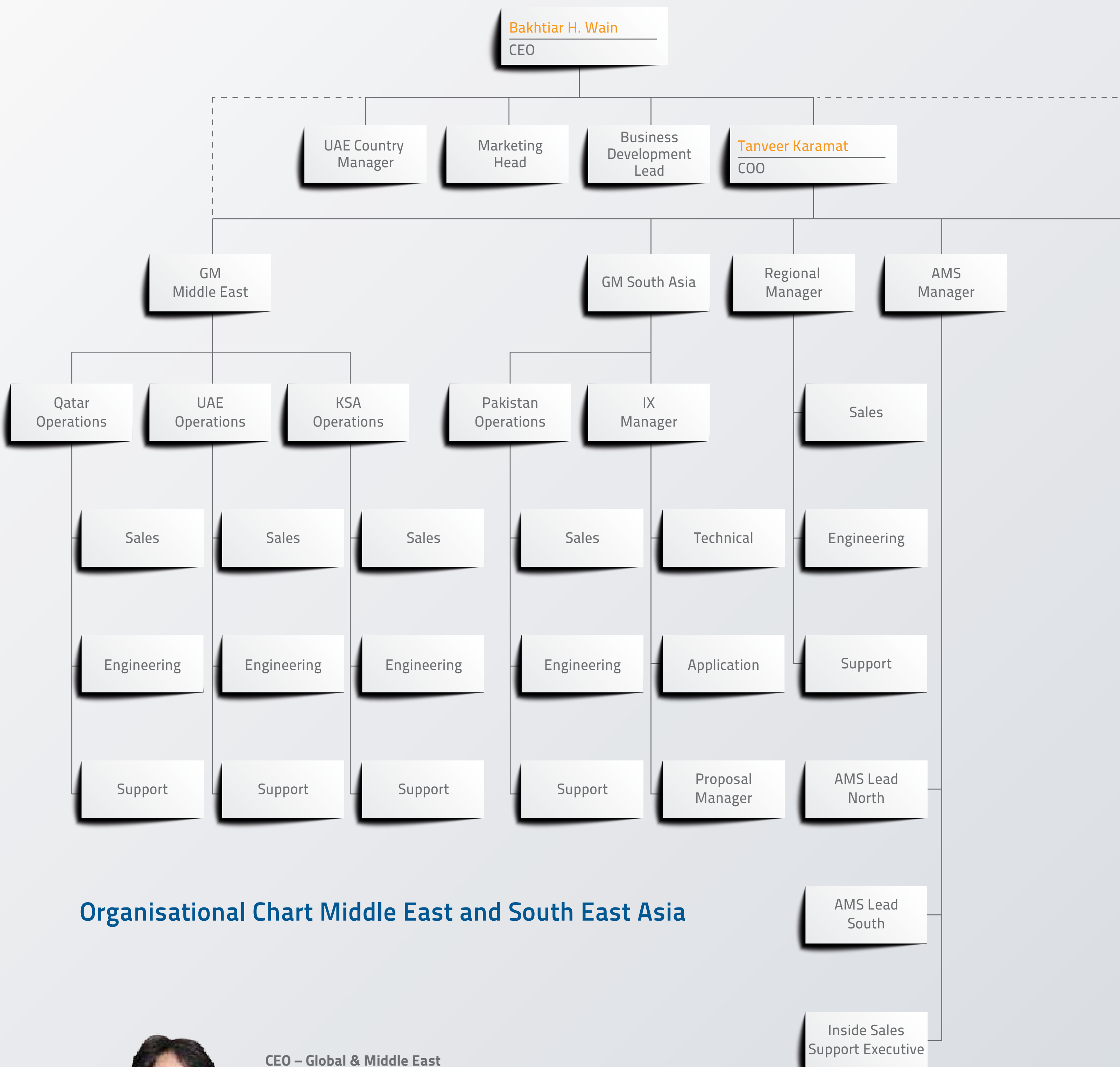
- ✓ Essential Health and Safety Environment Training Policy
- ✓ OHSAS 18001 – Health and Safety
- ✓ ISO 9001:2008 – Quality Management
- ✓ ISO 14001:2004 – Environmental Management

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



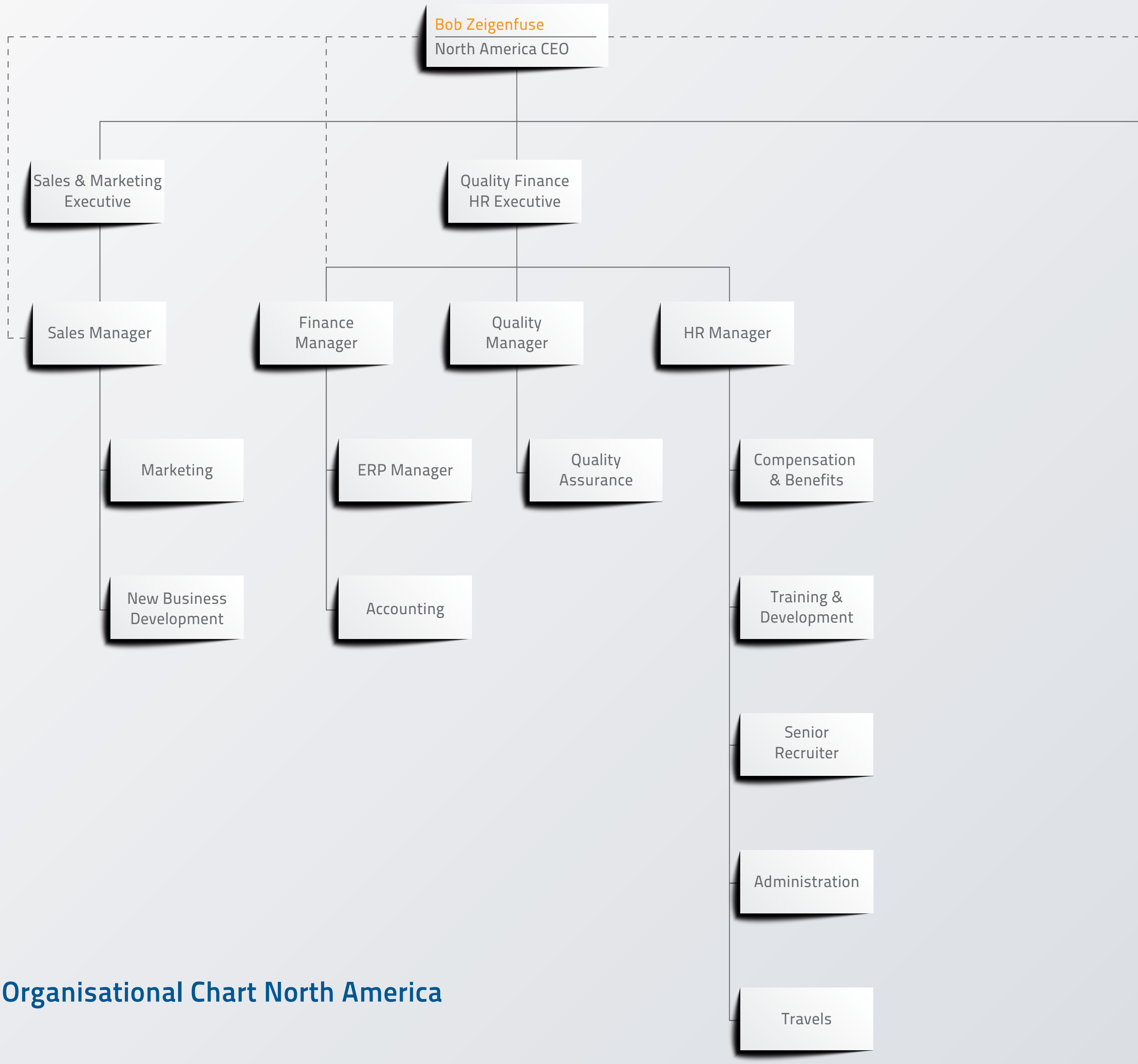
Organisational Chart Middle East and South East Asia

CEO – Global & Middle East

Brings 29 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 29 years of exemplary leadership within top companies such as Honeywell. Tanveer is responsible for MEA business vision and the performance and growth.



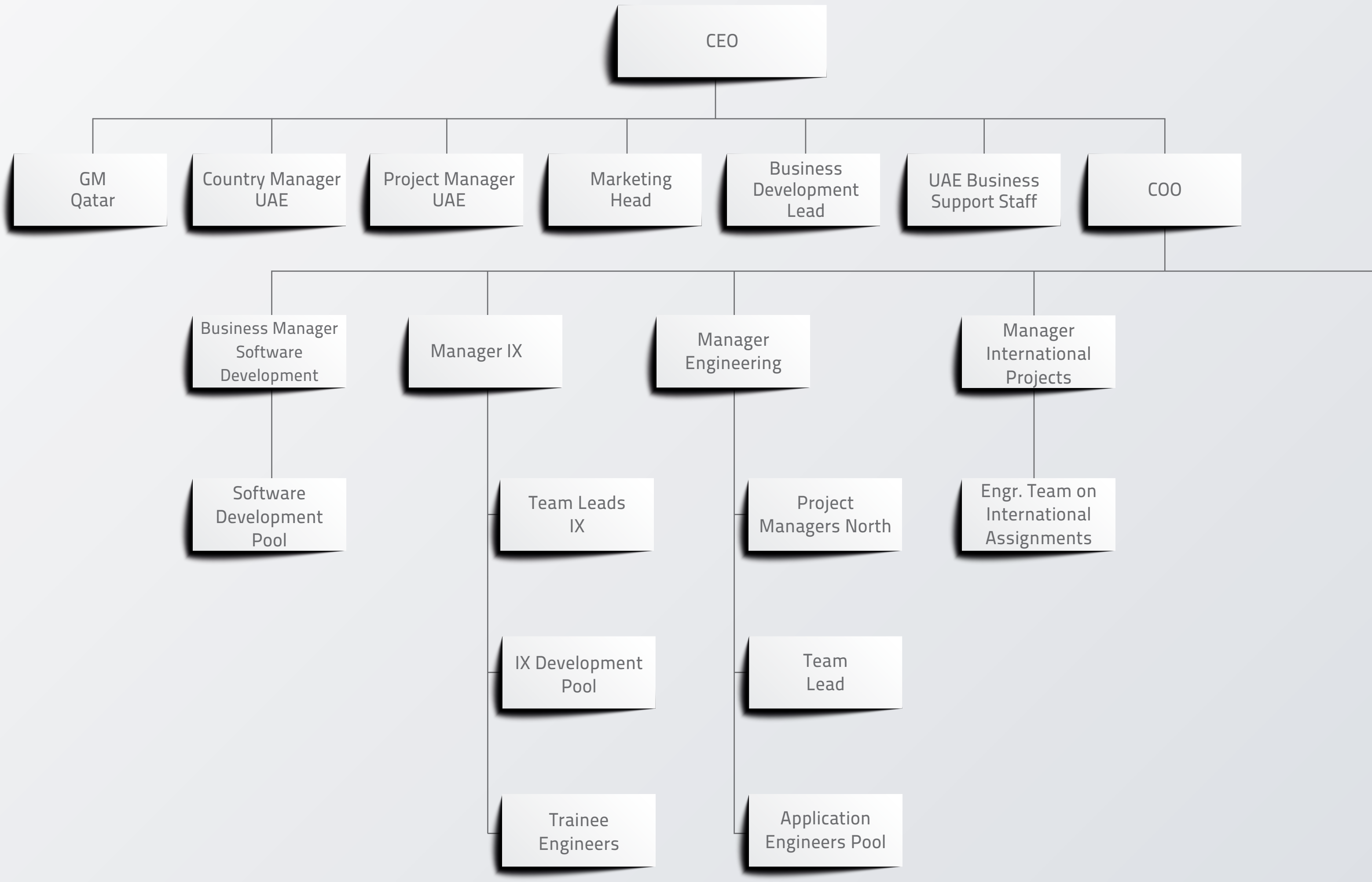
Organisational Chart North America

CEO - North America

Brings a wealth of business acumen to the group, leading the Corporate Headquarters for the past 29 years. A pioneer in the world of automation, Bob is also a founding member of the Control System Integrators Association [CSIA]

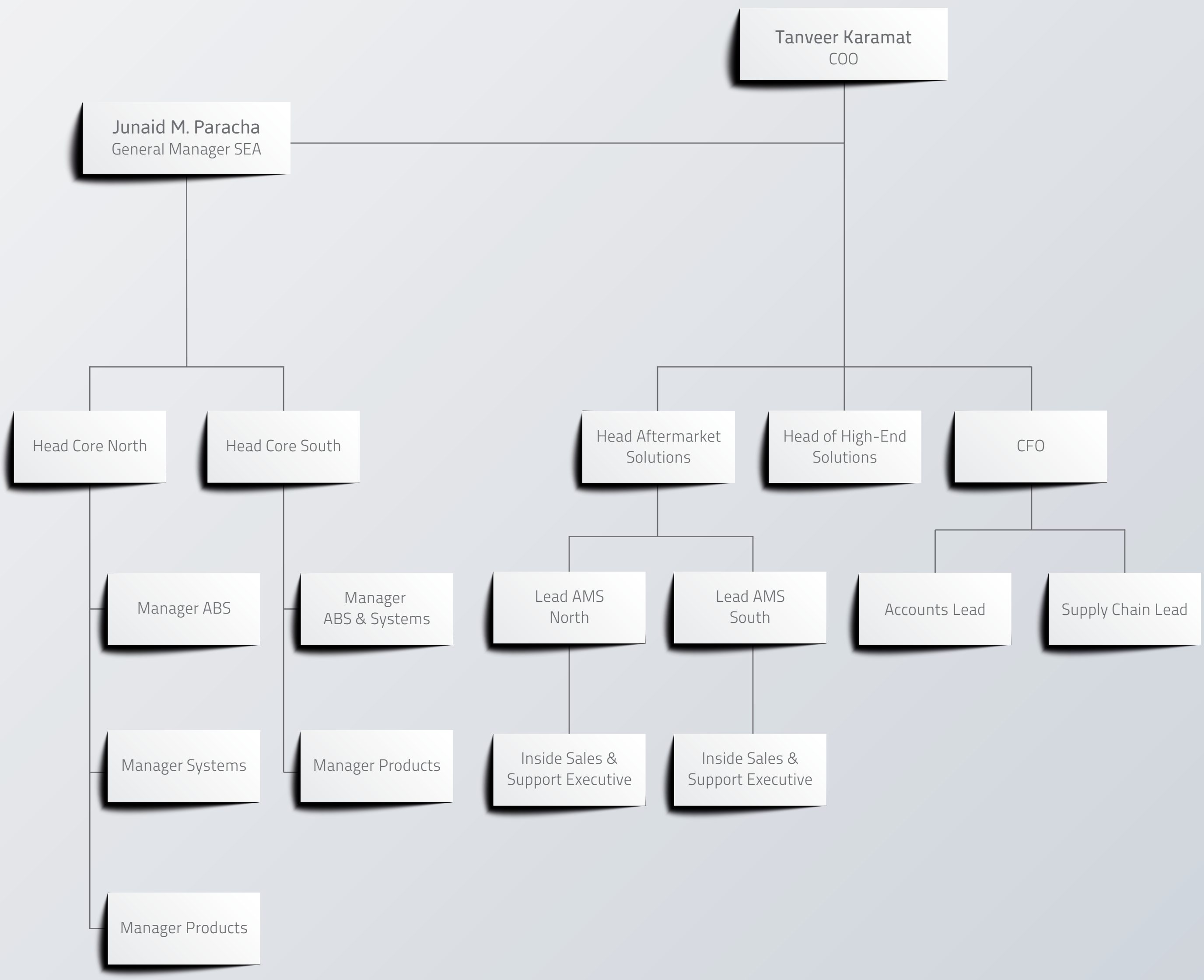
Bakhtiar H. Wain
CEO MEA
Operations Executive
Tanveer Karamat
COO
POD1 Business Manager
POD2 Business Manager
POD3 Business Manager
POD4 Business Manager
IX Manager
Sales
Project Management
Technical Management
Engineering
Support
Sales
Project Management
Technical Management
Engineering
Support
Sales
Project Management
Technical Management
Engineering
Support
Sales
Project Management
Technical Management
Engineering
Support
Technical Loads [RW]
Technical
Applications
Strategic Reporting
Line Reporting

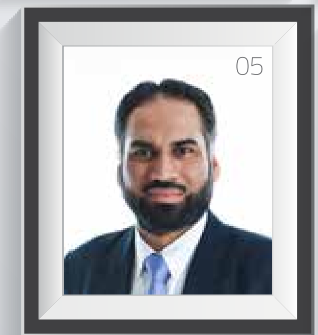
Engineering & Support Hierarchy

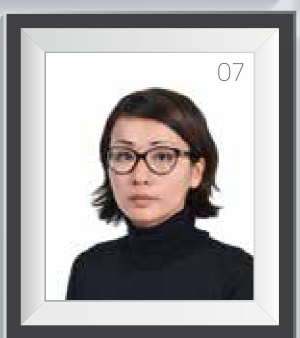



Finance
CFO
Manager
ERP
Corporate
Manager HR
Logistics
Accounts
Manager
Finance
Human
Resources
Information
Technology
Administration
Product
Supplies
Project
Supplies
Clearing
Store &
Supplies
Payroll
General
Accounting
Accounts
Payable
Accounts
Receivable
Taxation
Recruitment
Training &
Development
Compensations
& Benefits
Travelling
Infrastructure
Support
Admin
Lead
Admin
Pool

Core Services & Sales Hierarchy







01 Adeel Khalid

02 Ahsan Khalil

03 Asmar A. Atif

04 Hussain Ahmad

05 Imran Ashraf

06 Masood Karim

07 Miki H. Ashton

08 M. Akmal

09 Nasir Ali

10 Saeed Ullah Khan Niazi

11 Sajjad Haider

12 Saqib Rauf

13 Syed Adeel Haider

Our Managers

Excel Today, Lead Tomorrow

Avanceon's Corporate Excellence Awards 2015

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

For their outstanding performance during 2015 we would like to thank from our collective heart the following Avanceon ambassadors:

01 Ahad Omer

02 Risham Umer

03 Muhammad Ali Khan

04 Muhammad Ishaq

05 Moiz Rehman

06 Mehran Hassan

07 Adnan Saeed

Congratulations and keep up your excellent standards into 2016 and beyond.


01
02
03
04
05
06
07

Nature of Business

Macro-Economic Environment

Market Trends in Pakistan and the GCC

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

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

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

The other demand driver comes from Oil & Gas. Production of energy derives mainly from oil 32% and gas 48% including LNG and LPG. With an import market worth USD $15 billion, Petroleum accounts for 50%. Production of oil is estimated at 68k barrel per day with a peak of 100k this year. Gas is expected to grow to reach 50 million TOEs by 2019 from 28 million TOEs, and with increase in production Oil & Gas company needs will grow to optimize their operations. The Information and Communication Technology [ICT] is the fastest growing industry in Pakistan with a rating of B2 from Moody's agency1 . 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 reliability2 .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 Emirates3 , 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.

SWOT

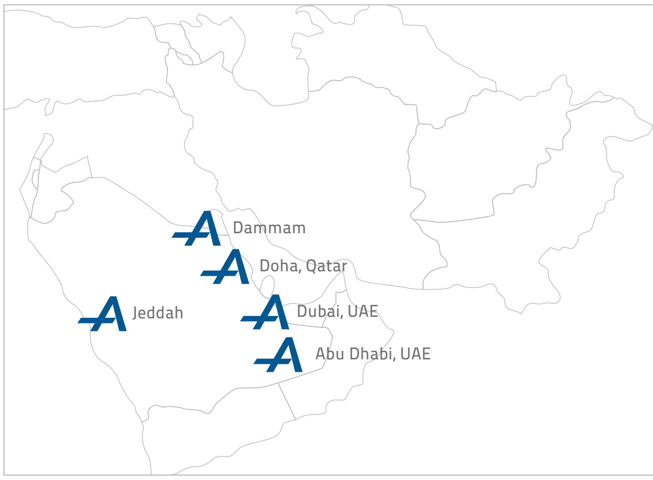
Strengths	Weaknesses
✓ Clear leader for automation solutions in Pakistan ✓ Sole publicly listed company in Automation & Control ✓ 3 times revenues of closest competition ✓ Strong portfolio of clients with 39% being international blue chip clientele, 28% stock exchange customers ✓ Strong reputation for quality of our technology and systems amongst industry Pakistani leaders	✓ 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
Opportunities	**Threats**
✓ Existing plant automation systems are coming to maturity starting 2017 and need full up-gradation ✓ Infrastructure in the ME soaring because of growing demography thereby offsetting Oil & Gas downturn ✓ SMART technos IIoT, Big Data, Energy Management Solutions and after market support becoming critical ✓ Great potential in Oil & Gas needs to be moved to AMS for upgradation & maintenance ✓ Demand for efficiency and APC and Energy management based projects	✓ Major OEMS and competitor in the O&G market trying to make the shift to infrastructure ✓ 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

Business Model

360 Degree Solutions

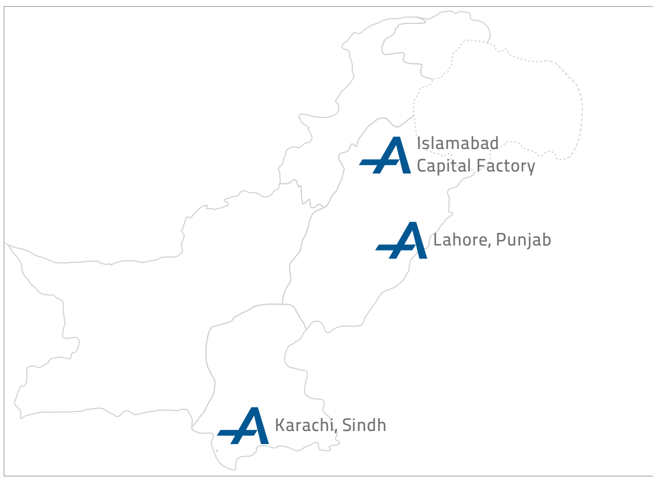
For the last 25 years, Avanceon has transformed to become the 360 degree solution provider of automation, control system integration, proprietary energy management solutions and support services is known for handling multiple products, regulatory requirements and the need for safety, productivity and 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

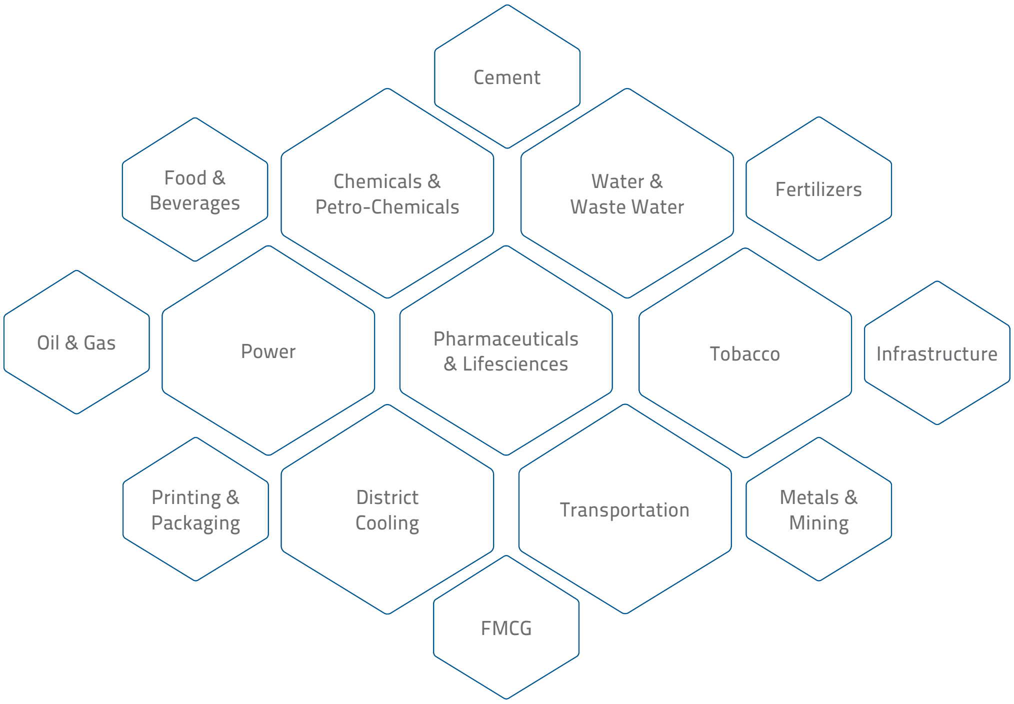


Egron2 MES Project Nestle Pakistan [on-going]	Empower
360 degree Integrated Control System for Makori Gas [Tal Block] Processing Facility [production: 300 MMSCFD]	Lusail City
Proprietary Energy Management Solutions, iWater for the Muzaffargarh Thermal Power Station [USD 0.9M in savings]	Dubai Metro
Relay up-gradation 350 relay project	Takreer
Process Control System & Emergency Shutdown Systems	Engro Elengy

Market Leadership & Customer Segments

Customer Segments

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



Leveraging on a Unique Business Model & Resources

Business Model

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

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

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

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

Unique Resources

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

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

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

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

Core Competencies

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

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. The automation solutions address client requirements such as complexity in handling multiple products, regulatory requirements and the need for safety, productivity and improved throughput. Avanceon's automation solutions span over several industries including:

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

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

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

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

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

Specialized Solutions

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

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

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

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

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

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

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

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

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

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

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

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

After Market Solutions

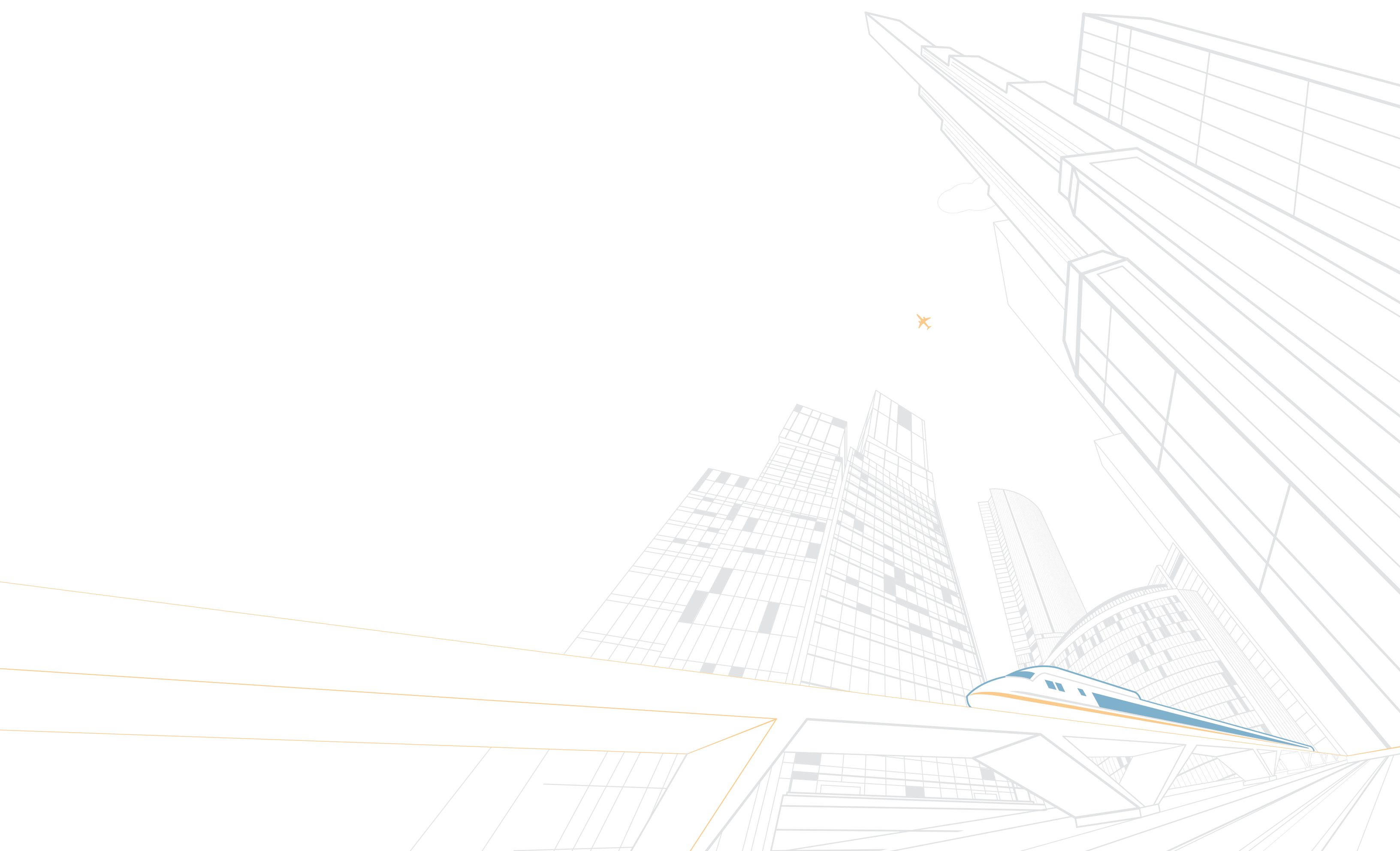
After Market Solutions ("AMS") provides complete lifecycle support services including manufacturing technical support, maintenance management, control system oversight and remote diagnostic services to maximize plant uptime performance, support efficiency and technology effectiveness. Avanceon delivers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

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

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

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

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



Strategic Partnerships

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

Rockwell Automation [NYSE: ROK]

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

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

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

Schneider Electric [EPA: SU]

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

Schneider Wonderware [previously Invensys]

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

General Electric [NYSE: GE]

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

Siemens [EXTRA: SIE]

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

WEG

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

SIEMENS

Rockwell Automation Recognized System Integrator

Rockwell Certified System Integrator (RSCI), global capabilities are extended across 80 countries

GE Intelligent Platforms

GE Intelligent platforms solution provider

Alliance integration partner with Schneider Electric

Schneider Electric global certified alliance partner and authorized Systems Integrator

Wonderware CERTIFIED System Integrator Partner SYSTEM PLATFORM

Certified systems integrator for Wonderware System Platform

Wonderware CERTIFIED System Integrator Partner INTOUCH

Certified systems integrator for Wonderware InTouch

Microsoft GOLD CERTIFIED Partner

Gold Certified Partner of Microsoft – Top tier level of competence and expertise

HIMA

HIMA Approved System Integrator

eWON PARTNER CERTIFIED SYSTEM INTEGRATOR

eWON Certified System Integrator

WEG

Customer Portfolio

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

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

CORPORATE GOVERNANCE

Code of Corporate Governance

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

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

Role of the Board of Directors

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

Respective Role of the Chairman & the CEO

Role of the Chairman of the Board

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

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

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

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

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

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

CEO Performance Review by the Board

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

Management Initiatives on Corporate governance

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

Ethics

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

The ethics program includes:

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

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

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

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

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

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

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

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

Business Governing Principles and Values

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

Integrity

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

Code of Conduct

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

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

Sustainability

Corporate Social Responsibility

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

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

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

Environmental Protection

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

Occupational Safety and Health

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

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

Equal Opportunity Employer

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

Contribution to National Exchequer

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

Review Report to the Members

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Avanceon Limited (the Company) for the year ended 31 December 2015 to comply with the Listing Regulation No. 35 Chapter XI of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited (now Rulebook Regulation No. 5.19 of Chapter 5 of the Pakistan 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 Director's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2015.

Ernst & Young Ford Rhodes Sidat Hyder.

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Chartered Accountants

25th March 2015,
Lahore

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 Listing Regulations of the Karachi and Lahore Stock Exchanges (Now Rule Book Regulation No. 5.19 of Chapter 5 of the Pakistan Stock Exchange Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2015 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 Grant Thronton Anjum Rehman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "Closed period" prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Mr. Bakhtiar Hameed Wain
Chief Executive Officer

Corporate Policies

Disclosure of Policy for Actual and Perceived Conflicts of Interest

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

Disclosure for IT Governance Policy

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

Avanceon's Whistleblower Policy – "Speak Out!"

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

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

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

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

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

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

Human Resource Management Policies Including Preparation of Succession Plan

Human Resource Management

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

Succession Planning Policies

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

Social & Environmental Policy

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

Policy and Procedure for Stakeholder Engagement

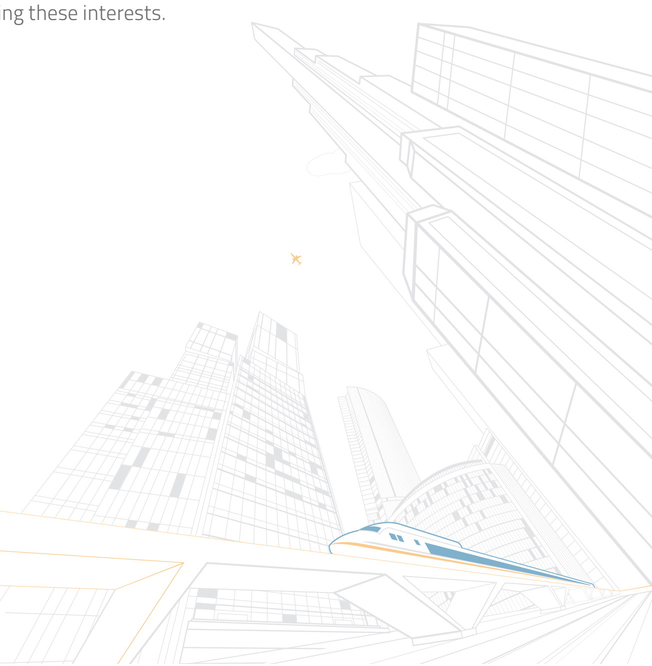
Stakeholder engagement policies and procedures map out all aspects of outreach with the broader audience interested in Avanceon. The Company involves committees at regular points throughout the year both for specific projects and general insights. The policies ensure that different parties are aware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

Investor Grievance Policy

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

Safety of Record

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




OPEN HOUSE
AUTOMATION SYMPOSIUM 2015
AVANCEON
OPEN HOUSE
A HOTEL

CORPORATE REVIEW AND REPRESENTATION

Directors' Report

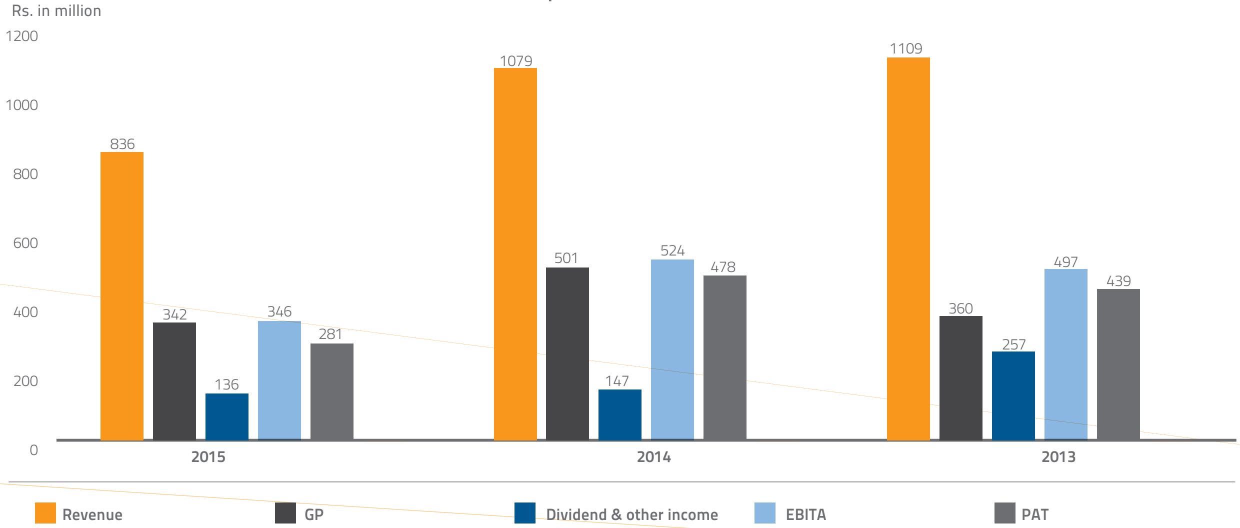
The directors of the company take pleasure in presenting their report together with the Company's audited annual financial statements for the year ended December 31, 2015. The Directors' Report, prepared under section 236 of the Companies Ordinance, 1984, will be put forward to the members at the 13th Annual General Meeting of the Company to be held on April 21, 2016 at 3pm, Avari Hotel 87 the Mall Lahore, Punjab, Pakistan.

The Report

The performance of the Company remained satisfactory in terms of order generation, control over fixed costs (one time provision of US Aid projects), controlled financial cost, excellent management of liquidity, maintenance of sufficient banking facilities at lower cost, timely repayments of loans & commitments. The majority of business segments performed satisfactory except Energy Management Solutions (EMS) in Pakistan and KSA-West business segment. Our joint venture with ATCO in the Kingdom of Saudi Arabia launched successfully but on the other hand revenues and net profits remained lower than anticipated because of major orders coming in the 3rd and 4th Quarters of FY 2015 instead of the 1st and 2nd. As it stands today, the Company has handsome volume of orders in hand (as back log from FY 2015) and we can forecast increased revenues and net profits for the early quarters of FY 2016.

Operating results (standalone)	2015	2014
	—— (Rupees in ,000)	——
Revenue	836,456	1,079,109
Profit Before Tax	311,651	494,055
Provision For Taxation	(30,713)	(16,069)
Profit After Taxation	280,938	477,986

Profit & Loss Statements (Standalone) for the period ended 31 - December 2015



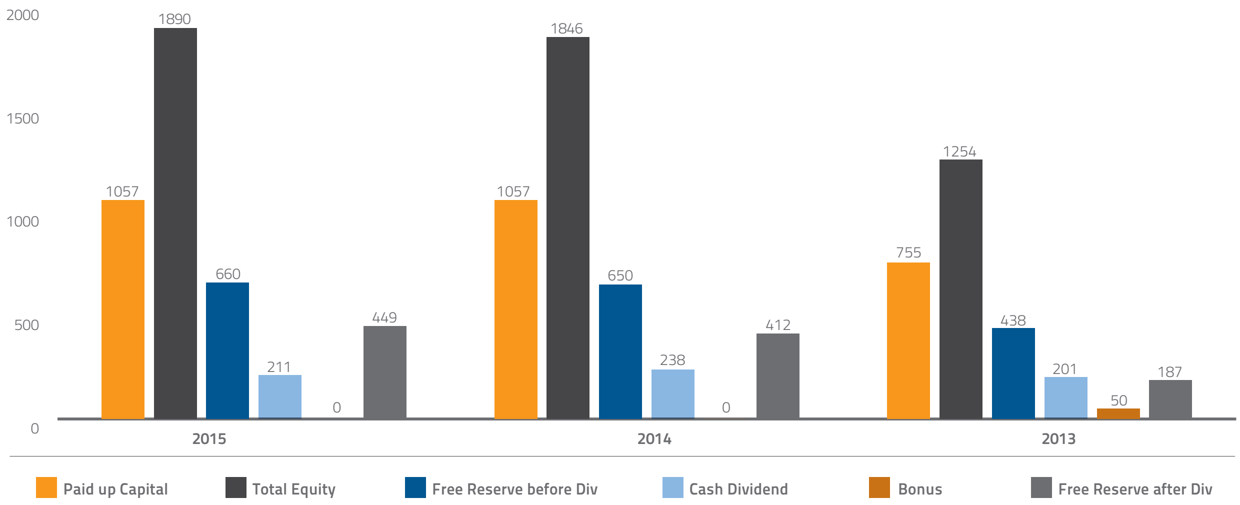
Subsequent Appropriations

The Directors have recommended a cash dividend of 20% (Rs. 211 million) 2014: 22.50% (2014: Rs. 238millions) per share. The following appropriations have been made:

	2015	2014
	---- (Rupees in ,000)	----
Reserve available for appropriations (at standalone financials)	660,000	649,688
Appropriation:		
Proposed Dividend @ 20% (2014:22.5%)	(211,394)	(237,817)
Unappropriated Profits Carried Forward	448,606	411,871

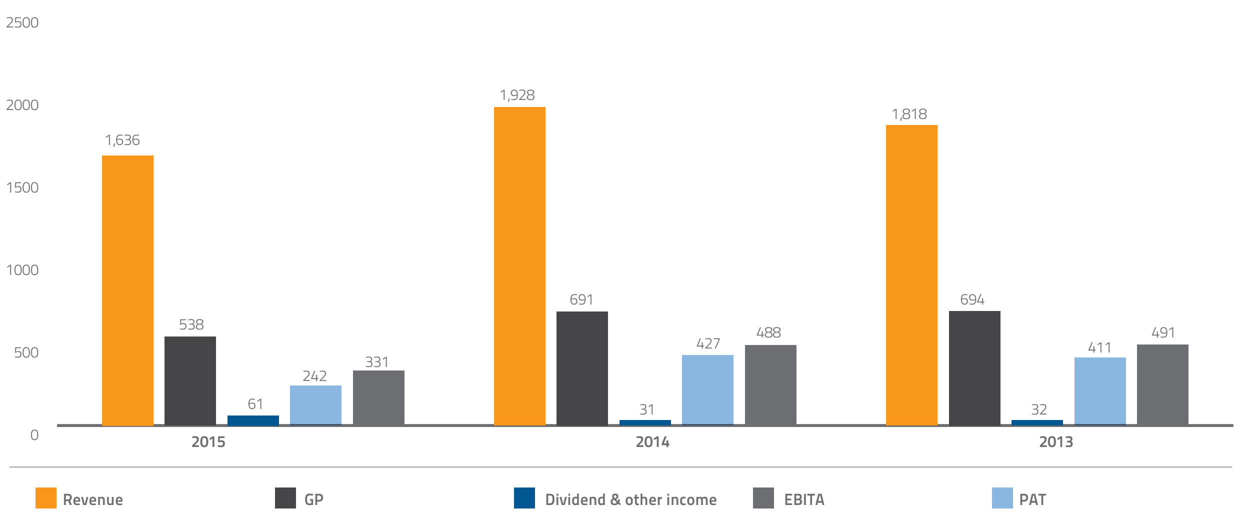
Capital, total equity, free reserve and dividends (AVN Standalone)

Rs. in million



Operating results (consolidated)	2015	2014
	—— (Rupees in ,000)	——
Revenue	1,635,641	1,928,035
Profit before tax	272,626	443,279
Provision for taxation	(30,713)	(16,068)
Profit after taxation	241,913	427,211

Group Profit & Loss Statements for the period 31- December 2015



Earnings Per Share (EPS)

Earnings per share of the Company remained steady over the last five years except this year due to reasoning mentioned above 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. 2.66 (2014: Rs.4.57)

Consolidated

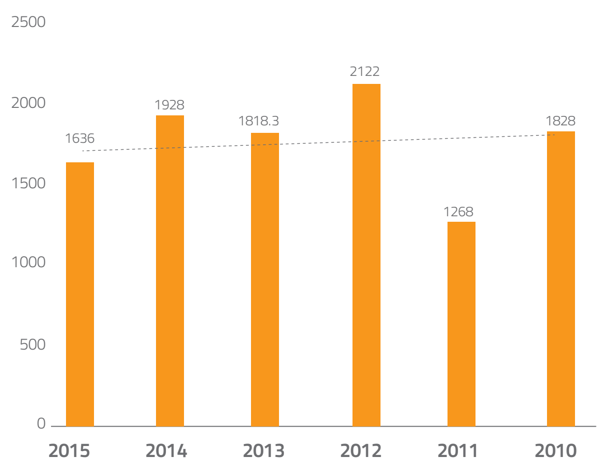
The basic earnings per share after tax is Rs. 2.29 (2014: Rs.4.09)

Financial Performance

Revenue

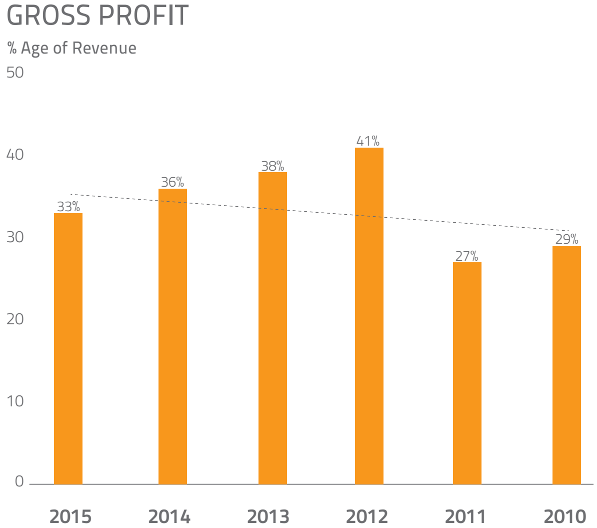
The Company revenue remained on lower side (15% decrease) as compared to last year due to underperformance of Energy Management System (EMS) and a core business segment in Kingdom of Saudi Arabia (KSA) West due to political unrest during 1st & 2nd Quarter 2016. However the order generation gap was bridged somewhat in 4th Quarter and we can forecast stronger revenues in 1st and 2nd Quarters of FY 2016. The Company's revenues maintained a positive trajectory throughout the financial year, only affected slightly by delays in orders generations.

REVENUE

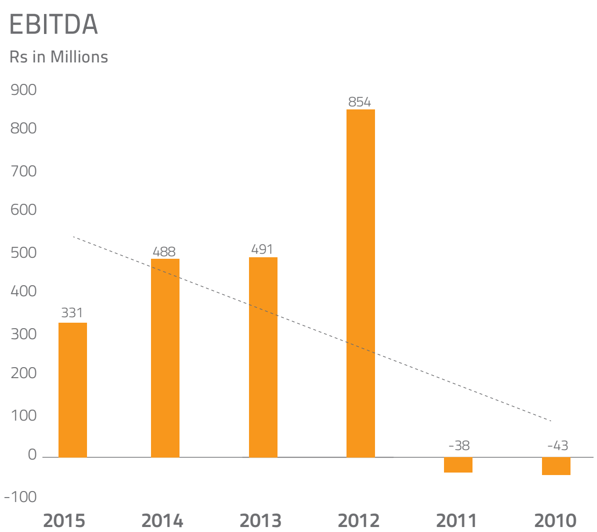


Gross Profits

We observed a 3% decrease in gross margins as compared to the last financial year because of low margin on one of the big value Project in UAE and Pakistan due to competition and depressed market conditions which contributed to a material effect on GP as compared to the last financial year; the management is very confident to restore margins at FY 2013 levels in upcoming financial years.



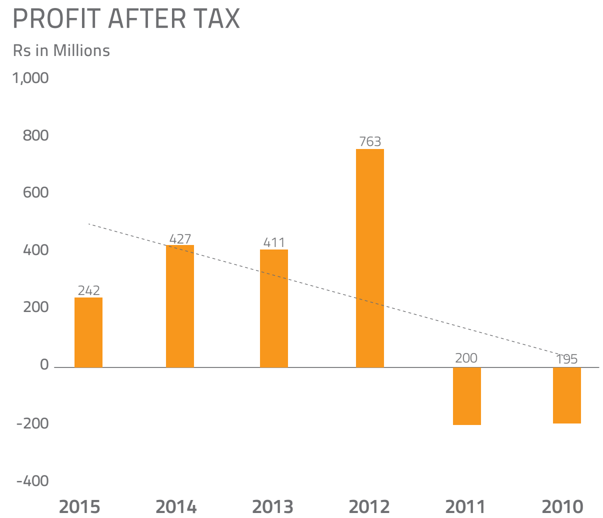
Earnings before Interest, Taxes, depreciation and amortization (EBITDA)



We observed Decreaesed in EBITDA as compared to Last Year due to low profits but we are very much confident to restore in upcoming financial years to bring back at 2014 level

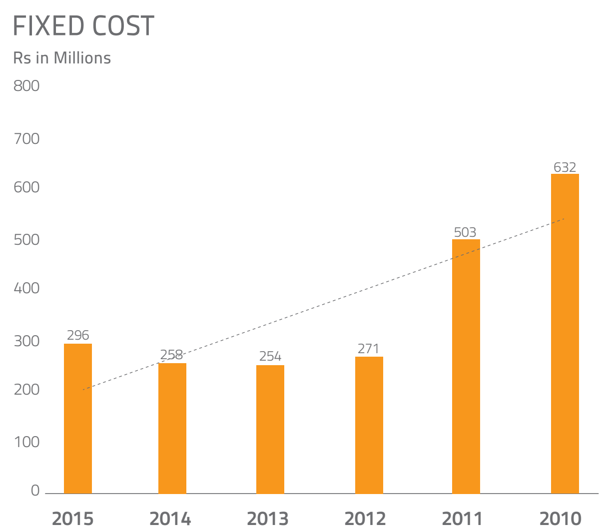
Profit after taxation

We observed a 42% decrease in net profits as compared to the previous year due to reasons as stated above, the management is very confident to restore revenues, margins, gross & net profits to FY 2013 levels in upcoming FY 2016 due to a very big value of unrecognized backlog amounting to Rs. 985million related to FY 2015 with revenue recognition expected in 1st and 2nd quarters of FY 2016.



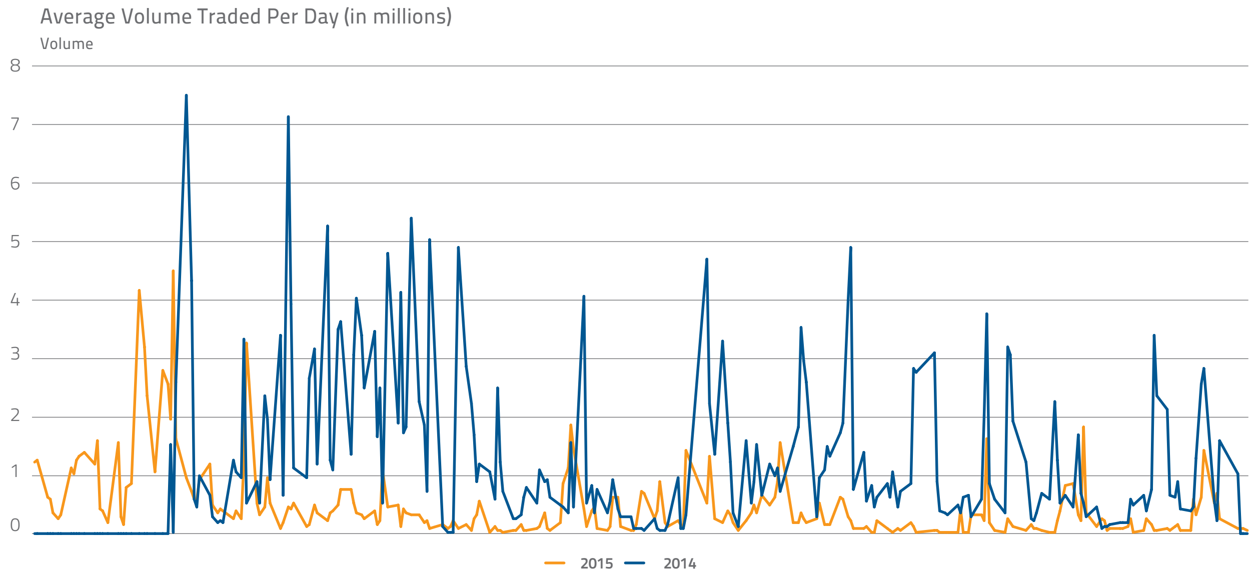
Fixed Cost

We observed 14% net increase in fixed cost, due to 4% increase in administrative and selling expenses but remaining 10% increased due to a onetime provision of US Aid projects receivables.



Stock Liquidity after Intial Public Offering

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 first quarter 2014 through 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. Since the date of listing, the company stock performed excellently and provided perfect liquidity and capital appreciation to shareholders, which has been highlighted as under



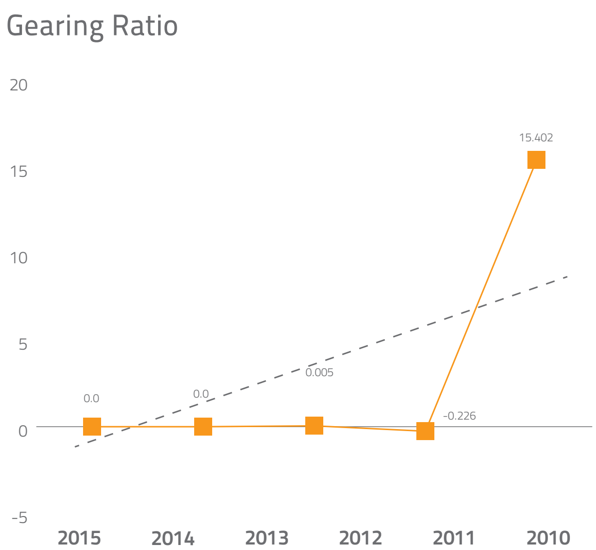
Employees' Share Option Scheme (ESOS)

The Company successfully offered 4.6 million share options to key management personnel and highly technological trained engineers in FY 2013, FY 2014 & FY 2015 under Avanceon Employee Share Options Scheme Issue-1 of the Company at minimum of Rs. 1, RS. 1.20 and Rs. 1.44 per option respectively at maximum of 90% discount to the face value, to make employees direct stakeholders in the Company for retention, motivation and to share the company wealth. We are successfully achieving the objectives of the scheme in the shape of retention of key management and trained engineering staff. This scheme has diluting effect of 4.72% of net earnings of the company from FY 2018.

After successfully offering the 1st Issue, the Board of Directors approved 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. The company is confident to achieve the objectives of 2nd Issue, including retention of key management and highly trained engineering staff following the success of the initial phase. Sharing the success and wealth as direct stakeholders along with ordinary shareholders, both schemes will play an important role in maximizing overall shareholder wealth.

Capital Structure

The Company is a very low geared business entity and maintains a balance capital structure which is evidence of its financial strength and excellent liquidity management. Currently, the Company capital structure consists of 100% shareholder equity. The company only utilized working capital lines to bridge the short term cash needs. The Company successfully 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 has maintained enough banking facilities including short term, long term and project financing in Pakistan and the United Arab Emirates to meet any long term loan needs.



Working Capital Management

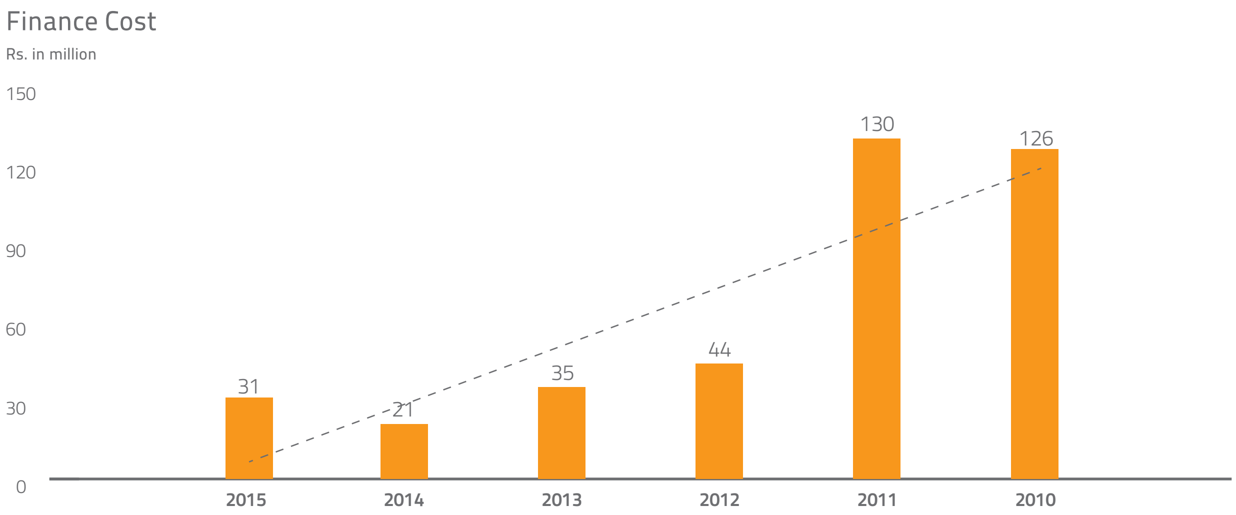
Based on current and quick ratios for the last five years, we can see solid liquidity improvement and strong short-term financial working capital position of the Company's operating activities. The company is managing all of its working capital needs by negotiating best credit terms with customers by making every order cash positive. The company effectively managed its working capital requirement through very vigorous & strict financial discipline by paying all short-term loans to avoid financial cost by generating positive cash inflow.

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. This helped curtailing financial implications at the previous year's levels (from 2010 to 2015).

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 the UAE, KSA, Qatar, Oman, USA and particularly the political and economic stability in Pakistan.



Service to Society

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

Health, Safety and Environment

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

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

We also ensure that our products are shipped in a safe manner complying with 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 a 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 guides action at the local and unit levels.

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

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

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

Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report, interim quarterly reports and through the information portals of Karachi Stock Exchange and Lahore Stock Exchange currently at Pakistan 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 related to FY 2015. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholder inquiries.

Annual Evaluation of the Board's Performance

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

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

Role of the Board Committees

Responsibility to Stakeholders

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

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

Composition of the Audit Committee

The composition of the Committee is as follows:

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

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

Sr. No.	Member Name	Attnd.
1.	Mr. Tajammal Hussain, FCA, Chairman/Member	5
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-on-one meetings 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. The CEO and CFO are responsible for the accuracy of financial information for inclusion in the annual report; the Committee provides the Board with additional assurance.

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

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

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

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

Issues Raised in the Last AGM

During the Annual General Meeting 2014 No Major issues were raised

Agenda #1: Consider the Audited Accounts for the year ended 31 December 2014 and the Directors' and Auditors' Reports thereon.

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

Few members appraised the results and commented that the company need not to increase his capital by way of issuance of bonus shares and decision of BOD not to give bonus this year is ok with them.

The chairman (Bakhtiar Hameed Wain) answered all queries, explaining the industrial automation business of the company. The future outlook was discussed as to be prosperous and dependent on the growth of Pakistan Economy in line with industrial setting up of new plants.

Management Committee

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

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 and benefits 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.

Transactions with related parties

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

Board of Director's Training

During the year Mr. Bakhtiar H. Wain Director Chief Executive Officer has completed CODE OF CORPORATE GOVERNANCE training from the institute of corporate governance as required under the CODE OF CORPORATE GOVERNANCE under guidelines.

Shares Traded by Executives

During the year the below mentioned executives have traded the stock of Avanceon:

Sr. No.	Employee Name	Designation	No. of Shares
1	Junaid Mushtaq Paracha	General Manager Sales	2,000
2	Junaid Mushtaq Paracha	General Manager Sales	10,000
3	Arif Shuja	Business Manager HES	500
4	Arif Shuja	Business Manager HES	19,000
5	Arif Shuja	Business Manager HES	13,500
6	Junaid Mushtaq Paracha	General Manager Sales	21,000
7	Junaid Mushtaq Paracha	General Manager Sales	2,500
8	Junaid Mushtaq Paracha	General Manager Sales	4,000
9	Hussain Ahmed	Corporate Manager HR	6,000
10	Arif Shuja	Business Manager HES	500
11	Junaid Mushtaq Paracha	General Manager Sales	2,500
12	Junaid Mushtaq Paracha	General Manager Sales	1,000
13	Junaid Mushtaq Paracha	General Manager Sales	1,500
14	Junaid Mushtaq Paracha	General Manager Sales	12,500

Board of Director's Meetings

During the year the Board of Directors has conducted four board meetings (All conducted in Pakistan) the following honorable members participated:

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

Critical Performance Indicators

Objectives	CPIs	Analysis for the current year	Relevance for the future
Increase in revenue of the Company	25% net Increase in revenue of the company with minimum of 25% gross margins on each order	16% net consolidated decreased in revenues of the Company which are not satisfactory due to under performance of our EMS business segment in Pakistan and underperformance of KSA-West Business Segmnet in KSA due to unrest political situation, 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 net profit margins and increase in profitability of the Company	Preseverance of 20% net profit margins and minimum of 10% net growth in net profit and return on capital employed	The Company Presevered the net profit margins but observed 7% decreased in net profit margins on group level which is low as per targets due to underperformance of on ethe business segment list above.	This CPI shall remain relevant in the future
Control over fixed cost the company	Maximum of 10% increase on every financial yea	We observed 16% net increased in fixed cost mainly due to provisioning of bad debts related US Aid Projects which was not projected for FY 2015	This CPI shall remain relevant in the future
Leading the market by outshining the competitors and introducing new improved quality of services by highly trained Engineers	Providing and delivering products & engineering services to customers which belive in no compromize on high quality	Due to retention and maintained a pool of highly trained engineers of different automation technologies have enabled us to increase the sales in the current year by delivering high end quality services to the customers as per their requirements which also helped us in retaining major customers in competitive environment.	This CPI shall remain relevant in the future
Broaden the customer portfolio	Increase in sales	Despite of financial depression in KSA market, our revenues remained on lower side as compared to last year, but our rest of the business segmnet performed very well.	This CPI shall remain relevant in the future
Development and promotion of the Company image & presence in Middle East, Pakistan and rest of the world	Interaction and Relationship with the all stakeholders	Retention of the highly trained competitive employees, good reputation of the Company among its customers and suppliers, fulfilling all its obligations towards Government and regulators 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 and employees	Through out the year we have not taken and became the part of any activity which is against for the protection of the environment and also 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 and taken 100% responsibility of our low income employees Childerns 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 reporting and effective decision making	We have fully trained and developed accounting, finance and supply chain process which helps in error free accounting as per IAS, accurate reporting a sper IFRS with timely availibility of reporting and effective decision making and cost effectiveness in a larger context. Our IT department updates and follows the latest IT technology that helps in increasing our efficiency of support and engineering staff.	This CPI shall remain relevant in the future
Highly tranined certified staff on Company SOPS	Certification of support and engineering satff on company SOPs of Accounting, Fiannce, Supply Chain and Projects Manegements	Our all Supply Chain Management staff have obtained 100% certification by obtaining full marks on company SOPS test.	This CPI shall remain relevant in the future

Business Continuity Plan

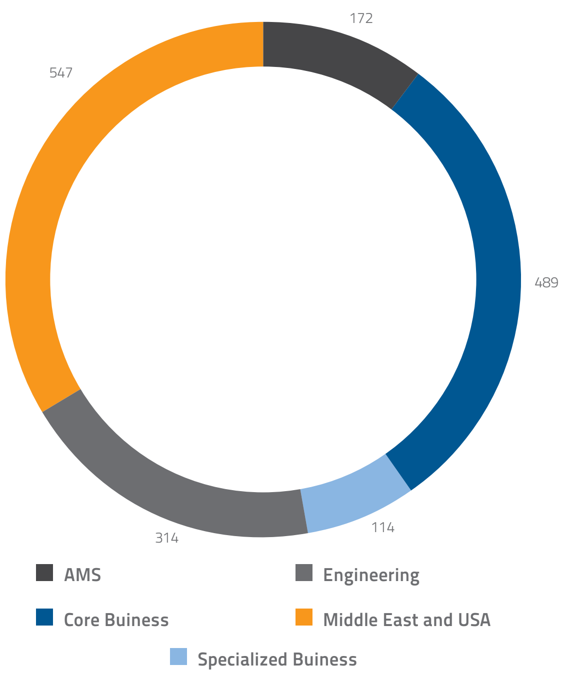
Operational continuity is of paramount importance for the short, medium and long term objectives, success and viability of any Company. Avanceon has developed business continuity plans, which also provide a mechanism for disaster recovery in the respective areas. The Company has arranged the security 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 and checked, with said documents appropriately preserved & safeguarded according to our Policy for safety of records at all location in and outside Pakistan.

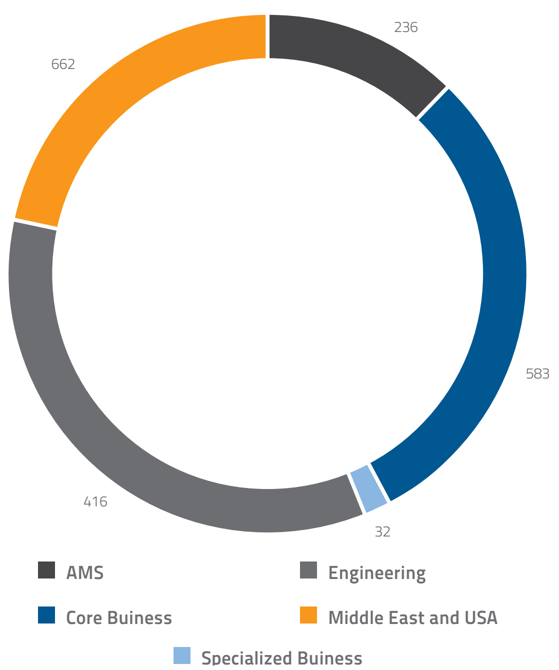
Segmental Business Performance and Market Share Information

According to the Control Engineering Giant 2014, Avanceon's market share nears 2% and ranks amongst the top 15 system integrators worldwide, the current market leader taking 9% of the market. The main objective of Avanceon resides in maintaining market leadership in Pakistan whilst increasing market share by developing untapped 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 threefold the revenues of its closest competition.

Revenue 2015



Revenue 2014



Corporate Governance Practices

The Board of Directors of Avanceon Limited is committed to the company principles and comply with requirements of Code of Corporate Governance included in the listing regulations of Karachi and Lahore Stock Exchanges now at Pakistan Stock Exchange (PSX). The code of Corporate Governance has been disclosed and discussed in detail on Page 44, along with the Statement of Compliance.

Management's Objectives and Strategies

Objectives of the management are well aligned and synchronized with the overall corporate short 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. Achieving these objectives has enabled the Company to remain profitable despite adverse local and international economic and political conditions, especially in Pakistan.

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

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

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Corporate Level Strategy

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

To increase shareholder value and confidence through qualitative management lies at the core of the corporate strategic goals. The Company will achieve this by upholding core values and by acting sensibly, responsibly, maintaining cost, quality management and looking for and retaining talented highly trained human resources. Within the volatile business environment in our markets of operation, most specifically the nature of political imperatives in Pakistan, the Company is focusing on short-term & medium-term strategy ranging from one year to three-year business objectives, aligned to longer-term objectives as set.

Business Level Strategy

The Annual meeting enables business review, renewal and repositioning of Business level strategic objectives for the 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 fulfill the needs of customer segments in Pakistan across Oil & Gas, Power, Food & Beverage as well as FMCG where the Company has excelled and led for many years. There will be a focus on 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

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

Avanceon's Human Resource Strategy

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

Operational Level Strategy

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

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

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

- ✓ Adherence and compliance of local laws and regulations
- ✓ True and fair presentation of financial transactions, accounting and reporting under prevailing accounting and financial reporting standards
- ✓ Enhancing shareholders' confidence and value by generating reasonable and sustainable returns
- ✓ Conservative, sound risk profile management and monitoring
- ✓ Zero tolerance ethical behaviour, preserving the compliance and spirit of Company rules and regulations
- ✓ Sustainable organic growth including geographical expansions
- ✓ Functional & Operational agility
- ✓ Meeting international standards of quality for health, safety and environment (QHSE)
- ✓ Hiring, retaining, training, developing and leveraging quality human resource capital

Human Resources

Being the premier and pioneer automation company in Pakistan and having excellent standing in the Middle East and USA, the Company provides direct and indirect employment to talented engineers and supporting staff. As on 31 December 2015, the total number of employees directly employed by the Company were 269 and more were engaged in different activities of the Company. Being a technological services provider, the management considers its experienced, talented and highly trained technical human resource the main force behind the Company's profitability and growth.

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

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

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

Forward-Looking Statement

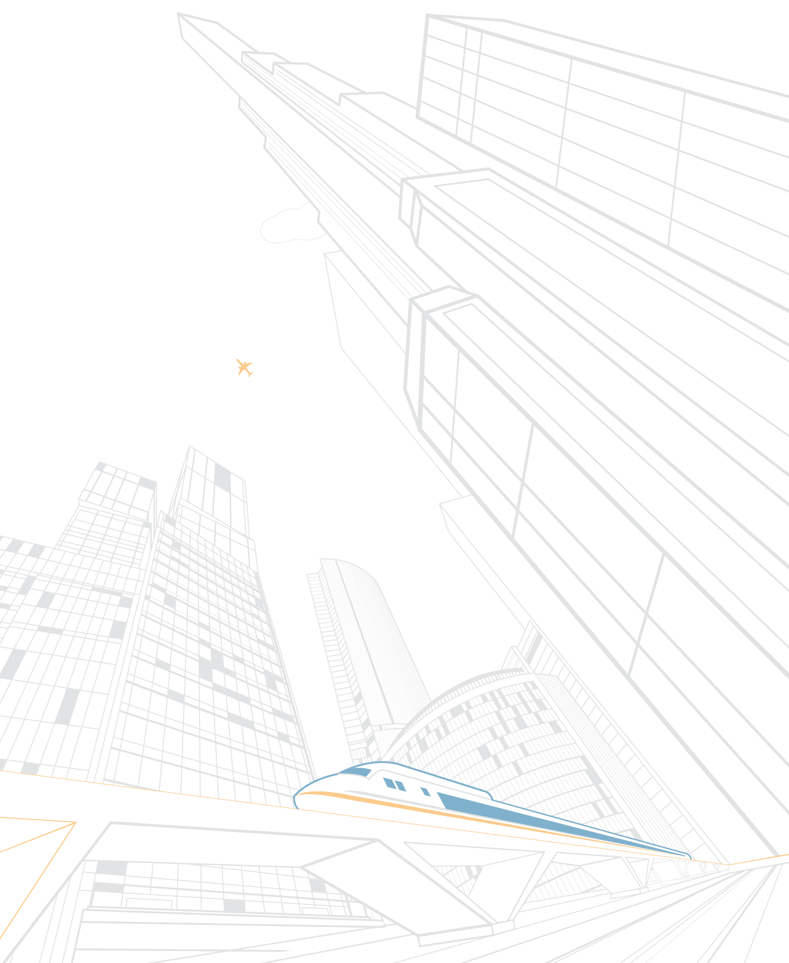
Depending on our current financial strength, operational ability and excellent liquidity, we have maintained a positive growth trend in revenues, gross profits, controlled over fixed costs, decreased financial costs and increased net profits. Distribution of shareholder earnings via dividends and bonus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

Performance in Financial Year 2015

The Company has been unable to maintain a positive growth trend in revenues, Gross profits, control over fixed cost, and reduction in financial cost, increased net profits and distributions of sustainable earning amount to shareholders via dividends and bonus due to reasons as mentioned in early part of this Director reports but 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 for Financial Year 2016

Avanceon is expecting to maintain its leading position as Best System Integrator and Automation Company of Pakistan with excellent standing in the Middle East and American markets. The Company can expect positive increases in revenue, gross profit and controlled fixed costs. This assessment is largely based on a strong pipeline of unrecognized orders as a backlog from the 2015 financial year, as well as continued excellent management of financial & liquidity needs and an overall increase in net profits. The distribution of sustainable earnings will remain as per history of the Company and a minimum of 80% retention of our most experienced and highly-trained staff.



Risk & Opportunity Report

Identification of strategic, commercial, operational and financial risks

The risk to Avanceon is that there is no shifting and switching of any cost due to fluctuation of foreign currency values and any change in material prices after a scope of work is agreed with customer.

With a clear understanding that is not a thorough list, the major risk and challenges faced by your company along with steps and measures taken to overcome these risks:

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

COST AND AVAILABILITY OF OPERATIONAL AND NON-OPERATIONAL FUNDS

Exhaustion in the steady & smooth availability of funds for operational and non-operational free funds and rise in markup rates may adversely affect liquidity and overall financial conditions & availabilities of running finance from banks .	Your company believe in running the operations with organic cash generated from business by getting advance payments from customers instead of working capital from banks, to mitigate these risk your company has been maintaining very sufficient banking facilities in Pakistan, KSA and UAE for project financing to meet any urgent and unexpected cash needs, the company has also been maintaining enough free cash balances to meet any cash needs.

INTERNAL CONTROLS & COMPLIANCE

In the absence of effective internal controls and regulatory bodies, the Company may be exposed to financial irregularities as well as tarnishing a well-earned reputation in front of key stakeholders	A very strong internal control system is in place in your 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. The controls in place also cover areas ranging from safeguarding of all tangible and intangible assets, very strict compliance with laws, regulations with accuracy and reliability of records and financial reporting as per Internal accounting and reporting standards as applicable and adopted voluntarily.

EMPLOYEE RECRUITMENT, TECHNOLOGICAL & OTHER TRAININGS AND RETENTION

Failure to attract and retain the right and highly experienced and technologically trained human resources may adversely affect the achievement of the Company's growth plans and goals.	A strong emphasis is being placed on the Company's technologically trained and experienced human resource capital. We operate the best talent management, engineering and human resource instruments to attract, retain, motivate, educate and nurture personnel via a friendly working environment and strong incentive policies, such as the attractive Employee Share Option Schemes.

Energy Conservation and Saving Measures Taken by the Company

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

Procedures Adopted for Quality Assurance

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

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

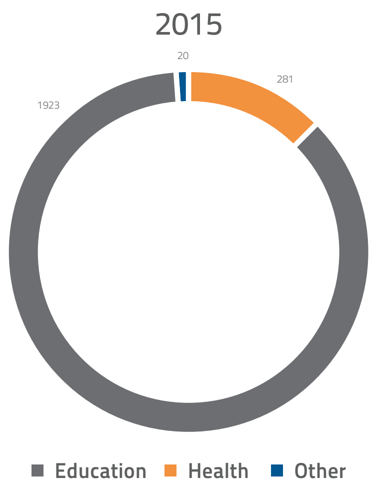
Donation & Charity

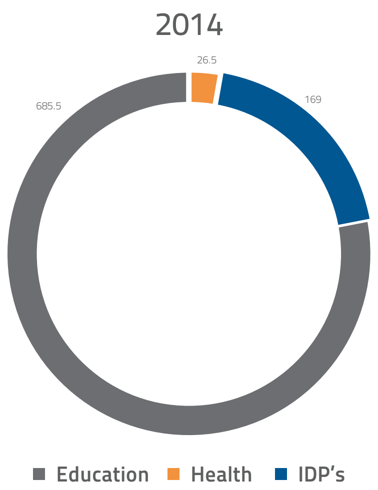
The Company has a policy to donate maximum of up to 1% of it prior year's profit before tax to a charitable institution. During the last year the Company donated as follows:

Statement of Charity Account

for the year ended December 31, 2015

	2015 (Rs in ,000)	2014 (Rs. in ,000)
Health	281	26.5
IDP's	0	169.0
Education	1,923	685.5
Other	20	
	2,224	881





Employees' Retirement Benefits

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

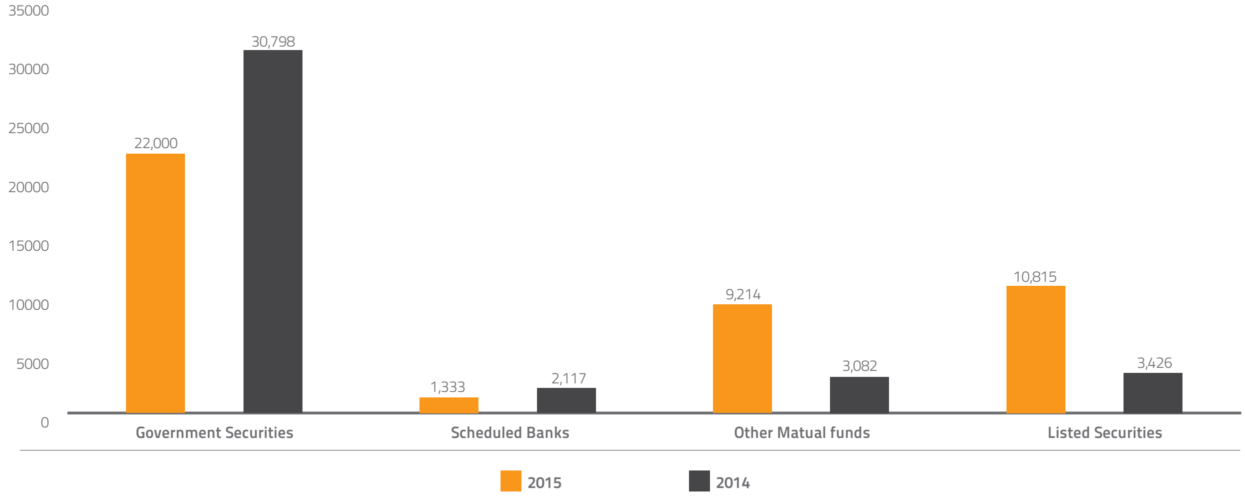
The breakdown in terms of investment and percentage of the size of the provident fund are as follows:

	30-June-2015 Audited		30-June-2014 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	22,000	51%	30,798	78%
Scheduled Banks	1,333	3%	2,117	5%
Other Mutual Funds	9,214	21%	3,082	8%
Listed Securities	10,815	25%	3,426	9%
	43,362		39,423	

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, 2015

Employee Retirement Benefits



Operating Financial Data

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

Pattern of Shareholding

The pattern of shareholding as at December 31, 2015 is annexed on subsequent pages in the Management section of Report. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year, except those reported in the pattern of shareholding.

Statutory Auditors of the Company

The present Auditors, M/s. Ernst & Young Ford Rhodes 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, 2016.

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,

March 24, 2016, Lahore

Director, Chief Executive Officer

Tomorrow's solutions, today

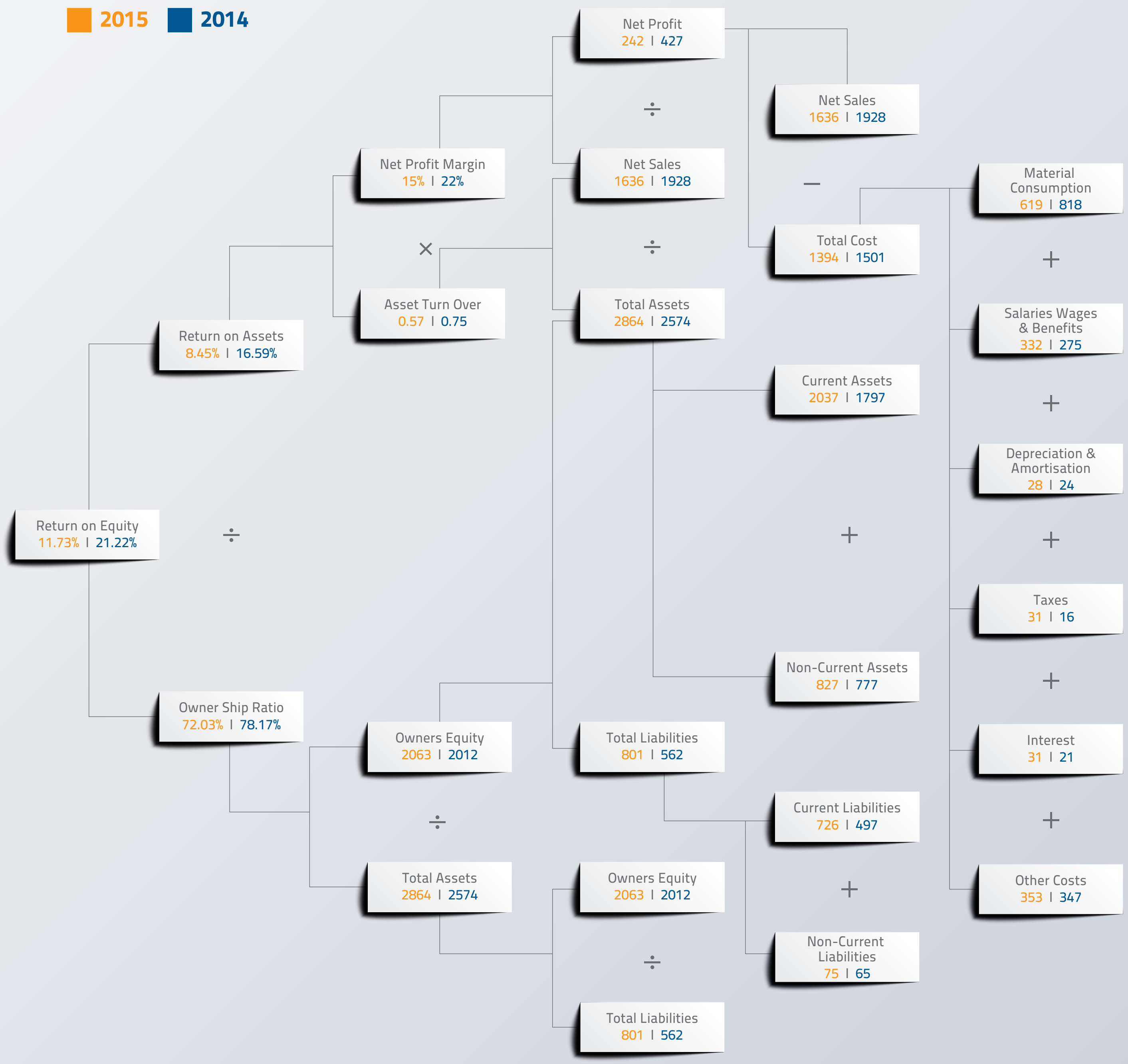
STAKEHOLDER'S INFORMATION

Performance Indicators Ratios for 6 Years

Years		2015	2014	2013	2012	2011	2010
Profitability Ratios							
Gross Profit ratio		33%	36%	38%	41%	27%	29%
Operating Result Ratio		19%	24%	26%	39%	-5%	-4%
Profit Before Tax		17%	23%	24%	37%	-16%	-11%
Profit After Tax		15%	22%	23%	36%	-16%	-11%
Return On Capital Employed		14%	25%	36%	166%	-75%	-17%
Interest Coverage Ratio	(Times)	9.8	22.1	13.5	18.8	-0.5	-0.6
EBITDA	(Rs. In million)	331	488	491	854	-38	-43
EBITDA Margin		20%	25%	27%	40%	-3%	-2%
Growth Ratios							
Net Sales		-15%	6%	-14%	67%	-31%	13%
Operating Results		-35%	-2%	-44%	-1328%	-6%	-148%
EBITDA		-32%	-1%	-43%	-2330%	-10%	-127%
Profit After Tax		-43%	4%	-46%	-482%	2%	-919%
Liquidity/Leverage							
Current ratio	(Times)	2.81	3.62	1.91	1.36	0.30	0.66
Quick ratio	(Times)	2.72	3.52	1.84	1.30	0.24	0.60
Cash to current liabilities	(Times)	0.43	0.48	0.64	0.24	0.01	0.12
Financial leverage ratio	(Times)	0.04	0.03	0.05	0.08	-0.40	18.69
Total liabilities to equity	(Times)	0.41	0.29	0.66	1.17	-5.75	100.25
Cost Ratios							
Cost of Sales (% of Sales)		67%	64%	62%	59%	73%	71%
Administrative & selling Cost (% of Sales)		18%	12%	14%	13%	40%	34%
Financial Cost (% of Sales)		2%	1%	2%	2%	10%	7%
Asset Utilization							
Total Asset turnover	(Times)	0.57	0.75	0.75	1.01	1.35	1.56
Fixed Asset Turnover	(Times)	7.08	9.31	9.30	12.58	7.34	12.91
Inventory Turnover	(Times)	27.27	38.56	32.70	37.43	20.58	34.49
Trade Debts Turnover	(Times)	2.18	2.54	3.29	2.67	9.35	7.11
Trade Creditors Turnover	(Times)	3.16	4.39	3.89	2.34	3.20	4.28
Capital Employed Turnover	(Times)	0.77	0.93	1.16	1.97	-17.39	7.21

Years		2015	2014	2013	2012	2011	2010
Operating Cycle							
Inventory Holding Period	(No. of days)	20	18	9	17	23	16
Trade Debt collection period	(No. of days)	169	124	135	80	57	80
Trade Creditors payment period	(No. of days)	159	134	223	190	163	100
Equity Ratios							
Price Earnings Ratio		17.82	8.28	N/A	N/A	N/A	N/A
Dividend Per Share		20%	22.50%	20%	N/A	N/A	N/A
Dividend Payout Ratio		87.34%	55%	39%	N/A	N/A	N/A
Market Value at the end of The Year		40.8	33.85	N/A	N/A	N/A	N/A
Market Value at the start of the Year		33.85	14	N/A	N/A	N/A	N/A
Highest Value During Year		45.23	39.24	N/A	N/A	N/A	N/A
Lowest Value During Year		30.77	14	N/A	N/A	N/A	N/A
Dividend Yield Ratio		0.49%	0.66%	N/A	N/A	N/A	N/A
Dividend Cover Ratio		1.15	1.02	2.04	N/A	N/A	N/A
Return to Shareholders							
Return on Equity-Before Tax		14%	23%	31%	84%	126%	-1625%
Return on Equity-After Tax		12%	22%	29%	81%	127%	-1601%
Earnings per Share (Basic)	(Rs.)	2.29	4.09	5.19	19.21	-4.23	-4.88
Earnings per Share (Diluted)	(Rs.)	2.19	3.90	5.19	19.21	-4.23	-4.88
Break Up value per share without surplus on revaluation	(Rs.)	18.42	18.13	18.65	23.44	-4.72	0.28
Break Up value per share with surplus on revaluation	(Rs.)	19.46	18.98	37.30	25.17	-3.70	1.11

DuPont Analysis



6 Years Summary of Financial Statements

Balance Sheet

Assets

(Rupees in million)

Particulars	2015	2014	2013	2012	2011	2010
Non-Current Assets						
Property plan and Equipment	231	207	195	169	159	137
Intangible assets	-	-	0	0	14	4
Goodwill	-	-	-	-	428	410
Long term investments	569	546	571	527	-	-
Long term deposits	27	23	20	17	14	4
Deferred taxation	-	-	-	-	20	12
Total Non-Current Assets	827	775	787	713	636	567
Current Assets						
Stock in trade	60	50	56	57	62	53
Current portion of deferred employee Compensation	-	-	-	-	-	1
Trade debts-billed	752	760	553	796	136	257
Trade debts-Earning in Excess of Billing	747	592	351	146	38	105
Short term investments	181	200	140	3	-	-
Advances, deposits, prepayments and other receivables	163	157	123	140	58	75
Cash and bank balances	134	40	407	245	9	111
Non-Current assets attributable to discontinued operations	-	-	-	-	0	-
Total Current Assets	2,037	1,799	1,630	1,387	302	602
Total Assets	2,864	2,574	2,417	2,099	937	1,169

6 Years Summary of Financial Statements (Continued)

Balance Sheet

(Rupees in million)

Particulars	2015	2014	2013	2012	2011	2010
Equity and Liabilities						
Share Capital and reserves						
Issued, subscribed and paid up capital	1,057	1,057	755	400	400	400
Employees' share compensation reserve	45	45	45	-	11	12
Exchange revaluation reserve	210	185	211	153	47	46
Share Premium	62	62	-	-	-	-
Un-appropriated profit	579	574	397	385	(615)	(446)
	1953	1,922	1,408	938	(158)	12
Non controlling interest	-	-	-	-	(31)	(1)
	1,953	1,922	1,408	938	(189)	11
Surplus On Revaluation Of Property, Plant And Equipment	110	90	84	69	41	33
Non-Current Liabilities						
Long term finances	-	-	7	19	36	188
Liabilities against assets subject to finance lease	35	34	33	31	23	14
Deferred Liabilities	40	31	31	21	16	7
Total Non-Current Liabilities	75	65	71	71	75	209
Current Liabilities						
Current portion of long-term liabilities	18	19	18	66	348	192
Finances under mark up arrangements and other credit facilities - secured	190	39	50	1	247	295
Short term loan from directors - unsecured	-	-	55	48	19	-
Cash received against IPO	-	-	264	-	-	-
Creditors, accrued and other liabilities	518	439	467	907	397	427
Liabilities directly associated with assets classified as Disc. Operations	-	-	-	-	0.06	-
Total Current Liabilities	726	497	854	1,022	1,010	914
Total Equity and Liabilities	2,864	2,574	2,417	2,099	937	1,169

Profit and Loss Statements

(Rupees in million)

Particulars	2015	2014	2013	2012	2011	2010
Sales	1,636	1,928	1,818	2,122	1,268	1,828
Cost Of Sales	(1,098)	(1,237)	(1,125)	(1,255)	(920)	(1,295)
Gross Profit	538	691	694	867	348	533
Administrative and Selling Expenses	(291)	(233)	(254)	(271)	(503)	(631)
Other Operating Expenses	(5)	(25)	(0)	(0)	(0)	(2)
Other Operating Income	61	31	32	240	87	27
	(235)	(227)	(222)	(31)	(416)	(605)
Profit/(Loss) from operations	303	464	471	836	(68)	(72)
Finance Cost	(31)	(21)	(35)	(44)	(130)	(126)
Profit/(Loss) Before Tax	272	443	436	791	(198)	(198)
Taxation	(31)	(16)	(25)	(29)	(2)	3
Profit/(loss) after Tax	242	427	411	763	(200)	(195)
Loss For the year from disc. Operations	-	-	-	-	(0.08)	-
Profit/(loss) after disc. Operations	242	427	411	763	(200)	(195)
Combined earnings/(loss) per Share						
Basic in Rs.	2.29	4.09	5.19	19.21	(4.23)	(4.88)
Diluted in Rs.	2.19	3.92	5.19	19.21	(4.23)	(4.88)

Cash Flow Statement

(Rupees in million)

Particulars	2015	2014	2013	2012	2011	2010
Cash Flow From Operating activities	181	-76	62	501	-23	171
Cash Flow From Investing activities	27	-45	-140	-131	-36	-7
Cash Flow From Financing activities	-113	-197	191	90	6	-60
Increase/(Decrease) in Cash & Cash equilant	95	-318	113	459	-54	104

6 Years Vertical and Horizontal Analysis

Balance Sheet

Assets	Vertical Analysis (in %age)						Horizontal Analysis (in %age)					
Particulars	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
Non-Current Assets												
Property plan and Equipment	8%	8%	8%	8%	17%	12%	112%	106%	116%	106%	115%	93%
Intangible assets	0%	0%	0%	0%	2%	0%	-	0%	16%	1%	349%	137%
Goodwill	0%	0%	0%	0%	46%	35%	-	-	-	0%	104%	102%
Long term investments	20%	21%	24%	25%	0%	0%	104%	96%	108%	-	-	-
Capital Work in Progress	0%	0%	0%	0%	0%	0%	-	-	-	-	-	-
Long term deposits	1%	1%	1%	1%	1%	0%	117%	113%	121%	122%	397%	126%
Deferred taxation	0%	0%	0%	0%	2%	1%	-	-	-	0%	176%	-
Deferred employee Compensation	0%	0%	0%	0%	0%	0%	-	-	-	-	-	-
Total Non-Current Assets	29%	30%	33%	34%	68%	48%	107%	98%	110%	112%	112%	102%
Current Assets												
Stock in trade	2%	2%	2%	3%	7%	5%	120%	90%	98%	92%	116%	92%
Current portion of deferred employee Compensation	0%	0%	0%	0%	0%	0%	-	-	-	-	0%	15%
Trade debts-billed	26%	30%	23%	38%	14%	22%	99%	137%	70%	587%	53%	47%
Trade debts-Earning in Excess of Billing	26%	23%	15%	7%	4%	9%	126%	169%	240%	384%	36%	-
Short term investments	6%	8%	6%	0%	0%	0%	91%	143%	4058%	-	-	-
Advances, deposits,prepayments and other receivables	6%	6%	5%	7%	6%	6%	104%	127%	88%	241%	77%	81%
Cash and bank balances	5%	2%	17%	12%	1%	9%	335%	10%	166%	2821%	8%	312%
Non Current assets attributable to discontinued operations	0%	0%	0%	0%	0%	0%	-	-	-	0%	-	-
Total Current Assets	71%	70%	67%	66%	32%	52%	113%	110%	118%	459%	50%	82%
Total Assets	100%	100%	100%	100%	100%	100%	111%	106%	115%	224%	80%	91%

Equity & Liabilities

Particulars	Vertical Analysis (in %age) 2015	2014	2013	2012	2011	2010	Horizontal Analysis (in %age) 2015	2014	2013	2012	2011	2010
Share Capital and reserves												
Issued, subscribed and paid up capital	37%	41%	31%	19%	43%	34%	100%	140%	189%	100%	100%	100%
Employees' share compensation reserve	2%	2%	2%	0%	1%	1%	100%	100%	-	0%	88%	103%
Exchange revaluation reserve	7%	7%	9%	7%	5%	4%	114%	88%	138%	326%	102%	111%
Share Premium	2%	2%	0%	0%	0%	0%	100%	-	-	-	-	-
Un-appropriated profit	20%	22%	16%	18%	-66%	-38%	101%	145%	103%	-63%	138%	179%
	68%	75%	58%	45%	-17%	1%	102%	137%	150%	-595%	-1293%	6%
Non controlling interest	0%	0%	0%	0%	-3%	0%	-	-	-	0%	3100%	-
Surplus On Revaluation Of Property, Plant And Equipment	4%	3%	3%	3%	4%	3%	122%	137%	150%	-497%	-1685%	6%
Non-Current Liabilities												
Long term finances	0%	0%	0%	1%	4%	16%	-	-	37%	53%	19%	52%
Liabilities against assets subject to finance lease	1%	1%	1%	1%	2%	1%	103%	102%	108%	134%	162%	99%
Deferred Liabilities	1%	1%	1%	1%	2%	1%	129%	100%	150%	127%	226%	84%
Total Non-Current Liabilities	3%	3%	3%	3%	8%	18%	115%	91%	101%	94%	36%	55%
Current Liabilities												
Current portion of long-term liabilities	1%	1%	1%	3%	37%	16%	95%	106%	27%	19%	181%	274%
Finances under mark up arrangements & other credit facilities - secured	7%	2%	2%	0%	26%	25%	487%	79%	8767%	0%	84%	91%
Short term loan from directors - unsecured	0%	0%	2%	2%	2%	0%	-	0%	114%	260%	-	-
Cash received against IPO	0%	0%	11%	0%	0%	0%	-	0%	-	-	-	-
Creditors, accrued and other liabilities	18%	17%	19%	43%	42%	36%	118%	94%	51%	229%	93%	153%
Liabilities directly associated with assets classified as Disc. Operations	0%	0%	0%	0%	0%	0%	-	-	-	0%	-	-
Total Current Liabilities	25%	19%	35%	49%	108%	78%	146%	58%	83%	101%	111%	136%
Total Equity and Liabilities	100%	100%	100%	100%	100%	100%	111%	106%	115%	224%	80%	91%

6 Years Vertical and Horizontal Analysis (Continued)

Profits & Loss Account

Assets	Vertical Analysis (in %age)						Horizontal Analysis (in %age)					
Particulars	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
Sales	100%	100%	100%	100%	100%	100%	85%	106%	86%	167%	69%	113%
Cost Of Sales	-67%	-64%	-62%	-59%	-73%	-71%	89%	110%	90%	136%	71%	131%
Gross Profit	33%	36%	38%	41%	27%	29%	78%	100%	80%	249%	65%	85%
Administrative and Selling Expenses	-18%	-12%	-14%	-13%	-40%	-34%	125%	92%	94%	54%	80%	127%
Other Charges	0%	-1%	0%	0%	0%	0%	20%	13855%	87%	1382%	1%	88%
Other Operating Income	4%	2%	2%	11%	7%	1%	197%	96%	13%	276%	325%	107%
	-14%	-12%	-12%	-1%	-33%	-33%	104%	102%	713%	7%	69%	128%
Profit/(Loss) from operations	19%	24%	26%	39%	-5%	-4%	65%	98%	56%	-1228%	94%	-48%
Finance Cost	-2%	-1%	-2%	-2%	-10%	-7%	148%	60%	79%	34%	103%	109%
Profit/(Loss) Before Tax	17%	23%	24%	37%	-16%	-11%	61%	102%	55%	-400%	100%	-563%
Taxation	-2%	-1%	-1%	-1%	0%	0%	194%	64%	87%	1692%	-57%	26%
Profit/(loss) for the year	15%	22%	23%	36%	-16%	-11%	57%	104%	54%	-382%	102%	-819%
Loss For the year from disc. Operations	0%	0%	0%	0%	0%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Profit/(loss) after disc. Operations	15%	22%	23%	36%	-16%	-11%	57%	104%	54%	-382%	102%	-819%
Combined earnings/(loss) per Share												
Basic	0.14%	0.21%	0.29%	0.91%	-0.33%	-0.27%	56%	79%	27%	-454%	87%	-813%
Diluted	0.13%	0.21%	0.29%	0.91%	-0.33%	-0.27%	56%	75%	27%	-454%	87%	-827%

Cash Flow Statement

Assets	Vertical Analysis (in %age)						Horizontal Analysis (in %age)					
Particulars	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
Cash Flow From Operating activities	193%	24%	55%	109%	43%	164%	-238.16%	-122.58%	12.38%	-2178.26%	-13.45%	-180.00%
Cash Flow From Investing activities	29%	14%	-124%	-29%	67%	-7%	-60.00%	32.14%	106.87%	363.89%	514.29%	38.89%
Cash Flow From Financing activities	-120%	62%	169%	20%	-11%	-58%	57.36%	-103.14%	212.22%	1500.00%	-10.00%	-27.40%
Increase/(Decrease) in Cash & Cash equilant	100%	100%	100%	100%	100%	100%	-29.56%	-281.42%	24.62%	-850.00%	-51.92%	97.20%

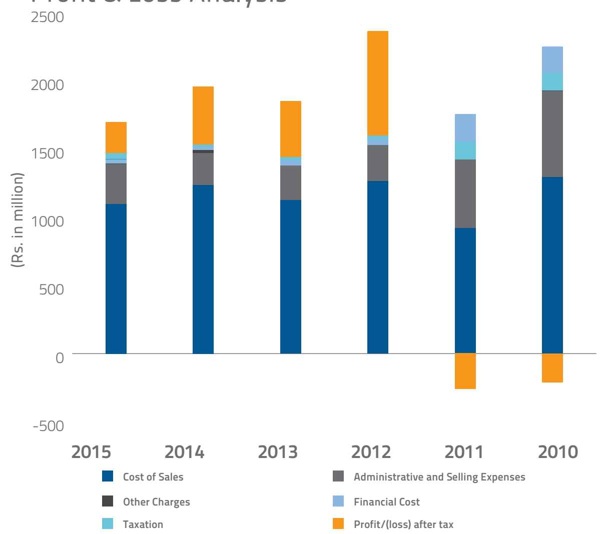
Cash Flow Statement by Direct Method

	2015 Rupees	2014 Rupees
Cash flows from operating activities		
Net cash flow from cutomers	(168,488)	(449,456)
Net cash flow to suppliers and employees	393,145	408,945
Cash generated from continuing operations	224,657	(40,511)
Finance costs paid	(15,604)	(12,291)
Retirement benefits paid	(1,651)	(7,436)
Taxes paid	(26,799)	(15,227)
Net cash generated from operating activities	180,603	(75,465)
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,456)	(4,654)
Proceeds from disposal of property, plant and equipment and intangible assets	10,511	5,575
Income on bank deposits received	13,615	15,836
Short term investment	76,103	23,795
Net increase in long term deposits	(4,682)	(2,219)
Net cash used in investing activities	84,091	38,332
Cash flows from financing activities		
Repayment of long term finances	-	(10,000)
Issue of share capital	4	49,284
Dividend paid	(237,823)	(201,324)
Finances under markup arrangments	151,375	39,170
Cash received against IPO	-	
(Payment of)/proceeds from loan from directors	-	(54,834)
Repayment of finance lease liabilities	(26,438)	(18,940)
Net cash generated from financing activities	(112,882)	(196,644)
Net increase in cash and cash equivalents	151,812	(233,777)
Cash and cash equivalents at the beginning of year	123,670	357,447
Cash and cash equivalents at the end of year	275,482	123,670

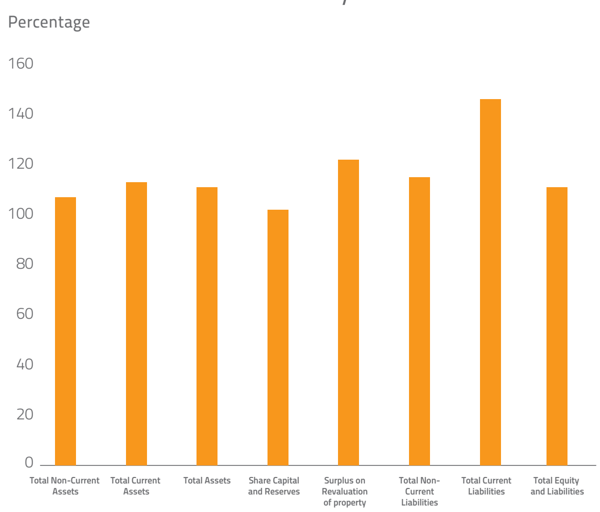
Graphic Representation 2010-2015

Profit and Loss

Profit & Loss Analysis

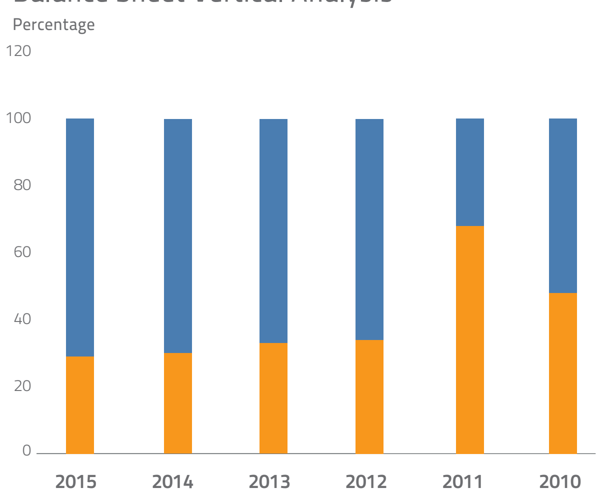


Balance Sheet Horizontal Analysis

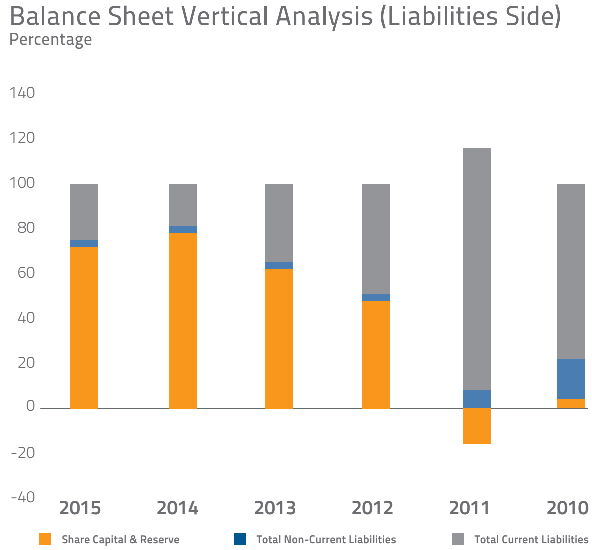


Balance Sheet

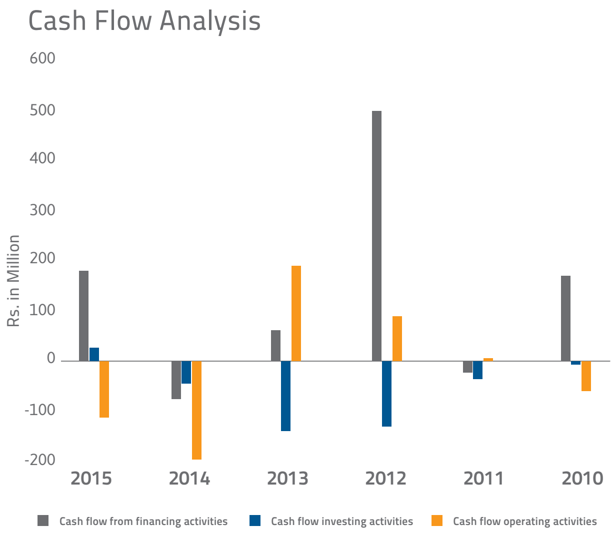
Balance Sheet Vertical Analysis

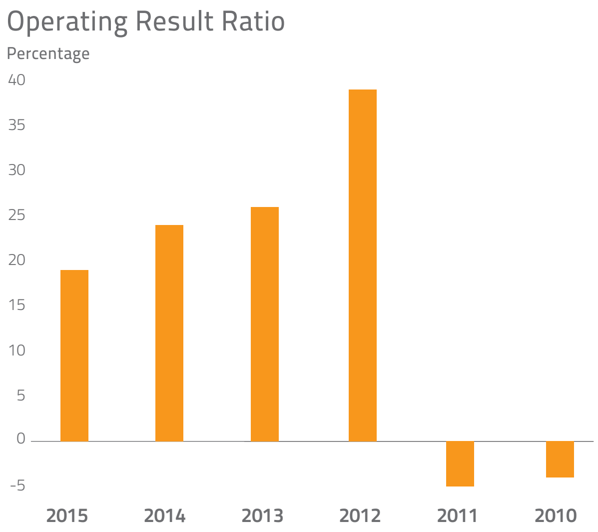


Balance Sheet Vertical Analysis (Liabilities Side)

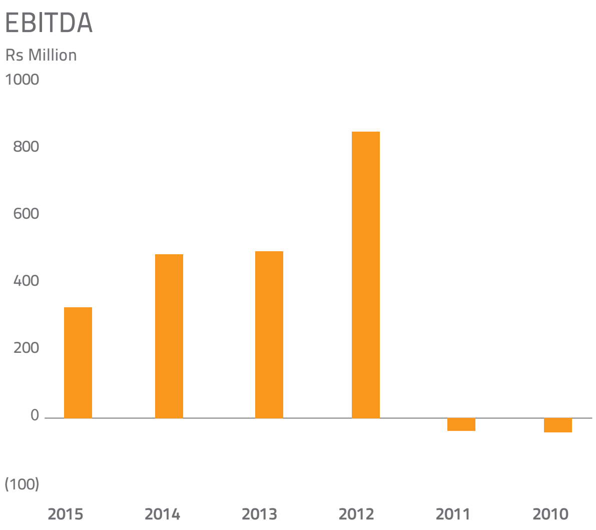


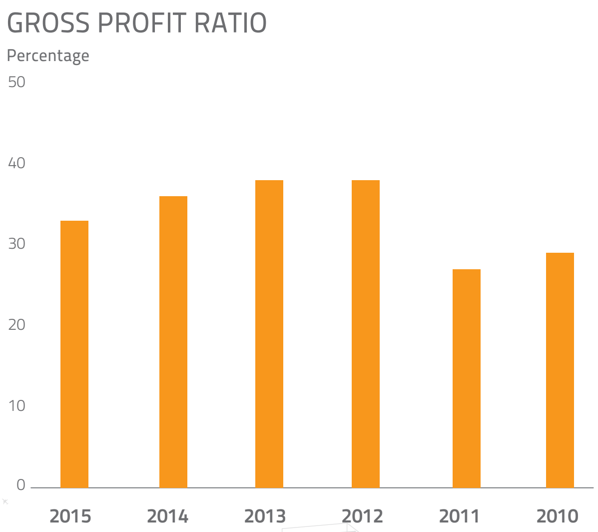
Cash Flow Statement



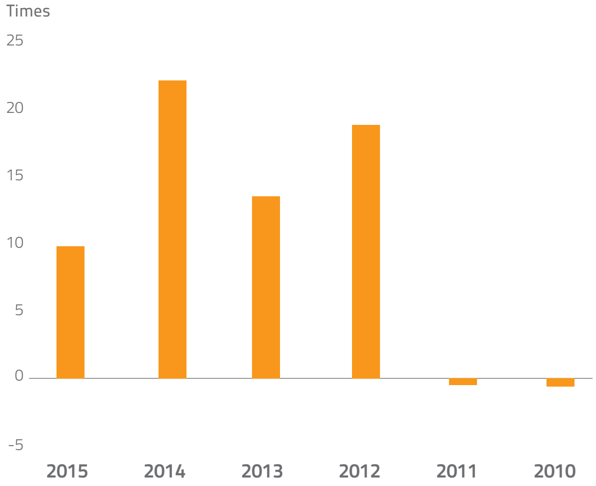


Ratios

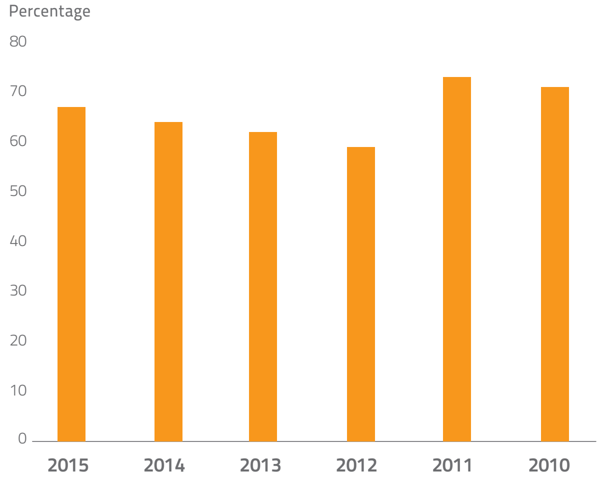




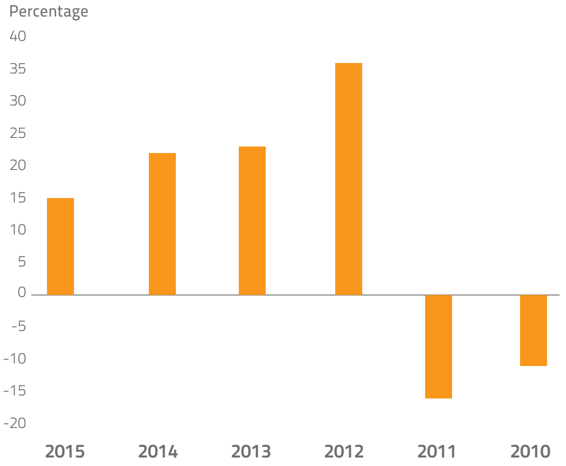
Interest Coverage Ratio



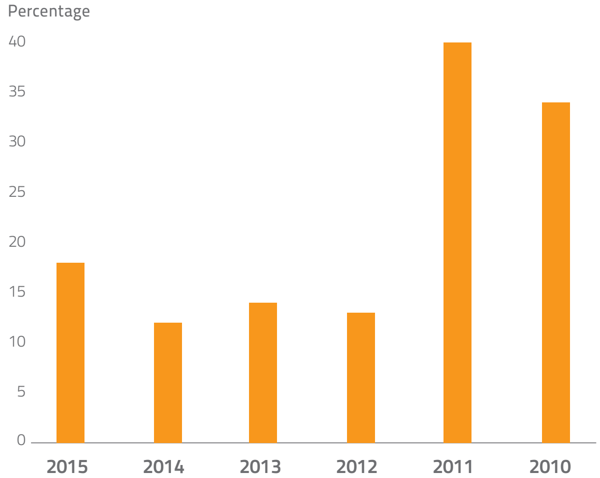
Cost of Sales (% of Sales)



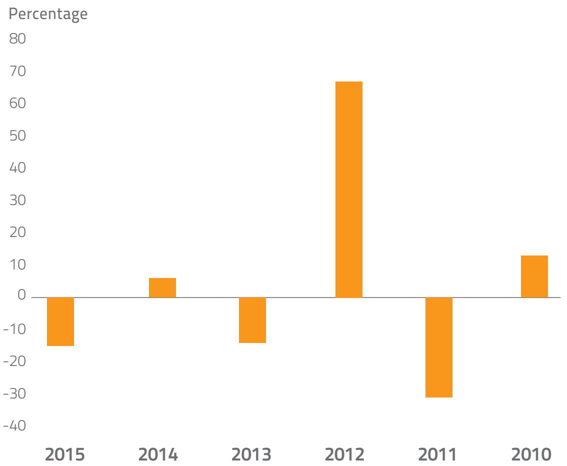
Profit After Tax



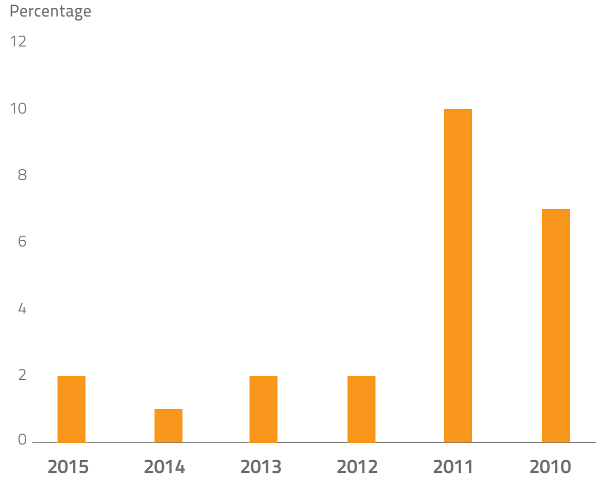
Administrative & Selling Cost (% of Sales)



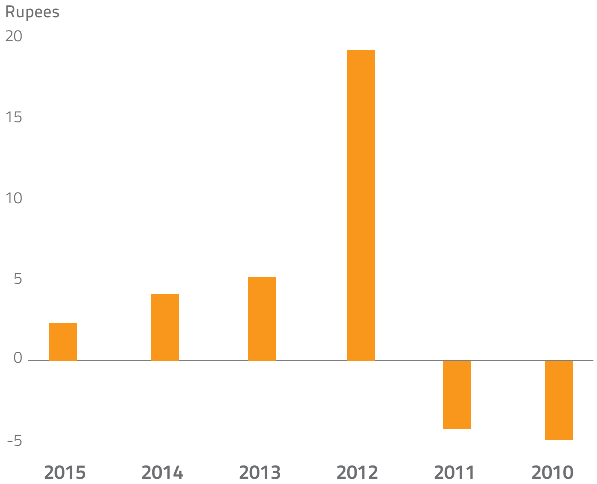
Net Sale (in % Growth)



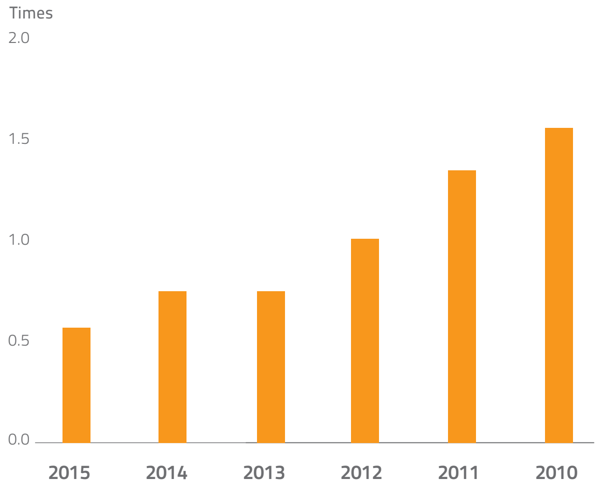
Financial Cost (% of Sales)



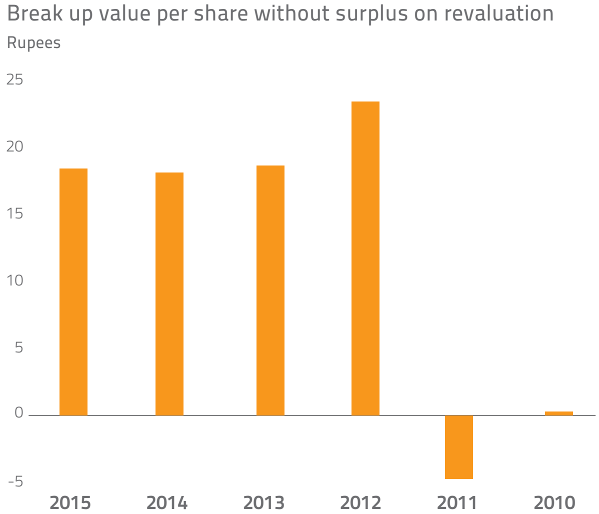
Earning Per Share (Basic)



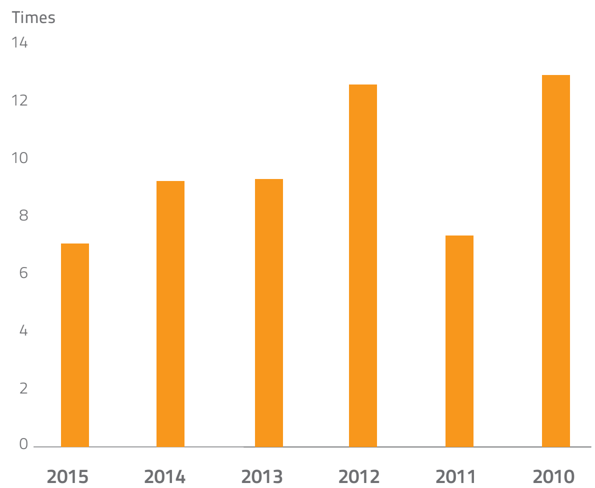
Total Asset Turnover



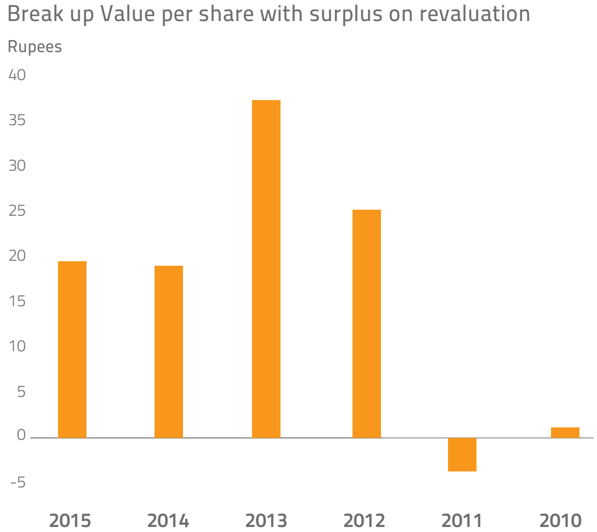
Break up value per share without surplus on revaluation



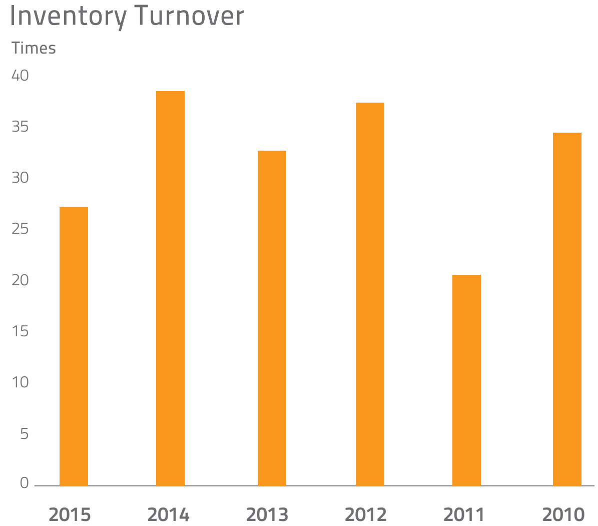
Fixed Asset Turnover



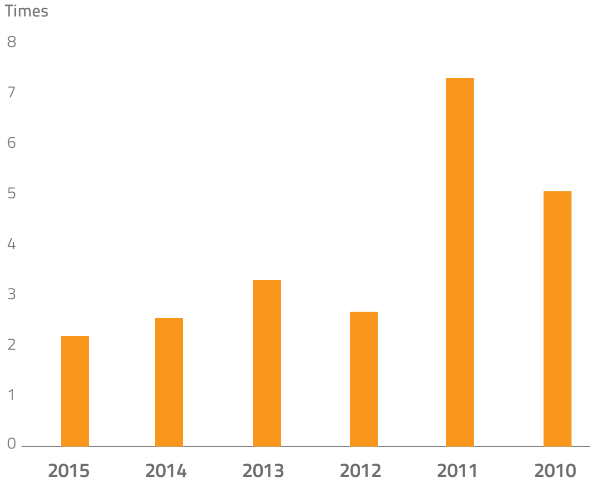
Break up Value per share with surplus on revaluation



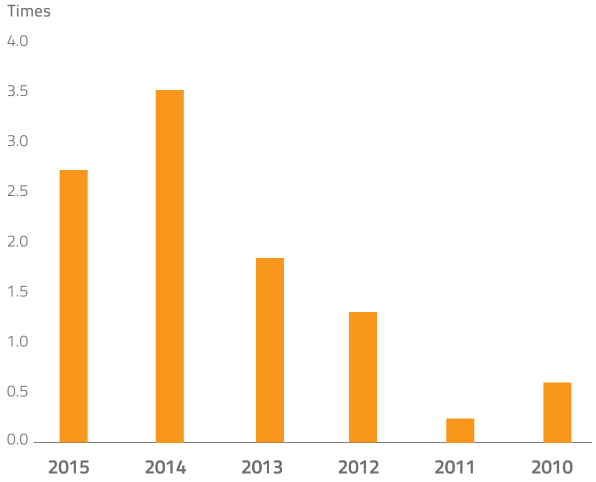
Inventory Turnover



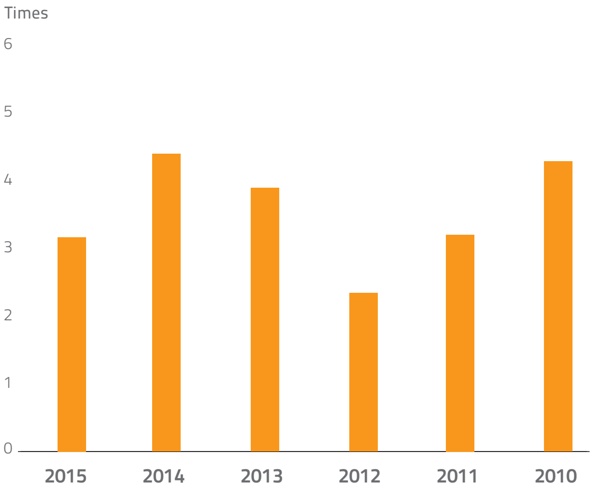
Trade Debts Turnover



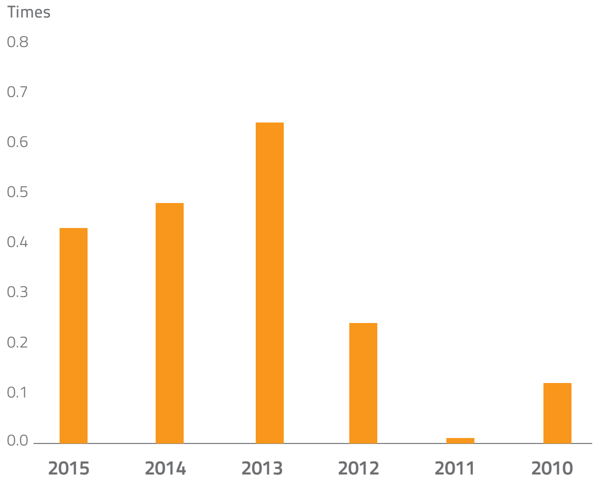
Quick Ratio



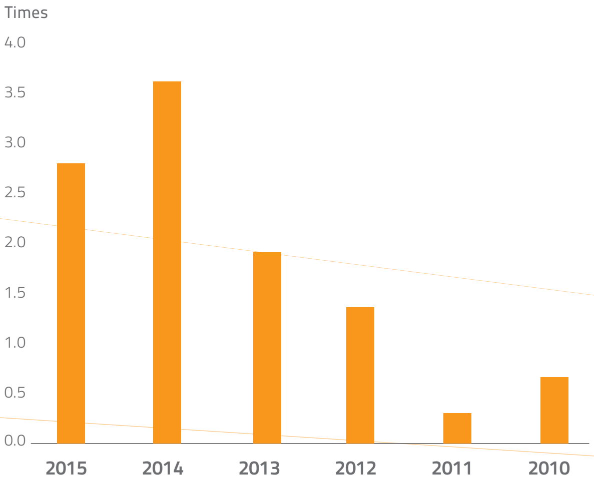
Trade Creditors Turnover



Cash to current liabilities



Current Ratio



Comments on Results for the Past 6 Years

Horizontal Analysis (Consolidated)

Balance Sheet

We observed 145% increase in the balance sheet footing with positive increase observed from amounting Rs. 1.17 Billion to Rs. 2.86 Billion in positive trend due to accumalated increasing assets of the company, we obsrved 17672% increased in net asset of the company which shows excellent growth in retained earnings and profitibilaties, in last six years, the company observed 238% increas in current assets also depict increasing trends which is an evidence of effective use of the Company's earnings in further investment on human resource trainings and growth of the company as compare to only 22.76% decrease in non current Liabilities of company as compared to FY 2010. The Company maintiang Year on Year %age Growth in current and non current assets of teh company as compared to less/even negative trend in current and non current liabilities from FY 2010 to FY 2015. which is Also a valid evidence of use of company resources.

Profit and Loss

We observed 16% decrese in Revenues as compared to 2014 and 10.5% decrease in revenues as compared to 2010 due to reasoning as mentioned in early part of director report, we observed 25% increase in Fixed cost as compared to last year of the company due to 12.5% of 25% of total increase due to one time provisioning of US aid project receivables but company maintained its fixed cost below 15% (excluding provisons) which depicts the effective control of management over fixed cost. The company observed 75.6% decrease in Finance cost as compared to FY 2010 and consistant decreased in financial cost except 2014 which depict the better position of company liquidity and repayment of long term & short term loans before maturity and effective use of company assets. the company also shows 126% increase in other incomes as compared to FY 2010 and consistant Year on year increase except 2014 in other income due to timely disposal of fixed asset and exchange gain on foreign receivables including subsidiary receivables

Operating Activities:

We observed a positive cash flow of 180 Million which is 118% increase from last year and 6% increase on FY 2010 we observed Year on Year growth in cash flow from operating activities like 164%, 43%, 109%, 55%, 23%, 118%, for year year growth for 2010, 2011, 2012, 2013, 2014 and 2015 respectively. We also observed Year on Year growth in Cash and bank balances (Closing Balance) as compared to 2010 for 2015.

Investing Activities

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

Financing Activities

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

Vertical Analysis (Consolidated)

Balance Sheet

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

Profit and Loss

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

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 2015 which generated enough cash for investing and financing activities.

Investing Activities

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

Financing Activities

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

Analysis of Variation

Results Reported in Interim Reports

Quarterly Analysis
Rs. In millions

	Turnover	Cost of goods sold	Operating Profit	Profit after tax	Capital Expenditures
Quarter 1	365	227	90	81	4
Quarter 2	193	94	26	8	11
Quarter 3	484	324	135	124	13
Quarter 4	594	453	52	29	11
	1,636	1,098	303	242	39

Revenue, Cost of Goods Sold, Gross Profits, Operating Profit and Net Profits

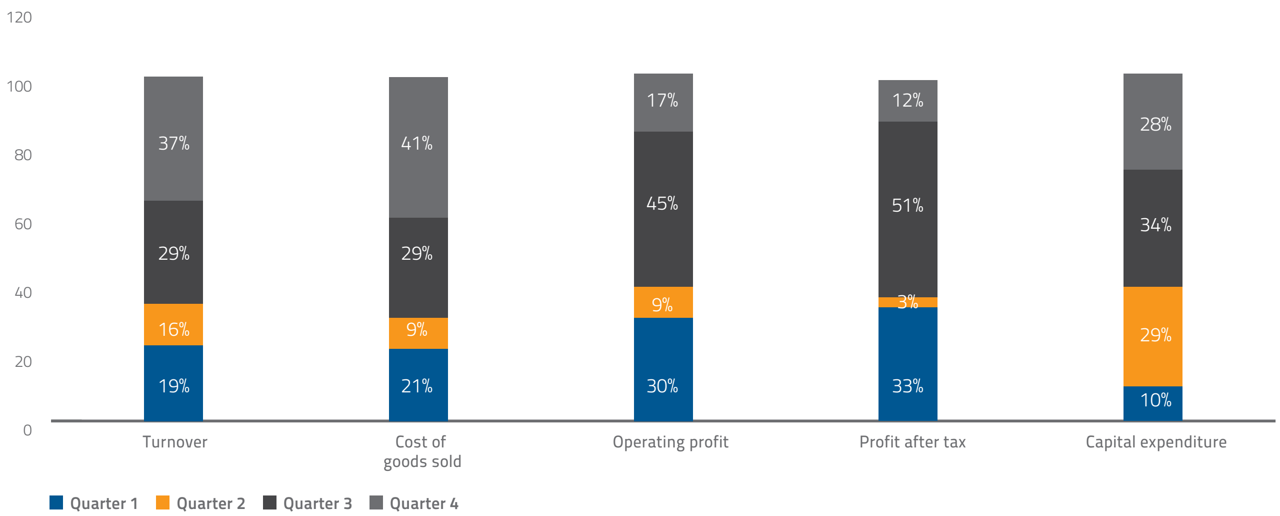
Historically, our revenue, cost and profits remain lower in 1st quarter and get start momentum in 2nd quarter and major portions of revenues of orders start getting recognition in 3rd and 4th quarter due to business cycle which is being observed from last many years and current year is also repeating 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 But this year carry forward orders for FY 201 is Big Number because we obtained more orders in Third & fourth Quarter as compared to Last FY which execution in 1st and 2nd quarter of FY 2016.

Capital Expenditures

Rs. 35million which is 89% of total expenditure has been incurred in Last Three quarters mainly included Rs. 27 Million or purchase of Co. Cars due to promotion of staff in April 2015, rest are normal routine capital expenditure like purchase of network equipment, generator and computers.

Quarterly Analysis

Percentage



Share Price Sensitivity Analysis

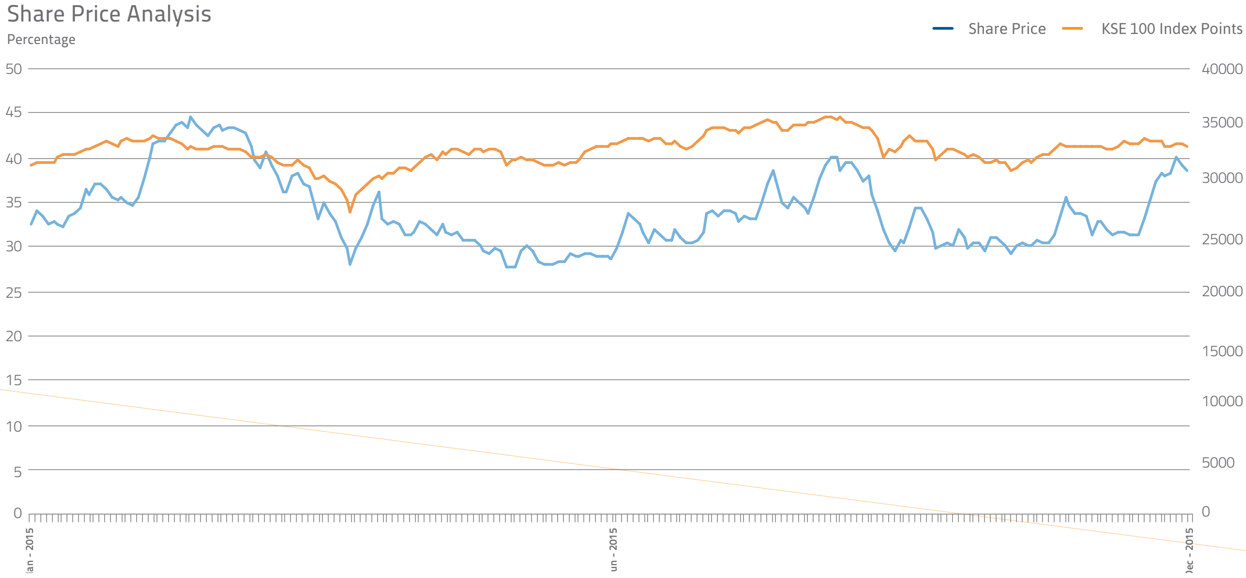
Trade Price

	Max trade per day	Min trade per day	Total monthly	High price	Low price
Jan-15	1,583,500	140,500	18,125,000	39.46	34.73
Feb-15	4,475,000	356,500	30,723,500	45.23	41.43
Mar-15	3,248,500	88,500	11,596,500	42.47	31.04
Apr-15	1,100,000	87,500	8,688,500	38.03	33.5
May-15	560,000	24,000	2,687,000	32.99	30.77
Jun-15	1,843,000	61,500	9,368,000	35.98	31.75
Jul-15	1,413,500	69,500	8,574,000	40.24	31.21
Aug-15	1,565,500	152,000	8,621,500	41.55	32.38
Sep-15	583,500	13,500	2,396,000	36.49	32.09
Oct-15	1,627,000	12,000	4,240,500	37.54	32.93
Nov-15	1,815,500	22,500	6,483,000	41.4	33.9
Dec-15	1,410,000	40,000	5,725,500	43.71	34.97

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 PSX (formerly KSE) 100index performance as under:

Share Price Analysis



The AVN stock performed satisfactory as new entrant at PSX (formerly KSE and LSE) after listing in early month of financial year 2014 and delivered excellent results and payouts to its shareholders, we are very much confident that AVN stock will improve its performance in FY 2016 and try to maintain its history of excellent payouts at FY 2014 level, following are the factors affected the share price:

1. **Business Segment**

   Due to under performance of Energy Business Segment in Pakistan and unrest in KSA, we posted lower EPS in Q1, Q2 and Q4 which affected share price

2. **Revenue Recognition**

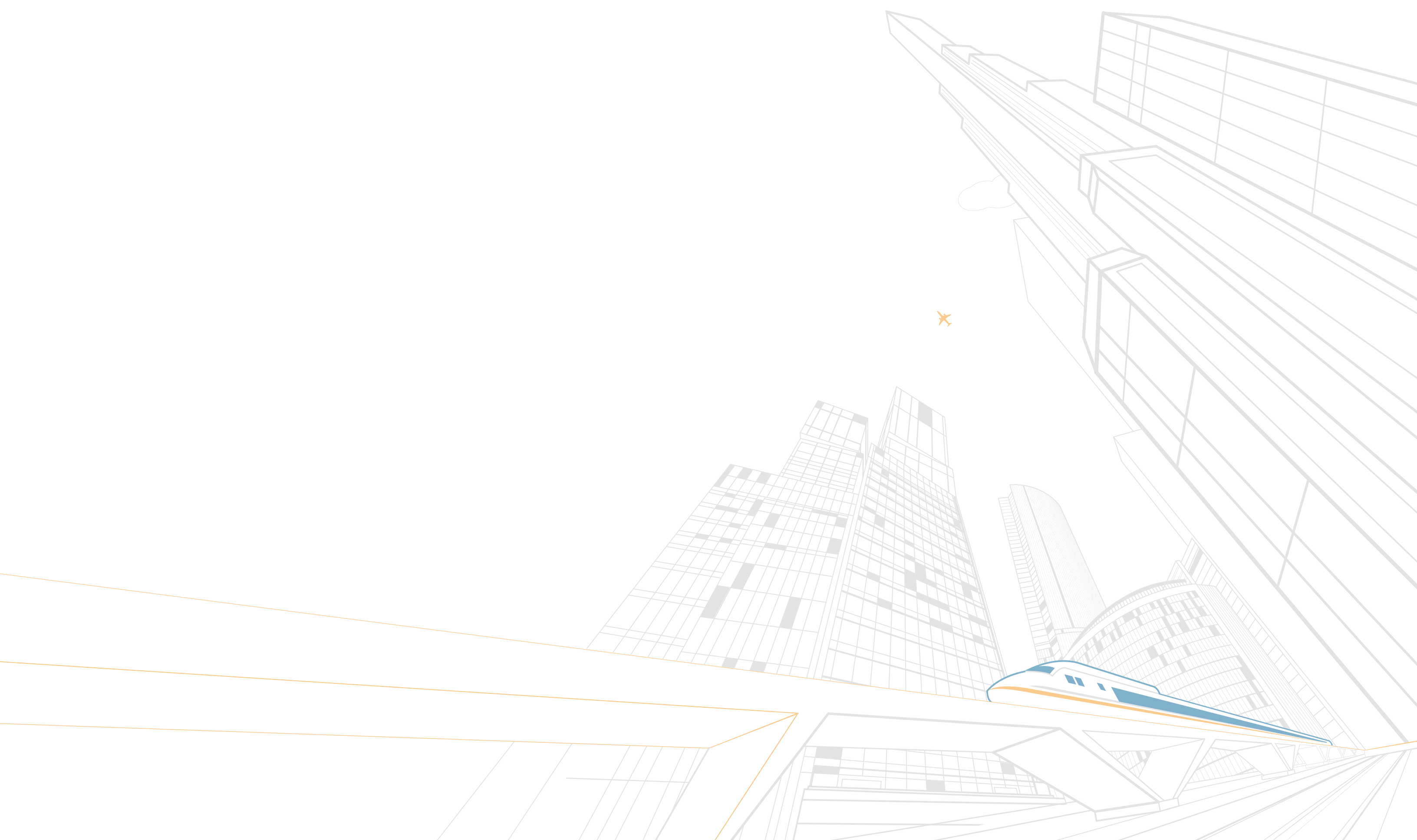
   We obtained major orders in 3rd and 4th quarter instead of 1st and 2nd quarter that's why we could not recognized major portion of revenue in last quarter as compared to last year which also resulted lower PAT in last quarters

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 PSX (formerly KSE) 100 index performance,

4. **First Engineering Technology Company**

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



Pattern of Shareholding

Pattern

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
679	1	100	21806	0.0206
315	101	500	128977	0.1220
734	501	1000	481672	0.4557
807	1001	5000	1684018	1.5933
114	5001	10000	917750	0.8683
36	10001	15000	462888	0.4379
28	15001	20000	526783	0.4984
19	20001	25000	463250	0.4383
7	25001	30000	205000	0.1940
8	30001	35000	255975	0.2422
3	35001	40000	112471	0.1064
2	40001	45000	88250	0.0835
10	45001	50000	494050	0.4674
2	50001	55000	104000	0.0984
7	55001	60000	406500	0.3846
3	60001	65000	187625	0.1775
1	65001	70000	68500	0.0648
2	70001	75000	148600	0.1406
3	75001	80000	235000	0.2223
2	80001	85000	164550	0.1557
5	95001	100000	499500	0.4726
1	110001	115000	112499	0.1064
2	115001	120000	232250	0.2197
1	120001	125000	125000	0.1183
1	130001	135000	131500	0.1244
1	145001	150000	150000	0.1419
3	150001	155000	462500	0.4376
3	195001	200000	600000	0.5677
1	200001	205000	201500	0.1906
1	205001	210000	207500	0.1963
1	210001	215000	210500	0.1992
1	225001	230000	227500	0.2152
1	260001	265000	263000	0.2488
1	295001	300000	298000	0.2819
1	315001	320000	320000	0.3028
1	345001	350000	350000	0.3311
1	470001	475000	474500	0.4489
1	480001	485000	484000	0.4579
1	1025001	1030000	1029500	0.9740
1	1030001	1035000	1032000	0.9764
1	1410001	1415000	1412500	1.3364
1	1495001	1500000	1500000	1.4192
1	1815001	1820000	1819000	1.7210
1	3555001	3560000	3557400	3.3657
1	3560001	3565000	3564000	3.3719
1	11890001	11895000	11891345	11.2504
1	21335001	21340000	21339562	20.1894
1	46040001	46045000	46044083	43.5624
2,819			105,696,804	100.0000

Category wise Shareholding

Sr. no.	Particulars	No Of folio	No of Shares	Percentage
01	Sponsors, directors, ceo and children	7	79,274998	75.0023
02	Insurance companies	1	152,500	0.1443
03	Mututal funds	7	4,466,500	4.2258
04	General public (local)	2719	14,985,909	14.1782
05	General public (foreign)	49	429,781	0.4066
06	Others	32	739,116	0.6993
07	Foreign companies	4	5,648,000	5.3436
	Total	2,819	105,696,804	100.0000

Pattern of Shareholding

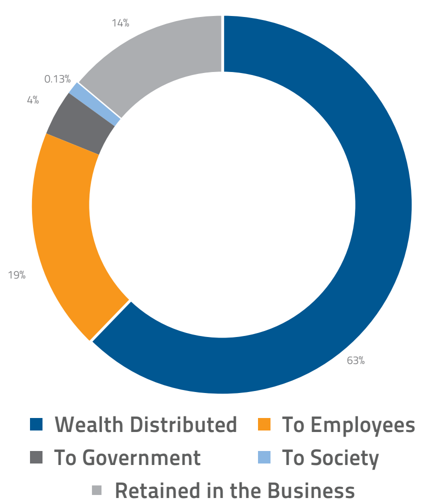
		Number of Shares
1	**Associated companies, Undertakings and Related parties**	**NIL**
2	**Mutual Funds**	
	Cdc - Trustee Nafa Stock Fund	1,819,000
	Cdc - Trustee Nafa Multi Asset Fund	31,000
	Cdc - Trustee Nafa Islamic Asset Allocation Fund	1,029,500
	Cdc - Trustee Nafa Pension Fund Equity Sub-Fund Account	210,500
	Cdc - Trustee Nafa Islamic Pension Fund Equity Account	117,000
	Cdc - Trustee Nafa Islamic Principal Protected Fund - Ii	227,500
	Cdc - Trustee Nafa Islamic Stock Fund	1,032,000
	Tundra pakistan fund	3,564,000
	Amc global	1,050
	JS Global Capital Limited	33,500
	Reliance Securities Limited	15,000
	Tundra Frontier Opportunities Fund	1,500,000
	Tundra Sustainable Frontier Fund	484,000
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 YOUNAS	50
	Mr. ARMAGHAN YUSUF	3,000
	Mr. ARIF SHUJA	2,500
	Mr. AHSAN KHALIL	64,125
	Mr. Mir Usman Amjad	2,625
	Mr. Hussain Ahmad	6,000
5	public sector companies and corporations	NIL
6	banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	942,066
7	shareholders holding five percent or more voting rights in the listed company	NIL

Statement of Value Addition

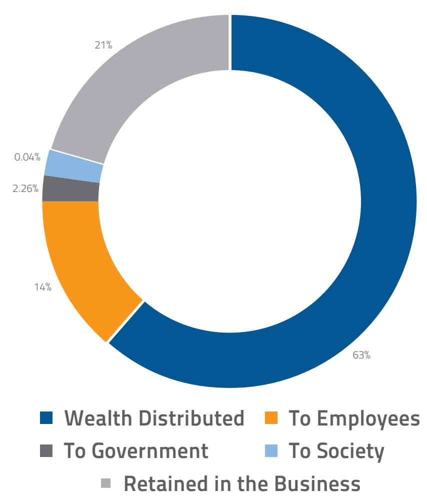
	2015			
	(Rs. In ,000)		%age	(Rs. In ,000)
Wealth generated				
Sales included Sales Tax	1,670,643	96%	1,956,955	98%
Other operating income	61,031	4%	31,259	2%
	1,731,674			1,988,214
Wealth distributed				
Cost of material and services	1,089,468	63%	1,241,334	62%
To Employees				
Salaries and other related cost	332,354	19%	273,801	14%
To Government				
Taxes	63,701	4%	44,988	2%
To Society				
Donation	2,224	0.13%	881	0.04%
Retained in the business				
To provide for growth: Retained profits	243,927	14%	427,210	21%
	1,731,674			1,988,214

	2015	2014
Wealth distributed	63%	62%
To Employees	19%	14%
To Government	4%	2.26%
To Society	0.13%	0.04%
Retained in the business	14%	21%

FY 2015



FY 2014



FINANCIALS AND DISCLOSURES

Avanceon

Financial Statements

for the year ended December 31, 2015

Auditors' Report to the Members

We have audited the annexed balance sheet of Avanceon Limited (the Company) as at 31 December 2015 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 2015 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was 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: 24 March 2016

Balance Sheet

as at December 31, 2015

(Rupees in '000)	Note	2015	2014
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
150,000,000 (2014: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
Issued, subscribed and paid up capital			
105,696,804 (2014: 105,696,534) ordinary shares of Rs. 10 each	5	1,056,969	1,056,966
Share premium	6	61,894	61,893
Employees' share compensation reserve	7	45,000	45,000
Un-appropriated profit		725,670	681,661
		1,889,533	1,845,520
Surplus on Revaluation of Property, Plant and Equipment	8	110,384	90,295
Non Current Liabilities			
Deferred tax	9	20,762	18,160
Liabilities against assets subject to finance lease	10	34,015	29,316
		54,777	47,476
Current Liabilities			
Current portion of liabilities against assets subject to finance lease	10	15,416	16,052
Finances under mark up arrangements and other credit facilities - secured	11	110,772	–
Creditors, accrued and other liabilities	12	533,473	467,859
		659,661	483,911
Contingencies and Commitments	13		
		2,714,355	2,467,202

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

Chief Executive

(Rupees in '000)	Note	2015	2014
Assets			
Non Current Assets			
Property, plant and equipment	14	225,280	197,571
Long term investments	15	473,671	473,671
Long term deposits	16	15,297	11,038
		714,248	682,280
Current Assets			
Stock in trade	17	55,454	48,465
Trade debts	18	924,407	794,960
Short term investments	19	5,000	94,566
Advances, deposits, prepayments and other receivables	20	971,170	835,080
Cash and bank balances	21	44,076	11,851
		2,000,107	1,784,922
		2,714,355	2,467,202

Director

Profit & Loss Account

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
Sales	22	836,456	1,079,109
Cost of sales	23	(494,823)	(578,138)
Gross profit		341,633	500,971
Administrative and selling expenses	24	(152,669)	(121,620)
Other operating expenses	25	(2,475)	(23,190)
Other operating income	26	135,543	146,765
		(19,601)	1,955
Profit from operations		322,032	502,926
Finance costs	27	(10,381)	(8,871)
Profit before tax		311,651	494,055
Taxation	28	(30,713)	(16,069)
Profit for the period		280,938	477,986
Earnings per share - basic	29	2.66	4.57
Earnings per share - diluted		2.55	4.39

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

Chief Executive

Director

Statement of Comprehensive Income

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
Profit for the year		280,938	477,986
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Transfer from revaluation surplus on account of incremental depreciation net of tax		894	1,356
Items to be reclassified to profit or loss in subsequent periods		–	–
Total comprehensive income for the period		281,832	479,342

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

Chief Executive

Director

Cash Flow Statement

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
Cash flows from operating activities			
Cash generated / (used in) from operations	30	125,466	(10,525)
Finance cost paid		(6,136)	(9,344)
Taxes paid		(26,133)	(35,897)
Net cash generated from / (used in) operating activities		93,197	(55,766)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,113)	(4,258)
Proceeds from sale of property, plant and equipment		9,063	5,179
Income on bank deposit received		3,889	13,247
Short term investment		90,457	(60,825)
Net increase in long term deposits		(4,259)	(1,883)
Net cash generated from / (used in) investing activities		88,037	(48,540)
Cash flows from financing activities			
Repayment of long term finances		–	(10,000)
Net cash received against share issued		4	88,046
Dividend paid		(236,801)	(201,324)
Repayment of director's loan		–	(24,108)
Finances under mark up arrangements and other credit facilities		110,772	–
Repayment of finance lease liabilities		(22,984)	(16,905)
Net cash used in financing activities		(149,009)	(164,291)
Net increase / (decrease) in cash and cash equivalents		32,225	(268,597)
Cash and cash equivalents at the beginning of year		11,851	280,448
Cash and cash equivalents at the end of year	21	44,076	11,851

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

Chief Executive

Director

Statement of Changes in Equity

for the year ended December 31, 2015

(Rupees in '000)	Share capital	Share premium	Employee's share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on 1 January 2014	755,000	–	45,000	453,974	1,253,974
Profit for the year	–	–	–	477,986	477,986
Other comprehensive income	–	–	–	1,356	1,356
	–	–	–	479,342	479,342
Issue of 25,163,484 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	251,635	100,654	–	–	352,289
Expenses incurred against Initial Public Offering	–	(38,761)	–	–	(38,761)
Cash dividend paid @ Rs. 2 per share	–	–	–	(201,324)	(201,324)
Bonus shares issued @ 5%	50,331	–	–	(50,331)	–
	301,966	61,893	–	(251,655)	112,204
Balance as on 31 December 2014	1,056,966	61,893	45,000	681,661	1,845,520
Profit for the year	–	–	–	280,938	280,938
Other comprehensive income	–	–	–	894	894
	–	–	–	281,832	281,832
Cash dividend paid at Rs. 2.25 per share	–	–	–	(237,823)	(237,823)
Issue of 270 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	3	1	–	–	4
	3	1	–	(237,823)	(237,819)
Balance as on 31 December 2015	1,056,969	61,894	45,000	725,670	1,889,533

The annexed notes from 1 to 38 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, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

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

2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2015:

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:

IAS 16,38-IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets-Revaluation method- proportionate restatement of accumulated depreciation/amortization.

IAS 19	–	Defined Benefit Plans: Employee Contribution - (Amendments)
IAS 24	–	Related Party Disclosures - Key management personnel
IAS 40	–	Investment Property – Interrelationship between IFRS 3 Business Combinations and IAS 40 (ancillary services)
IFRS 2	–	Share-based Payment - Definitions of vesting conditions
IFRS 3	–	Business Combinations - Accounting for contingent consideration in a business combination and Scope exceptions for joint ventures
IFRS 8	–	Operating Segments - Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	–	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

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, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01-Jan-16
IFRS 10	–	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01-Jan-16
IFRS 11	–	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01-Jan-16

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

Standard or Interpretation			Effective date (annual periods Beginning on or after)
IAS 1	–	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01-Jan-16
IAS 16	–	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01-Jan-16
IAS 16	–	Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01-Jan-16
IAS 27	–	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01-Jan-16

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 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

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

3. BASIS OF MEASUREMENT

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

3.2 Functional and presentation currency

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

3.3 Significant accounting judgments and critical accounting estimates / assumptions

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

b) Recoverable amount of property, plant and equipment

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

c) Cost to complete the projects

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

d) Stock in trade

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

The Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2014:10%) of the basic salary.

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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

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

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

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

4.4 Capital work in progress

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

4.5 Investments

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

Investments in equity instruments of subsidiaries

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

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

4.6 Leases

The Company is the lessee.

4.6.1 Finance leases

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

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

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

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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

4.6.2 Operating leases

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

4.7 Stores and spares

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

4.8 Stock in trade

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

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

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

4.9 Financial instruments

4.9.1 Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

d) Held to maturity

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

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

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

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

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

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

4.9.2 Financial liabilities

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

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Trade debts

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

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

4.12 Cash and cash equivalents

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

4.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value 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, 2015

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.

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 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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

4.20 Operating segments disclosure

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

4.21 Related Parties

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

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015 (Number of Shares)	2014 (Number of Shares)		2015 (Rupees in '000)	2014 (Rupees in '000)
57,163,754	57,163,484	Ordinary shares of Rs. 10 each fully paid in cash	571,638	571,635
48,533,050	48,533,050	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	485,331	485,331
105,696,804	105,696,534		1,056,969	1,056,966

	2015 (Number of Shares)	2014 (Number of Shares)
5.1 Movement during the year is as follows:		
Balance as at 1 January	105,696,534	75,500,000
Ordinary shares issued during the year	270	25,163,484
Bonus shares issued during the year	–	5,033,050
Balance as at December 31	105,696,804	105,696,534

5.2 Wain Family holds 75% (2014: 75%) share capital of the company.

6 SHARE PREMIUM

This represents premium on 25,163,754 (2014: 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 reserve was created by the Board of Directors on 26 September 2013 in order to set aside amount for issuance of shares under employees' share option scheme out of un-appropriated profit of the Company.

(Rupees in '000)	2015	2014
7.1 Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 1	16,753	7,560
Options issued during the year recognized at offer value	11,817	9,193
Adjustment of reserve for option holders resigning during the year	–	–
Balance as at December 31	28,570	16,753

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

		2015	2014
		(Number of Options)	
7.2	**Movement in share options outstanding at end of the year is as follows:**		
	Balance as at January 1	4,400,000	4,200,000
	Options issued during the year	200,000	200,000
	Balance as at December 31	4,600,000	4,400,000

All options have been issued at Rs. 1 in 2013, Rs. 1.20 in 2014 and Rs. 1.44 in 2015 with five year vesting period and can be exercised after 2018, 2019 and 2020 respectively

8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

(Rupees in '000)	Note	2015	2014
Opening balance of surplus on revaluation of property, plant and equipment		90,295	84,266
Revaluation surplus arising during the year - net of tax		20,983	7,385
Surplus transferred to other comprehensive income for the year on account of incremental depreciation		(894)	(1,356)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax		110,384	90,295

9 DEFERRED TAXATION

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

	Note	2015	2014
Accelerated tax depreciation/ amortization		(1,643)	(2,150)
Unused tax losses		(45,000)	(49,500)
Surplus on revaluation of property, plant and equipment		2,013	2,235
Income taxable on receipt basis		65,392	67,575
	9.1	20,762	18,160

9.1 The aggregate tax losses available to the Company for set off against future taxable profit as at 31 December 2015 amount to Rs. 317 million (2014: Rs. 217 million). Of these, losses aggregating to Rs. 150 million (2014: Rs. 150 million) have been recognized resulting in recognition of deferred tax asset amounting to Rs. 45 million (2014: Rs. 49.5 million) in the financial statements as at 31 December 2015. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses can be deducted.

Expiry of aggregate tax losses is as follows:

Tax Year	Nature	2015 (Rupees in '000)	2014 (Rupees in '000)
2017	Business Loss	14,489	14,489
2018	Business Loss	45,669	45,669
2019	Business Loss	125,281	125,281
2020	Business Loss	8,178	8,178
2021	Business Loss	99,281	–
		292,898	193,617
No Expiry	Depreciation Loss	24,236	23,156
		317,134	216,773

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 9.44% to 15.18% (2014: 11.78% to 12.98%) per annum.The amount of future payments and the period during which they will become due are:

(Rupees in '000)	Note	2015	2014
Year ended 31 December			
2016		18,929	20,020
2017 - 2019		36,802	32,497
Minimum lease payments		55,731	52,517
Less: Future finance charges		(6,300)	(7,149)
		49,431	45,368
Current portion		(15,416)	(16,052)
		34,015	29,316

	2015		2014	
(Rupees in '000)	MLP	PV of MLP	MLP	PV of MLP
10.1 Minimum lease payments (MLP) and their present value (PV) are regrouped as below:				
Due not later than 1 year	18,929	15,416	20,020	16,052
Due later than 1 year but not later than 5 years	36,802	34,015	32,497	29,316
	55,731	49,431	52,517	45,368

11 FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES-SECURED

(Rupees in '000)	Note	2015	2014
Running finance	11.1	99,828	–
Inland bill purchase	11.2	10,944	–
		110,772	–

11.1 The Company has obtained running finance facility from a commercial bank with a limit of Rs.100 million (2014: Rs.Nil) bearing mark-up at the rate of 3 months KIBOR plus 2.75% (2014: Nil). The facility is secured against first mortgage charge of Rs.126.19 million created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed asset (land & building) of the Company , ranking hypothecation charge of Rs. 215 million over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Company.

11.2 This facility has a limit of Rs. 50 million (2014: Rs.Nil) and carries mark-up at the rate of 3 months KIBOR plus 2% (2014: Nil) per annum.The facility is secured against parri passu charge of Rs.334 million on present and future current assets of the company, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

12 CREDITORS, ACCRUED AND OTHER LIABILITIES

(Rupees in '000)	Note	2015	2014
Trade creditors		84,100	87,191
Accrued expenses		23,662	29,919
Advances from customers		39,573	17,461
Payable to related parties	12.1	353,676	312,397
Sales tax payable		–	4,921
Social security payable		21	15
Mark up accrued on:			
- Finance lease liability		–	–
- Finances under mark up arrangements and other credit facilities - secured		2,442	–
Other liabilities	12.2	26,860	12,816
Withholding tax surcharge		3,139	3,139
		533,473	467,859

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

12.2 This includes Rs. 8,789,118 (2014: Rs. 1,851,567) and Rs. 6,699,262 (2014: Rs.995,528) relating to provident fund payable and withholding tax deducted at source, respectively.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(i) Bank guarantees issued amounting to Rs. 31.350 million (2014: Rs. 3.6 million) against the performance of various contracts.

(ii) Post dated cheques issued to IGI Insurance Company Limited amounting to Rs.1.8 million for United Energy Pakistan Limited and Orix Leasing Company amounting to Rs.1.2 million as security against vehicles obtained on lease.

(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. 22,978,426 (2014: 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. 11,533,250 (2014: Rs. 9,927,731).

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Operating Fixed Assets

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

14 PROPERTY, PLANT AND EQUIPMENT

	2014										
(Rupees in '000)	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 / (deletions) 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	–	–	3,725	74,500	–	–	–	–	74,500	–
		–					–	–			
Buildings on freehold land	66,531	1,391	–	1,019	68,941	–	5,347	(4,443)	904	68,037	5
		–					–	–			
Furniture and fixture	10,584	87	–	–	10,995	10,584	380	–	10,206	789	20
		324					–	(758)			
Vehicles	8,405	–	(8,588)	–	6,783	8,255	897	–	6,480	303	20
		6,966					(7,653)	4,981			
Office equipment and appliances	26,554	1,179	(425)	–	22,569	19,354	1,459	758	20,408	2,161	20
		(4,739)					(303)	(860)			
Computers	11,714	1,600	(1,136)	–	12,178	9,179	1,689	–	9,787	2,391	33.33
		–					(1,081)	–			
	194,563	4,257	(10,149)	4,744	195,966	47,372	9,772	(3,685)	47,785	148,181	
		2,551					(9,037)	3,363			
Assets Subject to Finance Lease											
Vehicles	51,071	19,399	–	–	63,504	12,788	11,090	–	18,897	44,607	20
		(6,966)						(4,981)			
Office equipment and Appliances	–	1,525	–	–	5,940	–	297	–	1,157	4,783	20
		4,415						860			
	51,071	20,924	–	–	69,444	12,788	11,387	–	20,054	49,390	
		(2,551)					–	(4,121)			
	245,634	25,181	(10,149)	4,744	265,410	60,160	21,159	(3,685)	67,839	197,571	
		-					(9,037)	(758)			

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
14.1.1 The depreciation charge has been allocated as follows:			
Cost of goods sold	23	12,202	10,580
Administrative and selling expenses	24	12,203	10,579
		24,405	21,159

14.1.2 Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 31 December 2015. This revaluation resulted in surplus of Rs.22,350,000 on land and loss of Rs. 2,010,071 in respect of building. Detailed particulars are as follows:

(Rupees in '000)	Depreciated cost	Revalued amount
Freehold land	74,500	96,850
Buildings on freehold land	70,226	65,540

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

(Rupees in '000)	2015	2014
Freehold land	8,647	8,647
Buildings on freehold land	38,927	38,099

14.1.4 Disposal of property, plant and equipment

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

(Rupees in '000) Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain	Mode of Disposal
Vehicles	**Employees**						
Honda Civic-LE-13-9042	Armaghan Yousaf	2,225	889	1,336	1,431	95	Company Policy
Honda Civic-LEC-13-8329	Tanveer Karamat	2,504	960	1,544	1,594	50	Company Policy
Honda Civic-ATE-069	Muhammad Akmal	1,765	1,765	–	463	463	Company Policy
Toyota Corolla-LE-10-3861	Saqib Rauf	1,368	1,207	161	506	345	Company Policy
Toyota Corolla-LEC-12-7589	Syed Adeel Haider	1,607	964	643	763	120	Company Policy
Suzuki Swift-LE-14-8116	Sajjad Haider	1,300	477	823	847	24	Company Policy
		10,769	6,262	4,507	5,604	1,097	
Outsiders							
Suzuki Cultus-ANP-951	Tanveer Malik	671	671	–	478	478	Bidding
Suzuki Cultus-ASE-028	Tanveer Malik	927	927	–	575	575	Bidding
Suzuki Swift-DLX AYH-673	IGI Insurance Company	1,260	671	589	950	361	Casuality
Suzuki Swift -LEF-14-914	IGI Insurance Company	1,303	347	956	1,050	94	Casuality
		4,161	2,616	1,545	3,053	1,508	
Others (scraped)		3,734	3,400	334	406	72	
		18,664	12,278	6,386	9,063	2,677	

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	2015 Equity % held	2015 Investment at cost	2014 Equity % held	2014 Investment at cost
15 LONG TERM INVESTMENTS				
Wholly owned subsidiaries - unquoted				
- Avanceon FZE				
26 (2014 : 26) fully paid ordinary shares of AED 1 million each	100	473,671	100	473,671

16 LONG TERM DEPOSITS

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

(Rupees in '000)	Note	2015	2014
17 STOCK IN TRADE			
Finished goods		55,454	48,465
Less: Provision for slow moving inventory	17.1	–	–
		55,454	48,465
17.1 Provision for slow moving inventory			
Opening balance		–	5,884
Less: Write-off during the year		–	(5,884)
Closing balance		–	–
18 TRADE DEBTS			
Considered good - due from related parties	18.1	634,403	466,640
Considered good - due from others	18.2	174,667	250,919
Due against construction work in progress and accrued revenue	18.3	115,337	77,401
		924,407	794,960
Considered doubtful - due from others		4,308	1,358
		928,715	796,318
Less: Provision for doubtful debts - specific	18.4	(4,308)	(1,358)
		924,407	794,960

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

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

(Rupees in '000)	Note	2015	2014
Upto 3 months		13,543	180,604
3 to 6 months		71,535	17,924
More than 6 months		549,325	268,112
		634,403	466,640

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	2015	2014
18.2 Ageing of due from others and construction work in progress		
The ageing analysis of these trade debts is as follows:		
Upto 3 months	130,141	177,480
3 to 6 months	20,440	18,682
More than 6 months	24,086	54,757
	174,667	250,919
18.3 Ageing of construction work in progress and accrued revenue		
The ageing analysis of these construction work in progress and accrued revenue is as follows:		
Upto 3 months	115,337	77,401
3 to 6 months	–	–
More than 6 months	–	–
	115,337	77,401
18.4 Provision for doubtful debts and doubtful earnings		
Opening balance	1,358	3,610
Add: Provision for the year	21,550	1,358
Less: Write off during the year	(18,600)	(3,610)
Closing balance	4,308	1,358

19 SHORT TERM INVESTMENTS

This represents investments in TDRs carrying interest at the rate of 7% (2014: 7.67%) per annum.

(Rupees in '000)	Note	2015	2014
20 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- To employees		11,147	10,465
- To suppliers		8,391	15,951
		19,538	26,416
Prepayments		3,036	3,244
Bank guarantee/ LC cash margin		13,178	7,258
Receivable from income tax department - considered good		56,122	57,457
Earnest money-Considered good		943	1,613
Due from subsidiaries - unsecured			
- Dividend receivable	20.1	627,259	637,540
- Others		248,164	94,904
		875,423	732,444
Other receivables - considered good		3,315	5,757
Less: Provision against doubtful receivables	24	(385)	–
		2,930	5,757
Interest accrued on short term investments		–	891
		971,170	835,080

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

(Rupees in '000)	2015	2014
21 CASH AND BANK BALANCES		
At banks on current accounts	43,933	11,826
Cash in hand	143	25
	44,076	11,851

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
22 SALES			
Local sales and services	22.1	462,217	507,511
Export sales and services	22.2	374,239	571,598
		836,456	1,079,109
22.1 Local sales and services			
Local sales and services		497,219	536,431
Less: Sales tax		(35,002)	(28,920)
Net sales		462,217	507,511
22.2 Export sales and services			
Agency commission		9,478	13,815
Subcontracted supplies		74,541	123,816
Outsourcing income		1,839	15,002
Management fees		20,000	34,795
Other engineering / support services		93,583	159,896
Back office support		47,974	107,061
Project revenue - export		124,560	115,322
Maintenance income - export		2,264	1,891
		374,239	571,598
23 COST OF SALES			
Opening stock		48,465	49,332
Purchases and direct expenses		501,812	577,271
Closing stock	17	(55,454)	(48,465)
	23.1	494,823	578,138
23.1 Cost of goods sold and services rendered			
Materials consumed		295,257	333,094
Salaries, wages, allowances and other benefits	23.2	102,616	100,480
Telephone, postage and telex		4,086	5,005
Utilities		3,020	3,747
Travelling and conveyance		27,022	34,890
Installation charges		27,909	52,324
Entertainment		3,823	3,496
Repairs and maintenance		1,104	550
Printing and stationery		535	882
Import cost		12,811	27,497
Insurance		2,836	3,747
Rent, rates and taxes		1,280	1,156
Fee and subscription control account		320	690
Depreciation on property, plant and equipment	14.1.1	12,202	10,580
Other expenses		2	–
		494,823	578,138

23.2 Salaries, wages and benefits include Rs. 4.981million (2014: Rs. 4.830 million) and Rs. 0.372 million (2014: Rs. 0.247 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
24 ADMINISTRATIVE AND SELLING EXPENSES			
Director's remuneration		6,180	5,837
Salaries, wages, allowances and other benefits	24.1	43,978	43,063
Telephone, postage and telex		3,301	4,338
Utilities		3,020	3,747
Entertainment		3,560	2,870
Repairs and maintenance		3,259	1,651
Advertisement and sales promotion		70	4,680
Bad debts write-off expense		6,331	2,067
Printing, stationery and periodicals		494	879
Vehicle running and maintenance		1,533	1,279
Travelling and conveyance		17,063	18,002
Rent, rates and taxes		1,280	1,156
Training and tuition		679	431
Insurance		2,794	3,666
Legal and professional charges		2,080	3,196
Auditors' remuneration	24.2	1,766	1,318
Fee and subscription		3,014	3,494
Annual meeting expenses		2,615	2,630
Late Delivery Charges		10	858
Depreciation on property, plant and equipment	14.1.1	12,203	10,579
Amortization of intangible assets		–	12
Marketing expense		8,027	697
Other expenses		7,477	3,812
Provision for doubtful - receivables and earnings	18.4 & 20	21,935	1,358
		152,669	121,620

24.1 Salaries, wages and benefits include Rs. 2.135 million (2014: Rs. 2.07 million) and Rs. 0.160 million (2014: Rs. 0.106 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

(Rupees in '000)	2015	2014
24.2 Auditors' remuneration		
Statutory audit	800	750
Half yearly review	350	350
Other advisory services	400	118
Out of pocket expenses	216	100
	1,766	1,318
25 OTHER OPERATING EXPENSES		
Social security	251	178
Donations	2,224	881
Exchange loss	–	22,131
	2,475	23,190

25.1 The directors or their spouses have no interest in the donees.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)		Note	2015	2014
26	**OTHER OPERATING INCOME**			
	Income from financial assets	26.1	42,201	13,844
	Income from non-financial assets	26.2	93,342	132,921
			135,543	146,765
	26.1 Income from financial assets			
	Income on bank deposits		3,889	13,844
	Exchange gain		38,312	–
			42,201	13,844
	26.2 Income from non-financial assets			
	Gain on disposal of property, plant and equipment	14.1.4	2,677	4,065
	Dividend income	26.2.1	84,501	126,797
	Others		6,164	2,059
			93,342	132,921

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

(Rupees in '000)		2015	2014
27	**FINANCE COSTS**		
	Mark-up and interest on:		
	- Long term loan	–	1,292
	- Director loan	–	281
	- Finances under mark up arrangements and other credit facilities - secured	3,537	193
	- Finance lease	4,628	4,643
	- Other financial arrangements	413	160
	Bank charges	951	352
	Late penalty charges	90	40
	Guarantee commission	762	1,910
		10,381	8,871
28	**TAXATION**		
	For the year		
	- Current	26,873	13,426
	Deferred		
	- for the year	4,896	3,099
	- due to reduction in tax rate	(1,651)	(456)
		3,245	2,643
	Prior year	595	–
		30,713	16,069

In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and minimum tax on 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, 2015

(Rupees in '000)		2015	2014
29 EARNINGS PER SHARE			
29.1 Basic earnings per share			
Net profit for the year	Rupees in thousand	280,938	477,986
Weighted average number of ordinary shares	Numbers in thousand	105,697	104,538
Earnings per share	Rupees	2.66	4.57
29.2 Diluted earnings per share			
Net profit for the year		280,938	477,986
Weighted average number of ordinary shares		105,697	104,538
Adjustment for share options		4,600	4,400
Weighted average number of ordinary shares for diluted earnings per share		110,297	108,938
Diluted earnings per share		2.55	4.39

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

(Rupees in '000)	2015	2014
30 CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	311,651	494,055
Adjustments for:		
Depreciation on property, plant and equipment	10,122	9,772
Depreciation on asset subject to finance lease	14,283	11,387
Provision for doubtful debts and advances	21,935	1,358
Bad debts write-off expense	6,331	2,067
Amortization of Intangible asset	–	12
Exchange (gain)/loss	(38,312)	22,131
Gain on disposal of property, plant and equipment	(2,677)	(4,065)
Finance cost	8,578	6,569
Dividend income	(84,501)	(126,797)
Income on bank deposits	(3,889)	(13,844)
	(68,130)	(91,410)
Profit before working capital changes	243,521	402,645
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(6,989)	866
- Trade debts	(119,401)	(313,980)
- Advances, deposits, prepayments and other receivables	(53,815)	(70,869)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	62,150	(29,187)
	(118,055)	(413,170)
Cash generated from / (used in) operations	125,466	(10,525)

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

31 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, subsidiaries, post employment benefit plans, other related companies, and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 34. Other significant transactions with related parties are as follows:

(Rupees in '000)		2015	2014
i. Subsidiaries			
Avanceon FZE : UAE	Agency commission	9,478	13,815
	Export sales	74,541	123,816
	Outsourcing income	–	4,248
	Business process outsourcing	47,974	107,061
	Interest receivable from Innovative Automation Inc. transferred to the Company	128,737	–
	Fee for technical services	93,583	159,896
	Revenue recognised on the project based on the stage of completion	126,824	117,214
	Dividend Income	84,501	126,797
Innovative Automation Inc. USA ***(formerly Engro Innovative Inc. USA)***	Interest payable to Avanceon FZE transferred to the Company	128,737	–
	Management fee charged	20,000	34,795
ii. Associated undertakings			
Innovative travels and Innovative Pvt. Ltd.	Other charges and reimbursement of expenses	11,078	9,371
Avanceon LP - USA	Outsourcing income	1,839	10,754
iii. Post employment benefit plans	Expense charged in respect of retirements benefit plans	7,116	6,900
	Payment for providend fund audit	80	80

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

(Rupees in '000)	2015	2014
32 PROVIDENT FUND		
Size of fund	57,322	48,201
Fair value of investments made	43,362	39,423
Cost of investment made	44,050	39,295
Percentage of investments made	76%	82%

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

	2015 (Audited)		2014 (Audited)	
	Investments (Rupees in '000)	Investments as % of size of the fund	Investments (Rupees in '000)	Investments as % of size of the fund
Government Securities	22,000	38%	30,798	64%
Scheduled Banks	1,333	3%	2,117	4%
Other Mutual Funds	9,214	16%	3,082	6%
Listed Securities	10,815	19%	3,426	7%
	43,362		39,423	

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

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

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

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

(a) Market risk

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

(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.

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.

The following significant exchange rates were applied during the year:

	2015	2014
Rupees per USD		
Average rate	102.73	103.00
Reporting date rate	104.60	100.40
Rupees per GBP		
Average rate	156.99	166.00
Reporting date rate	155.04	156.32
Rupees per Euro		
Average rate	114.02	134.00
Reporting date rate	114.32	122.13
Rupees per AED		
Average rate	27.97	28.00
Reporting date rate	28.48	27.33

At December 31, 2015, 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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

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/(loss) before tax (Rupees in '000)	Effect on equity (Rupees in '000)
2015	5%	2,518	1,712
	-5%	(2,518)	(1,712)
2014	5%	2,359	1,580
	-5%	(2,359)	(1,580)

(ii) Interest rate risk

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

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

(Rupees in '000)	Note	2015	2014
Financial liabilities			
Floating rate instruments			
Liabilities against assets subject to finance lease		49,431	45,368
Finances under mark-up arrangements and other credit facilities - secured		110,772	–
Total exposure		160,203	45,368

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 in '000)	Effect on equity (Rupees in '000)
2015	+100	1,602	1,089
	-100	(1,602)	(1,089)
2014	+100	454	304
	-100	(454)	(304)

(iii) Other price risk

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(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. 1,893 million (2014: Rs. 1,670 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 and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with Company maintaining finance lease and short term loan facilities. The Company maintains an internal policy to monitor all outstanding receivables.

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

(Rupees in '000)	Note	2015	2014
Long term deposits		15,297	11,038
Short term investments		5,000	94,566
Trade debts		924,407	794,960
Advances, deposits, prepayments and other receivables		904,006	757,538
Bank balances		43,933	11,826
		1,892,643	1,669,928

As at 31 December 2015, the Company has 32 (2014: 48) customers owing more than Rs. 1 million (2014: Rs. 1 million) each which account for 86% (2014: 88%) of total debtors.

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

				Balances at banks	
	Rating Short term	Rating Long term	Rating Agency	2015 (Rupees in '000)	2014 (Rupeesin '000)
Bank Islami Limited	A1	A+	PACRA	10	10
Faysal Bank limited	A1+	AA	PACRA	1,930	3,080
Habib Bank limited	A-1+	AAA	JCR-VIS	417	2,669
KASB Bank	C	B	PACRA	12	12
National Bank of Pakistan	A-1+	AAA	JCR-VIS	143	66
NIB Bank limited	A1+	AA-	PACRA	93	195
United Bank limited	A-1+	AA+	JCR-VIS	24	2,323
Muslim Commercial Bank	A1+	AAA	PACRA	1	125
JS Bank Limited	A1+	A+	PACRA	28,431	512
Deutsche bank AG	P-1	A2	MOODY'S	103	58
Standard chartered	A1+	AAA	PACRA	12,764	2,776
Finca Microfinance Bank	A-2	A-	JCR-VIS	5	–
				43,933	11,826

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.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(c) Liquidity risk

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

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

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

The following are the contractual maturities of financial liabilities:

(Rupees '000)	Carrying amount	Less than one year	One to five years
2015			
Finances under mark up arrangements	110,772	110,772	–
Liabilities against assets subject to finance lease	55,731	18,929	36,802
Creditors, accrued and other liabilities	490,740	490,740	–
	657,243	620,441	36,802
2014			
Liabilities against assets subject to finance lease	45,368	16,052	29,316
Creditors, accrued and other liabilities	445,462	445,462	–
	490,830	461,514	29,316

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	
(Rupees in '000)	2015	2014
33.2 Financial instruments by categories		
Assets as per balance sheet		
Long term deposits	15,297	11,038
Short term investments	5,000	94,566
Trade debts	924,407	794,960
Advances, deposits, prepayments and other receivables		
- Advances to employees	11,147	10,465
- Bank guarantee margin	13,178	7,258
- Earnest money	943	-
- Due from associated companies	875,423	732,444
- Others	3,315	5,757
Cash and bank balances	44,076	11,851
	1,892,786	1,668,339

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Financial liabilities at amortized cost 2015	2014
Liabilities as per balance sheet		
Liabilities against assets subject to finance lease	55,731	45,368
Finances under mark up arrangements and other credit facilities - secured	110,772	–
Creditors, accrued and other liabilities	490,740	445,462
	657,243	490,830

33.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2015 and December 31, 2014 are as follows:

(Rupees in '000)	2015	2014
Borrowings	160,203	45,368
Less: Cash and bank balances	(44,076)	(11,851)
Net debt	116,127	33,517
Total equity	1,889,533	1,845,519
Total capital	2,005,660	1,879,036
Gearing ratio	6%	2%

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:

	Chief Executive / Director		Other Executives	
(Rupees in '000)	2015	2014	2015	2014
Managerial remuneration	3,808	3,588	28,107	25,440
House rent	1,523	1,435	11,243	10,176
Utilities	381	359	2,811	2,544
Contribution to provident fund	381	359	2,811	2,544
Others	87	96	807	767
	6,180	5,837	45,779	41,471
Number of persons	1	1	16	14

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

Notes to and forming part of the Financial Statements

for the year ended December 31, 2015

35. NUMBER OF EMPLOYEES

	2015	2014
Average number of employees	132	128
Closing number of employees	141	130

36. CORRESPONDING FIGURES

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

37. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on March 24, 2016 has proposed a cash dividend in respect of the year ended 31 December 2015 of Rs. 2 per share (2014: Cash Dividend of Rs. 2.25 per share). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 24, 2016 by the Board of Directors of the Company.

Chief Executive

Director

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Avanceon

Consolidated Financial Statements

for the year ended December 31, 2015

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 2015 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 Innovative automation Inc. USA (formally 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 2015 and the results of its operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder.

Chartered Accountants
Audit Engagement Partner: Farooq Hameed

Lahore: 24 March 2016

Consolidated Balance Sheet

as at December 31, 2015

(Rupees in '000)	Note	2015	2014
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 150,000,000 (2014: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
Issued, Subscribed And Paid Up Capital			
105,696,804 (2014: 105,696,534) ordinary shares of Rs. 10 each	5	1,056,969	1,056,966
Share premium	6	61,894	61,893
Employees' share compensation reserve	7	45,000	45,000
Exchange revaluation reserve		210,010	184,641
Un-appropriated profit		578,673	573,689
		1,952,546	1,922,189
Surplus on Revaluation of Property, Plant And Equipment	8	110,384	90,295
Non Current Liabilities			
Liabilities against assets subject to finance lease	9	35,432	33,767
Deferred liabilities	10	39,545	31,013
		74,977	64,780
Current Liabilities			
Current portion of liabilities against assets subject to finance lease	9	17,938	18,994
Finances under mark up arrangements and other credit facilities - secured	11	190,545	39,170
Creditors, accrued and other liabilities	12	517,630	438,759
		726,113	496,923
Contingencies and Commitments	13		
		2,864,020	2,574,187

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

Chief Executive

(Rupees in '000)	Note	2015	2014
Assets			
Non Current Assets			
Property, plant and equipment	14	231,195	206,584
Investments available for sale	15	568,547	545,589
Long term deposits	16	27,333	22,651
		827,075	774,824
Current Assets			
Stock in trade	17	59,474	50,290
Trade debts	18	1,499,063	1,352,377
Advances, deposits, prepayments and other receivables	19	163,190	157,188
Short term investment	20	180,936	199,512
Cash and bank balances	21	134,282	39,996
		2,036,945	1,799,363
		2,864,020	2,574,187

Director

Consolidated Profit & Loss Account

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
Sales	22	1,635,641	1,928,035
Cost of sales	23	(1,097,849)	(1,236,856)
Gross profit		537,792	691,179
Administrative and selling expenses	24	(290,599)	(233,429)
Other operating expenses	25	(4,973)	(24,988)
Other operating income	26	61,031	31,259
		(234,541)	(227,158)
Profit from operations		303,251	464,021
Finance costs	27	(30,625)	(20,742)
Profit before tax		272,626	443,279
Taxation	28	(30,713)	(16,068)
Profit for the year		241,913	427,211
Earnings per share - basic	33	2.29	4.09
Earnings per share - diluted		2.19	3.92

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, 2015

(Rupees in '000)	2015	2014
Profit for the year	241,913	427,211
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods		
- Exchange difference on translating foreign operations	25,369	(26,475)
Items not to be reclassified to profit or loss in subsequent periods		
- Transfer from revaluation surplus on account of incremental depreciation net of tax	894	1,356
Total comprehensive income for the year	268,176	402,092

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, 2015

(Rupees in '000)	Note	2015	2014
Cash flows from operating activities			
Cash generated from continuing operations	32	224,658	(40,511)
Finance costs paid		(15,604)	(12,291)
Retirement benefits paid		(1,651)	(7,436)
Taxes paid		(26,799)	(15,230)
Net cash generated from / (used in) operating activities		180,604	(75,468)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,456)	(4,654)
Proceeds from disposal of property, plant and equipment		10,511	5,575
Income on bank deposits received		13,615	15,836
Short term investment		18,576	(59,877)
Long term investment			
Net increase in long term deposits		(4,682)	(2,219)
Net cash generated from / (used in) investing activities		26,564	(45,339)
Cash flows from financing activities			
Repayment of long term finances		–	(10,000)
Issue of share capital		4	49,284
Dividend paid		(237,823)	(201,324)
Finances under markup arrangements		151,375	39,170
Repayment of loan from directors		–	(54,834)
Repayment of finance lease liabilities		(26,438)	(18,940)
Net cash used in financing activities		(112,882)	(196,644)
Net increase / (decrease) in cash and cash equivalents		94,286	(317,451)
Cash and cash equivalents at the beginning of year		39,996	357,447
Cash and cash equivalents at the end of year	21	134,282	39,996

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, 2015

(Rupees in '000)	Share Capital	Share Premium	Employee's share compensation reserve	Exchange revaluation reserve	Un-appropriated profit/(loss)	Total
Balance as on 01 January 2014	755,000	–	45,000	211,116	396,775	1,407,891
Profit for the period	–	–	–	–	427,211	427,211
Other comprehensive income	–	–	–	(26,475)	1,356	(25,119)
	–	–	–	(26,475)	428,567	402,092
Issue of 25,163,484 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	251,635	100,654	–	–	–	352,289
Final dividend for the year ended 31 December 2013 at the rate of Rs. 2 per share	–	–	–	–	(201,322)	(201,322)
Bonus shares issued for the year ended 31 December 2013 at the rate of 5%	50,331	–	–	–	(50,331)	–
Transaction costs incurred against Initial Public Offering	–	(38,761)	–	–	–	(38,761)
	301,966	61,893	–	–	(251,653)	112,206
Balance as on 31 December 2014	1,056,966	61,893	45,000	184,641	573,689	1,922,189
Profit for the period	–	–	–	–	241,913	241,913
Other comprehensive income	–	–	–	25,369	894	26,263
	–	–	–	25,369	242,807	268,176
Final dividend for the year ended 31 December 2014 at the rate of Rs. 2.25 per share	–	–	–	–	(237,823)	(237,823)
Issue of 270 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	3	1	–	–	–	4
	3	1	–	–	(237,823)	(237,819)
Balance as on 31 December 2015	1,056,969	61,894	45,000	210,010	578,673	1,952,546

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

Chief Executive

Director

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Holding Company), was incorporated in Pakistan on 26 March 2003 as a private limited company which was changed to public limited company on 31 March 2008 under the Companies Ordinance, 1984. The principal activity of the Holding Company is to trade in products of automation and control equipment and provide related technical services. The registered office of the Holding Company is situated at 19 km, Multan Road, Lahore. The company is listed on Karachi and Lahore Stock Exchanges (now Pakistan 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% (2014: 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 2015:**

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:

IAS 16,38	–	IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets-Revaluation method- proportionate restatement of accumulated depreciation / amortization.
IAS 19	–	Defined Benefit Plans: Employee Contribution - (Amendments)
IAS 24	–	Related Party Disclosures - Key management personnel
IAS 40	–	Investment Property – Interrelationship between IFRS 3 Business Combinations and IAS 40 (ancillary services)
IFRS 2	–	Share-based Payment - Definitions of vesting conditions
IFRS 3	–	Business Combinations - Accounting for contingent consideration in a business combination and Scope exceptions for joint ventures
IFRS 8	–	Operating Segments - Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	–	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

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

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

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

Standard or Interpretation			Effective date (annual periods Beginning on or after)
IAS 10	–	Consolidated Financial Statements,IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10	–	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11	–	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1	–	'Presentation of Financial Statements – Disclosure Initiative (Amendment)	01 January 2016
IAS 16	–	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16		'Property, Plant and Equipment and IAS 41Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27		'Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

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

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

Notes to and forming part of the Consolidated Financial Statements

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estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for taxation

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

b) Recoverable amount of property, plant and equipment

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

c) Cost to complete the projects

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

d) Stock in trade

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

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Principles of consolidation

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

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

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

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

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

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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% (2014:10%) 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.

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

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

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

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

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

4.5 Capital work in progress

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

4.6 Leases

The Group is the lessee.

4.6.1 Finance leases

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

The related rental obligations, net of finance charge, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and long term depending upon the timing of the payment.
Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 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.

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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.

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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 4.11.

4.9.2 Financial liabilities

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

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Trade debts

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

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

4.12 Cash and cash equivalents

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

4.13 Borrowings

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

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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.

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.

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4.19 Share based payment transactions

The grant date fair value of equity settled share based payment to employees is initially recognized in the balance sheet as deferred employee compensation with a corresponding credit to equity as employees' share compensation reserve.
When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in profit and loss account, employee compensation expense in profit and loss account and deferred employee compensation in balance sheet will be reversed equal to the amortized and unamortized portion respectively, with a corresponding effect to the employees' share compensation reserve.

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

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

4.20 Provision

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

4.21 Related party transactions

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

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015 (Number of Shares)	2014 (Number of Shares)		2015 (Rupees in '000)	2014 (Rupees in '000)
57,163,754	57,163,484	Ordinary shares of Rs. 10 each fully paid in cash	571,638	571,635
48,533,050	48,533,050	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	485,331	485,331
105,696,804	105,696,534		1,056,969	1,056,966

	2015 (Number of Shares)	2014 (Number of Shares)
5.1 Movement during the year is as follows:		
Balance as at 01 January	105,696,534	75,500,000
Ordinary shares issued during the year	270	25,163,484
Bonus shares issued during the year	–	5,033,050
Balance as at 31 December	105,696,804	105,696,534

5.2 Wain Family holds 75% (2014: 75%) share capital of the company.

6 SHARE PREMIUM

This represents premium on 25,163,754 (2014: 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.

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7 EMPLOYEES' SHARE COMPENSATION RESERVE

This reserve was created by the Board of Directors on 26 September 2013 in order to set aside amount for issuance of shares under employees' share option scheme out of un-appropriated profit of the parent Company.

(Rupees in '000)	2015	2014
7.1 Movement in the amount of options granted against the reserve is as follows:		
Balance as at January 1	16,753	7,560
Options issued during the year recognized at offer value	11,817	9,193
Adjustment of reserve for option holders resigning during the year	–	–
Balance as at December 31	28,570	16,753

	2015	2014
	(Number of Options)	
7.2 Movement in share options outstanding at end of the year is as follows		
Balance as at January 1	4,400,000	4,200,000
Options issued during the year	200,000	200,000
Balance as at December 31	4,600,000	4,400,000

All options have been issued at Rs. 1 in 2013, Rs. 1.20 in 2014 and Rs. 1.44 in 2015 with five year vesting period and can be exercised after 2018, 2019 and 2020 respectively.

8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

(Rupees in '000)	Note	2015	2014
Opening balance of surplus on revaluation of property, plant and equipment		90,295	84,266
Revaluation surplus arising during the year - net of tax		20,983	7,385
Surplus transferred to unappropriated profit on account of incremental depreciation		(894)	(1,356)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax		110,384	90,295

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 0.5% to 15.18% (2014:5.66% to 12.98% per annum). The amount of future payments and the period during which they will become due are:

(Rupees in '000)	Note	2015	2014
Year ended 31 December			
2016		21,637	23,372
2017 - 2019		38,254	37,185
Minimum lease payments		59,891	60,557
Less: Future finance charges		(6,521)	(7,796)
		53,370	52,761
Current portion	9.1	(17,938)	(18,994)
		35,432	33,767

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		2015		2014	
(Rupees '000)		**MLP**	**PV of MLP**	**MLP**	**PV of MLP**
9.1	Minimum lease payments (MLP) and their present value (PV) are regrouped as below:				
	Due not later than 1 year	21,637	17,938	23,372	18,994
	Due later than 1 year but not later than 5 years	38,254	35,432	37,185	33,767
		59,891	53,370	60,557	52,761

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.

10 DEFERRED LIABILITIES

(Rupees in '000)	Note	2015	2014
Retirement and other service benefits		18,783	12,853
Deferred taxation	10.1	20,762	18,160
		39,545	31,013

10.1 DEFERRED TAXATION

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

Accelerated tax depreciation / amortization		(1,643)	(2,150)
Unused tax losses		(45,000)	(49,500)
Surplus on revaluation of property, plant and equipment		2,013	2,235
Income taxable on receipt basis		65,392	67,575
	10.1.1	20,762	18,160

10.1.1 The aggregate tax losses available to the Company for set off against future taxable profit as at 31 December 2015 amount to Rs. 317 million (2014: Rs. 217 million). Of these, losses aggregating to Rs. 150 million (2014: Rs. 150 million) have been recognized resulting in recognition of deferred tax asset amounting to Rs. 45 million (2014: Rs. 49.5 million) in the financial statements as at 31 December 2015. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses can be deducted.

Expiry of aggregate tax losses is as follows:

Tax year	Nature	2015 (Rupees in '000)	2014 (Rupees in '000)
2017	Business Loss	14,489	14,489
2018	Business Loss	45,669	45,669
2019	Business Loss	125,281	125,281
2020	Business Loss	8,178	8,178
2021	Business Loss	99,281	–
		292,898	193,617
No Expiry	Depreciation Loss	24,236	23,156
		317,134	216,773

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

11 FINANCES UNDER MARK UP ARRANGEMENTS AND OTHER CREDIT FACILITIES

(Rupees in '000)	Note	2015	2014
Running finance	11.1	99,828	–
Inland bill	11.2	10,944	–
National Bank of Fujairah PSC	11.3	1,936	25,505
United Bank Limited	11.4	77,837	13,665
		190,545	39,170

11.1 The parent Company has running finance facility from a commercial bank with a limit of Rs.100 million (2014: Rs.Nil) bearing mark-up at the rate of 3 months KIBOR plus 2.75% (2014: Nil). The facility is secured against first mortgage charge of Rs.126.190 million over fixed assets (Land and Building) ,ranking hypothication charge of Rs.215 million over all present and future current assets of the Company and personal guarantees of sponsor directors of the Company.

11.2 This facility has been obtained by parent Company having limit of Rs. 50 million (2014: Rs.Nil). It has a mark-up rate of 3 months KIBOR plus 2% (2014: Nil) per annum and is secured against parri passu charge of Rs.334 million on present and future current assets of the company, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

(Rupees in '000)	Maturity Months	Limit	2015	2014
11.3 National Bank of Fujairah PSC				
Receivables Financing	6	21,360	–	–
Trust Receipt Loans	4	42,720	–	25,505
New Port Project				
Short term loan	6	11,392	1,936	–
Receivables Financing	3	65,504	–	–
Trust Receipt Loans	4	65,504	–	–
			1,936	25,505

These finance facilities bear mark-up at the rate of 2.25% over the bank's prime rate with a floor of 9 percent and are secured by way of pledge over fixed deposit of AED 513,000 (note 20), hypothecation of stocks and personal guarantee of Mr. Bakhtiar Hamid Wain.

(Rupees in '000)	Maturity Months	Limit	2015	2014
11.4 United Bank Limited				
Short term loan	3	14,240	14,240	13,665
Trust Receipt Loans	6	56,960	–	–
Invoice discounting (Empower project)	6	142,400	44,188	–
United construction				
Trust Receipt Loans	6	56,960	19,409	–
Larsen and Turbo				
Trust Receipt Loans	6	99,680	–	–
			77,837	13,665

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

12 CREDITORS, ACCRUED AND OTHER LIABILITIES

(Rupees in '000)	Note	2015	2014
Trade creditors		235,038	312,141
Accrued expenses	12.1	48,766	52,949
Advances from customers		61,465	27,773
Social security payable		21	15
Sales tax payable		–	4,921
Mark-up accrued on loans		2,442	–
Due to related parties		1,138	1,458
Billing in excess of cost and estimated earning		125,658	23,165
Other liabilities		39,963	13,198
Withholding tax surcharge		3,139	3,139
		517,630	438,759

12.1 This includes Rs. 8,789,118 (2014: Rs. 1,851,567) and Rs. 6,699,262 (2014: Rs. 995,528) relating to provident fund payable and withholding tax deducted at source payable respectively.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(i) Bank guarantees issued amounting to Rs. 31.350 million (2014: Rs. 3.6 million) against the performance of various contracts.

(ii) Post-dated cheques issued to IGI Insurance Company Limited amounting to Rs.1.8 million for United Energy Pakistan Limited and Orix Leasing Company amounting to Rs.1.2 million as security against vehicles obtained on lease.

(iii) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Wlefare 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. 22,978,426 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. 11,533,250.

13.2 Subsidiaries

(i) The Establishment has provided the following guarantees at 31 December 2015.

(Rupees in '000)	2015	2014
Letters of guarantee	48,065	39,865
Letters of credit	27,722	132,254
Post dated cheques issued to		
JAFZA against payment of rent	5,544	5,061
Emirates Islamic Bank against payment of lease of vehicle	2,377	3,717
Suppliers against supply of material	9,250	4,507
	17,171	13,285
	92,958	185,404

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Operating Fixed Assets

2015

(Rupees in '000)	Cost/revalued amount as at 01 January 2015	Exchange adjustment on opening cost	Addition / *transfers / (Deletions)	Effect of revaluation as at 31 December 2015	Cost as at 31 December 2015	Accumulated depreciation as at 01 January 2015	Exchange adjustment accumulated depreciation 2015	Adjustment/ *transfers / (Deletions)	Depreciation charge for the year/ *Effect of revaluation	Accumulated Depreciation as at 31 December 2015	Net Book value as at 31 December 2015	Rate %
Owned Assets												
Freehold land	74,500	–	– –	22,350	96,850	–	–	– –	– –	–	96,850	
Building on freehold land	68,941	–	5,459 – (455)	(1,019)	72,926	904	–	– (123)	5,614 991*	7,385	65,541	5
Vehicles	6,782	–	67 32,608* (13,627)	–	25,830	6,480	–	17,888* (8,530)	1,292 –	17,130	8,700	20
Furniture and fittings	16,791	244	1,335 – (246)	–	18,124	15,710	234	– (245)	538 –	16,237	1,887	20
Office equipment and appliances	27,063	189	3,940 – (2,365)	–	28,827	24,544	178	– (2,365)	1,430 –	23,787	5,040	20
Plant and machinery	3,794	159	– – –	–	3,953	3,794	159	– –	– –	3,953	–	20
Computers	16,529	184	1,298 – (668)	–	17,343	13,817	174	– (667)	1,817 –	15,141	2,202	33.33
	214,400	776	12,099 32,608* (17,361)	21,331	263,853	65,249	745	17,888* (11,930)	10,691 991*	83,633	180,220	
Assets Subject to Finance Lease												
Motor vehicles	76,440	544	27,047 (32,608)* (3,341)	–	68,082	23,790	259	(17,888)* (1,162)	15,703	20,702	47,380	20
Office equipment and appliances	5,940	–	– –	–	5,940	1,157	–	– –	1,188	2,345	3,595	20
	82,380	544	27,047 (32,608)* (3,341)		74,022	24,947	259	(17,888)* (1,162)	16,891 –	23,047	50,975	
	296,780	1,320	39,146 – (20,702)	21,331	337,875	90,196	1,004	– (13,092)	27,582 991*	106,680	231,195	

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

2014												
(Rupees in '000)	Cost/revalued amount as at 01 January 2014	Exchange adjustment on opening cost	Addition / *transfers / (Deletions)	Effect of revaluation as at 31 December 2014	Cost as at 31 December 2014	Accumulated depreciation amount as on 01 January 2014	Exchange adjustment accumulated depreciation 2014	Adjustment/ *transfers / (Deletions)	Depreciation charge for the year/ *Effect of revaluation	Accumulated Depreciation as at 31 December 2014	Net Book value as at 31 December 2014	Rate %
Owned Assets												
Freehold land	70,775	–	– –	3,725	74,500	–	–	– –	– –	–	74,500	–
Building on freehold land	66,531	–	1,391 –	1,019	68,941	–	–	– –	5,347 (4,443)*	904	68,037	5
Vehicles	10,080	(76)	– 6,966* (10,188)	–	6,782	9,316	118	4,981* (8,892)	957 –	6,480	302	20
Furniture and fittings	16,570	(270)	167 324*	–	16,791	16,255	(255) –	(758)* –	468	15,710	1,081	20
Office equipment and appliances	31,133	(207)	1,301 (4,739)* (425)	–	27,063	23,423	(181)	758* (860)* (303)	1,707 –	24,544	2,519	20
Plant and machinery	3,973	(179)	– –	–	3,794	3,973	(179)	– –	–	3,794	–	20
Computers	16,066	(197)	1,796 – (1,136)	–	16,529	13,130	(175)	– (1,081)	1,943 –	13,817	2,712	33.33
	215,128	(929)	4,655 2,551* (11,749)	4,744	214,400	66,097	(672)	4,121* (10,276)	10,422 (4,443)*	65,249	149,151	
Assets Subject to Finance Lease												
Motor vehicles	61,916	(489)	21,979 (6,966)*	–	76,440	15,518	(276)	(4,981)* –	13,529 –	23,790	52,650	20
Office equipment and appliances	–	–	1,525 4,415*	–	5,940	–	–	860* –	297 –	1,157	4,783	20
	61,916	(489)	23,504 (2,551)*	–	82,380	15,518	(276)	(4,121)*	13,826	24,947	57,433	
	277,044	(1,418)	28,159 - (11,749)	4,744	296,780	81,615	(948)	– (10,276)	24,248 (4,443)*	90,196	206,584	

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)		Note	2015	2014
14.1.1	**The depreciation charge has been allocated as follows:**			
	Cost of goods sold	23.1	13,791	12,124
	Administrative and selling expenses	24	13,791	12,124
			27,582	24,248

14.1.2 Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 31 December 2015. This revaluation resulted in surplus of Rs. 22,350,000 and loss of Rs. 2,010,071 in respect of freehold land and building. Detailed particulars are as follows:

(Rupees in '000)	Depreciated cost	Revalued amount
Freehold land	74,500	96,850
Buildings on freehold land	70,226	65,540

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

(Rupees in '000)	Note	2015	2014
Freehold land		8,647	8,647
Buildings on freehold land		40,287	38,099

14.1.4 Disposal of property, plant and equipment

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

(Rupees in '000) Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain	Mode of Disposal
Vehicles	**Employees**						
Honda Civic-LE-13-9042	Armaghan Yousaf	2,225	889	1,336	1,431	95	Company Policy
Honda Civic-LEC-13-8329	Tanveer Karamat	2,504	960	1,544	1,594	50	Company Policy
Honda Civic-ATE-069	Muhammad Akmal	1,765	1,765	–	463	463	Company Policy
Toyota Corolla-LE-10-3861	Saqib Rauf	1,368	1,207	161	506	345	Company Policy
Toyota Corolla-LEC-12-7589	Syed Adeel Haider	1,607	964	643	763	120	Company Policy
Suzuki Swift-LE-14-8116	Sajjad Haider	1,300	477	823	847	24	Company Policy
		10,769	6,262	4,507	5,604	1,097	
Outsiders							
Suzuki Cultus-ANP-951	Tanveer Malik	671	671	–	478	478	Bidding
Suzuki Cultus-ASE-028	Tanveer Malik	927	927	–	575	575	Bidding
Suzuki Swift-DLX AYH-673	IGI Insurance Company	1,260	671	589	950	361	Insurance claim
Suzuki Swift -LEF-14-914	IGI Insurance Company	1,303	347	956	1,050	94	Insurance claim
Hyundai TUCSON 2.0L 4X2	Union Insurance	2,037	814	1,223	1,458	224	Insurance claim
		6,198	3,430	2,768	4,511	1,732	
Others (scraped)		3,734	3,400	334	406	72	
		20,702	13,092	7,609	10,521	2,901	

Notes to and forming part of the Consolidated Financial Statements

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(Rupees in '000)	2015	2014
15 INVESTMENTS AVAILABLE FOR SALE		
Unquoted		
Avanceon GP LLC	37	35
Avanceon LP	568,510	545,554
	568,547	545,589

Engro Innovative Inc., USA has a 26.11% (2014 : 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.

16 LONG TERM DEPOSITS

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

(Rupees in '000)	Note	2015	2014
17 STOCK IN TRADE			
Finished goods		59,474	50,290
Less: Provision for slow moving inventory	17.1	–	–
		59,474	50,290
17.1 Provision for slow moving inventory			
Opening balance		–	5,884
Less: Write-off during the year		–	(5,884)
Closing balance		–	–
18 TRADE DEBTS			
Considered good - due from others	18.1	751,662	760,872
Due against construction work in progress and accrued revenue	18.2	747,401	591,505
		1,499,063	1,352,377
Considered doubtful - due from others		4,564	1,358
		1,503,627	1,353,735
Less: Provision for doubtful debts - specific	18.3	(4,564)	(1,358)
		1,499,063	1,352,377

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

(Rupees in '000)	Note	2015	2014
18.1 Ageing of trade debts due from others			
The ageing analysis of these trade debts due from others is as follows:			
Up to 3 months		661,703	664,857
3 to 6 months		65,874	41,258
More than 6 months		24,085	54,757
		751,662	760,872

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
18.2 Ageing of construction work in progress and accrued revenue			
The ageing analysis of these construction work in progress and accrued revenue is as follow:			
Up to 3 months		747,401	591,505
3 to 6 months		–	–
More than 6 months		–	–
		747,401	591,505
18.3 Provision for doubtful debts and doubtful earnings			
Opening balance		1,358	3,610
Add: Provision for the year	24	21,801	1,358
Add: Exchange Differnce		5	–
Less: Amount written off during the year		(18,600)	(3,610)
		4,564	1,358
19 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- To employees		22,580	19,834
- To suppliers		12,089	17,355
		34,669	37,189
Prepayments		6,223	5,822
Bank guarantee/ LC cash margin		57,505	44,256
Receivable from income tax authorities - considered good		56,711	58,023
Earnest money			
- Considered good		943	1,613
Other receivables			
- Considered good		7,139	10,285
		163,190	157,188
20 SHORT TERM INVESTMENT			
Foreign currency	20.1	175,936	104,946
Local currency	20.2	5,000	94,566
		180,936	199,512

20.1 This represents term deposits receipts of ABN Amro (AED 4,957,875) Habib Bank AG Zurich (AED 705,503) and National Bank of Fujairah PSC (AED 514,138) having maturities of 1 to 6 months carrying mark-up at the rate of 0.51% to 10.08% per annum.

20.2 This represents investments in TDRs carrying interest at the rate of 7% per annum.

(Rupees in '000)	Note	2015	2014
21 CASH AND BANK BALANCES			
At banks on:			
current accounts		134,025	39,941
In hand		257	55
		134,282	39,996

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)		Note	2015	2014
22	**SALES**			
	Local sales and services	22.1	1,318,843	1,519,229
	Export sales and services		316,798	408,806
			1,635,641	1,928,035
	22.1 Local sales and services			
	Local sales and services		1,353,845	1,548,149
	Less: Sales tax		(35,002)	(28,920)
	Net sales		1,318,843	1,519,229
23	**COST OF SALES**			
	Opening stock		50,290	55,629
	Purchases and direct expenses		1,107,033	1,231,517
	Closing stock	17	(59,474)	(50,290)
		23.1	1,097,849	1,236,856
	23.1 Cost of goods sold and services rendered			
	Materials consumed		618,926	818,359
	Salaries, wages, allowances and other benefits	23.1.1	166,997	142,879
	Telephone, fax and internet		7,584	8,265
	Electricity and water		3,020	3,747
	Travelling and conveyance		92,180	87,276
	Installation charges and other direct costs		126,452	75,297
	Entertainment		4,769	4,082
	Repairs and maintenance		1,981	1,453
	Printing and stationary		535	882
	Import cost		14,082	27,944
	Insurance		3,962	5,884
	Rent, rates and taxes		6,249	5,428
	Project financial cost		1,875	2,113
	Fee and subscription		320	690
	Depreciation on property, plant and equipment	14.1.1	13,791	12,124
	Miscellaneous expenses		35,126	40,433
			1,097,849	1,236,856

23.1.1 Salaries, wages and benefits include Rs 4.981 million (2014: Rs. 4.830 million), Rs. 0.372 million (2014: Rs. 0.247 million) and Rs. 3.449 million (2014: Rs. 2.760 million) on account of provident fund, accumulated compensated absences and gratuity contribution by the Group respectively.

Notes to and forming part of the Consolidated Financial Statements

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(Rupees in '000)		Note	2015	2014
24	**ADMINISTRATIVE AND SELLING EXPENSES**			
	Director's remuneration		49,023	45,993
	Salaries, wages, allowances and other benefits	24.1	116,334	85,461
	Telephone, fax and internet		6,799	7,597
	Electricity and water		3,020	3,747
	Entertainment		3,560	2,870
	Repairs and maintenance		4,135	2,554
	Advertisement and sales promotion		4,202	7,875
	Late delivery charges		10	858
	Printing, stationery and photocopies		494	879
	Travelling, conveyance and vehicle maintenance		25,852	25,384
	Rent, rates and taxes		5,345	4,651
	Insurance		3,169	4,378
	Legal and professional charges		3,553	6,374
	Training and tuition		679	431
	Auditors' remuneration	24.2	3,457	2,460
	Fee and subscription		4,576	5,663
	Annual meeting expenses		2,615	3,757
	Marketing charge		–	697
	Depreciation on property, plant and equipment	14.1.1	13,791	12,124
	Amortization of intangible assets		–	12
	Miscellaneous expenses		11,468	6,239
	Receivables written off		6,716	2,067
	Provision for doubtful receivables and earnings	18.3	21,801	1,358
			290,599	233,429

24.1 Salaries, wages and benefits include Rs. 2.135 million (2014: Rs 2.070 million), Rs. 0.160 million (2014: Rs. 0.106 million) and Rs. 3.449 million (2014: Rs. 2.760 million) for provident fund contribution, accumulating compensated absences and gratuity contribution respectively.

(Rupees in '000)		Note	2015	2014
24.2	**Auditors' remuneration**			
	Avanceon Limited			
	Audit fee		800	750
	Half yearly review		350	350
	Other certifications		400	118
	Out of pocket expenses		216	100
			1,766	1,318
	Avanceon, FZE			
	Audit fee		1,691	1,142
			3,457	2,460
25	**OTHER OPERATING EXPENSES**			
	Social security		251	178
	Donations	25.1	2,224	881
	Exchange loss		2,498	23,929
			4,973	24,988

25.1 The directors or their spouses have no interest in the donees.

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
26 OTHER OPERATING INCOME			
Income from financial assets	26.1	16,516	20,650
Income from non-financial assets	26.2	44,515	10,609
		61,031	31,259
26.1 Income from financial assets			
Income on bank deposits		13,615	16,550
Gain on disposal of property, plant and equipment		2,901	4,100
		16,516	20,650
26.2 Income from non-financial assets			
Exchange gain		38,312	–
Other income		6,203	10,609
		44,515	10,609
27 FINANCE COSTS			
Mark-up and interest on:			
- Long term loan		–	1,292
- Finances under mark up arrangements and other credit facilities - secured		9,403	580
- Loans from directors		–	281
- Finance lease		5,061	5,165
- Other financial arrangements		3,580	2,197
Bank charges		10,722	8,802
Late penalty charges		90	40
Guarantee commission		1,769	2,385
		30,625	20,742
28 TAXATION			
Current			
- for the year		26,873	13,426
Deferred			
- for the year		4,896	3,098
- due to reduction in tax rate		(1,651)	(456)
		3,245	2,642
Prior year		595	–
		30,713	16,068

In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and minimum tax on 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 Consolidated Financial Statements

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29 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, post employment benefit plans, other related companies, and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

(Rupees in '000)		2015	2014
i. Associated Undertakings			
Innovative travels and Innovative Pvt. Ltd.	Other charges and reimbursement of expenses	11,078	9,371
Avanceon LP	Outsourcing income	1,839	10,754
ii. Post-employment benefit plans	Expense charged in respect of retirements benefit plans	7,116	6,900
	Payment for provident fun audit	80	80

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 at conversion rate of Rs. 104.60 (2014: Rs. 100.40) and Rs. 28.48 (2014: Rs. 27.33) for USD and AED respectively.

(Rupees in '000)	2015	2014
31 PROVIDENT FUND		
Size of fund	57,322	48,201
Fair value of investments made	43,362	39,423
Cost of investment made	44,050	39,295
Percentage of investments made	76%	82%

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

	2015 (Audited)		2014 (Audited)	
	Investments (Rupees in '000)	Investments as % of size of the fund	Investments (Rupees in '000)	Investments as % of size of the fund
Government Securities	22,000	38%	30,798	64%
Scheduled Banks	1,333	3%	2,117	4%
Other Mutual Funds	9,214	16%	3,082	6%
Listed Securities	10,815	19%	3,426	7%
	43,362		39,423	

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
32 CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		272,626	443,282
Adjustments for:			
Depreciation on property, plant and equipment		10,691	10,421
Depreciation on asset subject to finance lease		16,891	13,826
Amortisation on intangible asset		–	12
Exchange gain		2,095	(254)
Employee benefits expense		7,582	4,800
Provision for doubtful debts and advances		21,801	1,358
Liabilities written back			
Gain on disposal of property, plant and equipment		(2,901)	(4,100)
Finance cost		18,044	9,515
Income on bank deposits		(13,615)	(16,550)
Loss before working capital changes carried forward		333,214	462,310
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets			
- Stock in trade		(9,184)	5,339
- Trade debts		(168,487)	(449,456)
- Advances, deposits, prepayments and other receivables		(7,314)	(33,277)
Decrease / (increase) in current liabilities			
- Creditors, accrued and other liabilities		76,429	(25,427)
		(108,556)	(502,821)
Cash generated from operating activities continuing operations		224,658	(40,511)

33 EARNINGS PER SHARE - BASIC AND DILUTED

33.1 Basic earnings per share

		2015	2014
Net profit for the year	Rupees	241,913	427,211
Weighted average number of ordinary shares	Numbers	105,697	104,538
Earnings per share	Rupees	2.29	4.09

33.2 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.

(Rupees in '000)	Note	2015	2014
Weighted average number of ordinary shares	Numbers	105,697	104,538
Assumed conversion of share options into ordinary shares	Numbers	4,600	4,400
Weighted average number of ordinary shares for diluted earnings per share	Numbers	110,297	108,938
Earnings per share - Diluted	Rupees	2.19	3.92

34 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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

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.

34.1 Consolidated operating segment results

2015

(Rupees in '000)	AMS	Core Business	Specialized Business	Engineering Business	Middle East and USA	Elimination	Total
SEGMENT PROFIT AND LOSS ACCOUNT							
Revenue from external customers	210,709	600,107	139,780	385,859	671,586	(372,400)	1,635,641
Cost of sales	(124,649)	(412,271)	(101,533)	(236,371)	(548,959)	325,934	(1,097,849)
Gross Profit	86,060	187,836	38,247	149,488	122,627	(46,466)	537,792
SEGMENT ASSETS							
Debtors	73,158	670,998	217,800	162,450	1,009,059	(634,403)	1,499,063
- Considered good - others	59,550	568,528	185,661	120,331	451,995	(634,403)	751,662
- Due against work-in-progress others	13,608	102,470	32,140	42,119	557,064	–	747,401
Stock in Trade	5,394	35,155	5,373	9,531	4,021	–	59,474
Segment total assets	78,552	706,153	223,173	171,981	1,013,080	(634,403)	1,558,537

2014

(Rupees in '000)	AMS	Core Business	Specialized Business	Engineering Business	Middle East and USA	Elimination	Total
SEGMENT PROFIT AND LOSS ACCOUNT							
Revenue from external customers	305,040	754,136	40,944	537,664	856,859	(566,608)	1,928,035
Cost of sales	(165,089)	(530,299)	(27,359)	(303,047)	(686,495)	475,433	(1,236,856)
Gross Profit	139,951	223,837	13,585	234,617	170,364	(91,175)	691,179
SEGMENT ASSETS							
Debtors	83,963	584,063	114,719	172,309	863,963	(466,640)	1,352,377
- Considered good - others	68,186	485,297	93,283	130,887	449,859	(466,640)	760,872
- Due against work-in-progress others	15,777	98,766	21,436	41,422	414,104	–	591,505
Stock in Trade	4,503	30,725	4,696	8,541	1,825	–	50,290
Segment total assets	88,466	614,788	119,415	180,850	865,788	(466,640)	1,402,667

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

34.2 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 and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)		Note	2015	2014
34.3	**Reconciliation of segment profit and loss**			
	Reportable segments gross profit is reconciled to profit after tax as follows:			
	Gross profit for reportable segments	34.1	537,792	691,179
	Administrative and selling expenses		(290,599)	(233,429)
	Other operating expenses		(4,973)	(24,988)
	Other operating income		61,031	31,259
			(234,541)	(227,158)
	Profit from operations		303,251	464,021
	Finance costs		(30,625)	(20,742)
	Profit before tax		272,626	443,279
	Taxation		(30,713)	(16,068)
	Profit for the year		241,913	427,211
34.4	**Reconciliation of segment assets**			
	Reportable segments assets are reconciled to total assets as follows:			
	Assets			
	Segment assets for reportable segments	34.1	1,558,537	1,402,667
	Corporate tangible and intangible assets		258,528	206,584
	Other corporate assets		568,547	568,240
			2,385,612	2,177,491
	Unallocated portion of current assets			
	Advances, deposits, prepayments and other receivables		163,190	157,188
	Term deposits with banks		180,936	199,512
	Cash and bank balances		134,282	39,996
			478,408	396,696
	Total assets as per balance sheet		2,864,020	2,574,187

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.

35 FINANCIAL RISK MANAGEMENT

35.1 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:

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(a) Market risk

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

(i) Currency risk

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

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

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

The following significant exchange rates were applied during the year:

	2015	2014
Rupees per USD		
Average rate	102.49	103.00
Reporting date rate	104.60	100.40
Rupees per AED		
Average rate	27.90	28.00
Reporting date rate	28.48	27.33

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 in '000)	Effect on equity (Rupees in '000)
2015	5%	2,518	1,712
	-5%	(2,518)	(1,712)
2014	5%	2,359	1,580
	-5%	(2,359)	(1,580)

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.

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Note	2015	2014
Financial liabilities			
Floating rate instruments			
Liabilities against assets subject to finance lease		53,370	60,556
Finances under mark-up arrangements and other credit facilities- secured		190,545	39,170
Total exposure		243,915	99,726

Interest rate sensitivity analysis

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

	Increase/decrease in basis points	Effect of profit/ (loss) before tax (Rupees in '000)	Effect on equity (Rupees in '000)
2015	+500	12,195	9,632
	-500	(12,195)	(9,632)
2014	+500	(4,941)	(3,261)
	-500	4,941	3,261

(iii) Other price risk

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

(b) Credit risk

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

Group's credit risk is primarily attributable to its trade and other receivables amounting to Rs. 1.505 million (2014: Rs. 1.352 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:

(Rupees in '000)	Note	2015	2014
Long term deposits		27,333	22,651
Investments available for sale		568,547	545,589
Advances, deposits, prepayments and other receivables		88,167	75,988
Trade debts		1,499,063	1,352,377
Bank balances		134,025	39,941
		2,317,135	2,036,546

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

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 2015:

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Liabilities against assets subject to finance lease	59,891	21,637	38,254	–
Finances under mark up arrangements	190,545	190,545	–	–
Creditors, accrued and other liabilities	327,347	327,347	–	–
	577,783	539,529	38,254	–

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

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Liabilities against assets subject to finance lease	60,557	23,372	37,185	–
Finances under mark up arrangements	39,170	39,170	–	–
Creditors, accrued and other liabilities	382,886	382,886	–	–
	482,613	445,428	37,185	–

35.2 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.

	Available for Sale	
(Rupees in '000)	2015	2014
35.3 Financial instruments by categories		
Investments available for sale	568,547	545,589

	Loans and receivables	
(Rupees in '000)	2015	2014
Long term deposits	27,333	22,651
Trade debts	1,499,063	1,352,376
Advances, deposits, prepayments and other receivables	88,167	75,988
Cash and bank balances	134,282	39,996
	1,748,845	1,491,012

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

(Rupees in '000)	Financial liabilities at amortized cost 2015	2014
Liabilities as per balance sheet		
Liabilities against assets subject to finance lease	53,370	60,556
Finances under mark up arrangements and other credit facilities - secured	190,545	39,170
Creditors, accrued and other liabilities	327,347	382,886
	571,262	482,612

35.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2015 and December 31, 2014 are as follows:

(Rupees in '000)		2015	2014
Borrowings		243,915	91,931
Less: Cash and bank balances		(134,282)	(39,996)
Net debt		109,633	51,935
Total equity		1,952,546	1,922,189
Total capital		2,062,179	1,974,124
Gearing ratio	Percentage	5%	3%

35.5 Fair value estimation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between matket participants at the measurement date. The estimated fair values of all financial instruments are not significantly different from their book values. Fair values of each financial instruments is disclosed in their respective notes.

36 REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

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

(Rupees in '000)	Chief Executive / Director 2015	Chief Executive / Director 2014	Other Executives 2015	Other Executives 2014
Managerial remuneration	45,574	43,179	90,067	75,688
Retirement benefits	2,357	1,986	5,665	4,737
Other benefits	1,091	828	5,150	3,707
	49,022	45,993	100,882	84,132
Number of persons	2	2	19	17

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

Notes to and forming part of the Consolidated Financial Statements

for the year ended December 31, 2015

37 NUMBER OF EMPLOYEES

	2015	2014
Average number of employees	149	143
Closing number of employees	158	146

38 CORRESPONDING FIGURES

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

39 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on March 24, 2016 has proposed a cash dividend in respect of the year ended 31 December 2015 of Rs. 2 per share (2014: Cash Dividend of Rs. 2.25 per share). 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.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on March 24, 2016 by the Board of Directors of the Holding Company.

Chief Executive

Director

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Avanceon

Annexures

for the year ended December 31, 2015

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	21st April 2016
Analysis Briefing	25th of April 2016
1st Quarter ending 31 March 2016	22nd April 2016
Half year ending 30 June 2016	22nd August 2016
3rd Quarter ending 30 September 2016	24th October 2016
Financial year ending 31 December 2016	26th October 2016

Non Financials

Annual Fiesta	13th February 2016
Dubai Rail Exhibition 2016	08 March 2016
Sugar Event 2016	2nd Week of May 2016
Process Safety Seminar 2016	2nd Week of June 2016
Automation Symposium 2016	Last week of October 2016

Form of Proxy

13th 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 13th Annual General Meeting of the Company to be held on April 21, 2016 and at any adjournment thereof.

Signed this ______________ day of ______________ 2016.

Witnesses:

1. Signature ______________
Name ______________
Address ______________
____
NIC or ______________
Passport No. ______________

Signature on
Rs. 5/-
Revenue stamp

2. Signature ______________
Name ______________
Address ______________
____
NIC or ______________
Passport No. ______________

(Signature should agree with the specimen
signature registered with the Company)

Note:

1. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

2. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary
AVANCEON LIMITED
Avanceon Building,
19 km, Main Multan Road,
Lahroe - 54660
Pakistan

Electronic Transmission Consent Form

The securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and director's report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC Shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No. 3, Dr. Zia Uddin Ahmed Road, Karachi

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities and Exchange Commission of the Pakistan though its S.R.O 787(1)/ 2014 of the September 08, 2014, I, Mr./Ms.____________________ S/o, D/o., w/o _______________________ hereby consent to have the Avanceon Limited Audited Financial Statement and
Notice of Annual General Meeting delivered to me via email on my address provided below:

Name of Member / Shareholder ____________________

Folio/ CDC Account Number ____________________

CNIC ____________________

Email Address ____________________

It is stated that the above mentioned information is true and correct and that I shall notify the company and its share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statement and Notice of Annual General Meeting.

Date: ______________

____

Signature of Member/Shareholder

AFFIX
CORRECT
POSTAGE

The Company Secretary
AVANCEON LIMITED
Avanceon Building,
19 km, Main Multan Road,
Lahroe - 54660
Pakistan

Request for Video Conferencing Facility Form

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

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

I/We ______________________________

of ______________________________

being a member of Avanceon Limited and holder of ______________________________

______________________________ Ordinary Share(s) as per Share Register Folio

No/CDC A/C No. ______________ hereby Opt for video conference facility at ______________

Date: ______________

____
Signature of Member/Shareholder

AFFIX
CORRECT
POSTAGE

The Company Secretary
AVANCEON LIMITED
Avanceon Building,
19 km, Main Multan Road,
Lahroe - 54660
Pakistan

تشکیل نیابت داری

13واں سالانہ اجلاس عام

میں / ہم ---

ساکن ---بطوراوینسیئون لمیٹڈ

رکن و حامل --عام حصص بمطا بق شیئر رجسٹرڈ فولیو نمبر---------------------------

اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر -----------------------------------اور ذیلی کھاتہ نمبر-----------------------------

ساکن ------------------------------------ یا بصورت دیگر ------------------------- ساکن ------------------------------

کو اپنی جگہ مورخہ 21اپریل 2016 منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ ------------------- 2016

گواہان:

1 دستخط: ________________

نام: ________________

پتہ: ________________

سی این آئی سی یا پاسپورٹ نمبر: ________________

2 دستخط: ________________

نام: ________________

پتہ: ________________

سی این آئی سی یا پاسپورٹ نمبر: ________________

براہ کرم پانچ روپے مالیت کے ریونیو ٹکٹ چسپاں کریں۔

دستخط

(دستخط کمپنی میں درج نمونہ کے دستخط کے مطابق ہونےچاہئیے)

نوٹ: پراکسیز کے موثر ہونے کے لیے لازم ہے کہ وہ اجلاس سے 48گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کا کمپنی کا رُکن ہونا ضروری نہیں ہے۔ سی ڈی سی کے حصص یا فتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔

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Pakistan

INVESTORS' EDUCATION

To comply with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

avanceon.ae

Middle East | South Asia | North America

AVANCEON

Tomorrow's solutions, today.

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