

AVANCEON

Tomorrow's solutions, today.



for the half year ended June 30,
2016



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.

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Company Information

Directors

Mr. Khalid Hameed Wain	Director/Chairman
Mr. Bakhtiar Hameed Wain	Director/Chief Executive Officer
Mr. Tanveer Karamat	Director/Chief Operating Officer
Mr. Amir Waheed Wain	Director
Mr. Naveed Ali Baig	Director
Mr. Tajammal Hussain	Director
Mr. Umar Ahsan Khan	Director

Mr. Saeed Ullah Khan Niazi	Chief Financial Officer
Mr. Ahsan Khalil	Company Secretary

Audit Committee

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

Human Resource & Remuneration Committee

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

Auditors

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 AG, 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 Associates Private Limited

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Trade Mark

AVANCEON

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Interim Director's Report

The directors of the company take pleasure in presenting their report together with the Company's Reviewed unaudited interim condensed standalone and consolidated financial statements for the half year ended June 30, 2016. The Director's report, prepared under section 236 of the Companies Ordinance, 1984.

(Rupees 000')	For the half year ended June 30	
	2016	2015
Operating results (standalone-reviewed)		
Profit before tax	159,615	133,177*
Provision for taxation	(17,451)	(14,714)
Profit after taxation	142,163	118,463

* This figure included onetime written-off of US Aid projects final balance receivable amounting to Rs. 19 million due to execution failure at customer end and closure of US Aid Energy Projects Program.

(Rupees 000')	For the half year ended June 30	
	2016	2015
Operating results (consolidated unaudited)		
Profit before tax	133,423	103,103*
Provision for taxation	(17,451)	(14,714)
Profit after taxation	115,972	88,389

* This figure included onetime written-off of US Aid projects final balance receivable amounting to Rs. 19 million due to execution failure at customer end and closure of US Aid Energy Projects Program.

Earnings per share (standalone-reviewed) for the half year ended June 30, 2016

The basic earnings per share after tax is Rs. 1.35 (2015: Rs. 1.12).

Earnings per share (consolidated un-audited) for the half year ended June 30, 2016

The basic earnings per share after tax is Rs. 1.10 (2015: Rs. 0.84)

The operating financial results of the company for the half year ended June 30, 2016 remained on positive side as compared to last corresponding period, but they are still around 18% short of targeted earning for the period ended June 30, 2016, we observed this targeted earning shortfall due to delay in orders-in-hand revenue recognitions and delay in new orders inflow in Q-1 & Q-2 of current financial year but we are very hopeful for subject matter recovery in Q-3 & Q4, historically, our revenues and profits remain lower in Q1, get start momentum in 2nd quarter and the major portion of revenue of orders start getting recognized in 3rd and 4th quarter of each financial year due to business cycle which is being observed from many financials years, currently, we have strong portfolio of orders in hand and in the pipeline for Pakistan, UAE, Qatar, Saudi Arabia (KSA).

Management is very much confident to achieve corporate plan in remaining period of financial year 2016.

Communication

Communication with the shareholders is given a high priority. Financial reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company also has a website, www.avanceon.ae, which contains up to date information on Company's activities and financial reports.

For and on behalf of the



BOARD OF DIRECTORS

August 24, 2016, Lahore, Pakistan.

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Avanceon Limited as at 30th June 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof, for the Six-month period then ended (herein-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with international Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore. 24 August 2016

Avanceon
**Standalone Condensed Reviewed
Interim Financial Statements**
for the half year ended June 30, 2016

Condensed Reviewed Balance Sheet


as at June 30, 2016

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
150,000,000 (2015: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
105,696,804 (2015: 105,696,804)			
ordinary shares of Rs. 10 each		1,056,969	1,056,969
Share Premium	5	61,894	61,894
Employees' share compensation reserve	6	45,000	45,000
Un-appropriated profit		656,741	725,670
		1,820,604	1,889,533
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		110,082	110,384
NON CURRENT LIABILITIES			
Deferred tax liabilities		33,310	20,762
Liabilities against assets subject to finance lease	7	29,804	34,015
		63,114	54,777
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	7	15,727	15,416
Finances under mark up arrangements and other credit facilities - secured	8	145,507	110,772
Creditors, accrued and other liabilities	9	637,977	533,473
		799,211	659,661
CONTINGENCIES AND COMMITMENTS			
	10		
		2,793,011	2,714,355

The annexed notes from 1 to 21 form an integral part of these financial statements.



(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	11	215,759	225,280
Long term investments		473,671	473,671
Long term deposits		13,646	15,297
		703,076	714,248
CURRENT ASSETS			
Stock in trade		58,460	55,454
Trade debts		933,298	924,407
Short term investments		-	5,000
Advances, deposits, prepayments and other receivables		1,081,774	971,170
Cash and bank balances	12	16,403	44,076
		2,089,935	2,000,107
		2,793,011	2,714,355


 Director

Condensed Reviewed Interim Profit and Loss Account

for the half year ended June 30, 2016

(Rupees in '000)	Note	Half year ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Sales	13	317,313	351,377	179,257	146,453
Cost of sales		(165,443)	(195,448)	(81,445)	(67,474)
Gross profit / (loss)		151,870	155,929	97,812	78,979
Administrative and selling expenses		(64,442)	(58,611)	(32,527)	(27,951)
Other operating expenses	14	(3,072)	(20,366)	(2,251)	(19,851)
Other operating income	15	83,218	58,876	40,772	44,970
		15,704	(20,101)	5,994	(2,832)
Profit / (loss) from operations		167,574	135,828	103,806	76,147
Finance costs	16	(7,960)	(2,651)	(4,059)	(1,226)
Profit before tax		159,614	133,177	99,747	74,922
Taxation		(17,451)	(14,714)	(16,109)	(11,909)
Profit / (loss) for the period		142,163	118,463	83,638	63,013
Earnings per share - basic		1.35	1.12	0.79	0.60
Earnings per share - diluted		1.29	1.07	0.76	0.57

The annexed notes from 1 to 21 form an integral part of these financial statements.

Statement of Condensed Reviewed Interim Comprehensive Income

for the half year ended June 30, 2016

(Rupees in '000)	Half year ended		Quarter ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Profit for the period	142,163	118,463	83,638	63,013
Other comprehensive income				
Items not to be reclassified to profit and loss in subsequent periods				
Transfer from revaluation surplus on account of incremental depreciation net of tax	302	651	194	450
Items to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income for the period	142,465	119,114	83,832	63,463

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer



Director

Condensed Reviewed Interim Cash Flow Statement

for the half year ended June 30, 2016

(Rupees in '000)	Note	Half year ended	
		June 30, 2016	June 30, 2015
Cash flows from operating activities			
Cash generated from operations	17	170,770	194,335
Finance cost paid		(8,051)	(2,651)
Taxes paid		(14,966)	(15,013)
Net cash (used in)/ generated from operating activities		147,753	176,670
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,104)	(3,051)
Proceeds from sale of property, plant and equipment		1,665	6,008
Profit on bank deposits received		237	4,676
Short term investment		5,000	94,566
Net decrease/ (increase) in long term advances and deposits		1,651	(2,402)
Net cash (used in)/ generated from investing activities		6,449	99,797
Cash flows from financing activities			
Receipt from finances		34,735	-
Shares issued		-	4
Dividend paid		(211,394)	(237,823)
Repayment of finance lease liabilities		(5,216)	(12,358)
Net cash (used in)/ generated from financing activities		(181,875)	(250,177)
Net (decrease)/ increase in cash and cash equivalents		(27,673)	26,291
Cash and cash equivalents at the beginning of period		44,076	11,851
Cash and cash equivalents at the end of period		16,403	38,142

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer



Director

Statement of Condensed Reviewed Changes in Equity

for the half year ended June 30, 2016

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 01, 2015	1,056,966	61,893	45,000	681,661	1,845,520
Net comprehensive income for the period	-	-	-	119,114	119,114
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	-	(118,709)	(118,705)
Balance as on June 30, 2015	1,056,969	61,894	45,000	562,952	1,726,815
Balance as on January 01, 2016	1,056,969	61,894	45,000	725,670	1,889,533
Net comprehensive income for the period	-	-	-	142,465	142,465
Final dividend for the year ended 31 December 2015 at the rate of Rs. 2 per share	-	-	-	(211,394)	(211,394)
	-	-	-	(68,929)	(68,929)
Balance as on June 30, 2016	1,056,969	61,894	45,000	656,741	1,820,604

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer



Director

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 26 March 2003 as a private limited company which was converted into a public company as on 31 March 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 Pakistan Stock Exchange Limited (formerly Karachi and Lahore Stock Exchanges).

2. BASIS OF PREPARATION

- 2.1 This interim financial information is unaudited and is being submitted to shareholders, as required by section 245 of Companies Ordinance, 1984.
- 2.2 This interim financial information of the Company for the six month period ended 30 June 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.3 This condensed interim financial information does not include all the information and the disclosures required in the annual financial statements and should be read in conjunction with annual audited financial statements of the Company for the year ended 31 December 2015.
- 2.4 Standards, Interpretations and amendments to published approved accounting standards effective in 2016:

New / Revised Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of this condensed interim financial information 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 period:

- | | | |
|-------------|---|--|
| IFRS 10 | - | Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment) |
| IFRS 11 | - | Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment) |
| IAS 1 | - | Presentation of Financial Statements - Disclosure Initiative (Amendment) |
| IAS 16 & 38 | - | Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment) |
| IAS 16 & 41 | - | Property, Plant and Equipment, IAS 41 Agriculture : Bearer Plants (Amendment) |

IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 - Financial Instruments: Disclosures - Servicing contracts

IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Employee Benefits - Discount rate: regional market issue

IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report

The adoption of the above IFRSs and amendments did not have any significant effect on this condensed interim financial information.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended 31 December 2015.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of the estimation are the same as those that applied to the financial statements for the year ended 31 December 2015.

Provision in respect of taxation in this financial information is estimated and this is subject to final adjustment in the annual financial statements.

5. SHARE PREMIUM

This represents premium on 25,163,754 shares at the rate of Rs. 4 each. Costs incurred on Initial Public Offering amounting to Rs. 38,761,352 have been adjusted against this.

6. 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

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2016

profit of the Company. 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.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent liabilities against interest bearing finance lease arrangements with commercial banks.

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
8. FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES-SECURED			
Running finance	8.1	99,427	99,828
Inland bill purchased	8.2	46,080	10,944
		145,507	110,772

8.1 The Company has obtained running finance facility from a commercial bank with a limit of Rs.100 million (31 December 2015: Rs.100 million) bearing mark-up at the rate of 3 months KIBOR plus 2.25% (31 December 2015: 2.75%) per annum. 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.

8.2 This facility from a commercial bank has a limit of Rs. 50 million (31 December 2015: Rs.50 million) and carries mark-up at the rate of 3 months KIBOR plus 2% (31 December 2015: 2%) 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.

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
9. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		62,925	84,100
Accrued expenses		16,292	23,662
Advances from customers		13,116	39,573
Payable to related parties	9.1	360,410	353,676
Social security payable		20	21
Mark up accrued on:			
- Finances under mark up arrangements and other credit facilities - secured		2,351	2,442
Other liabilities	9.2	182,863	29,999
		637,977	533,473

- 9.1 This represents amount due to Avanceon FZE (a wholly owned subsidiary) which is non-interest bearing.
- 9.2 This includes Rs. 1,697,475 (31 December 2015 : Rs.8,789,118) , Rs. 3,138,766 (31 December 2015 : Rs. 3,138,766) and Rs. 6,812,258 (31 December 2015 : Rs. 6,699,262) relating to provident fund payable, withholding tax surcharge and withholding tax deducted at source payable respectively.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

- (i) Bank guarantees issued amounting to Rs 36.60 million (31 December 2015: Rs 31.35 million) against the performance of various contracts.
- (ii) Post dated cheques issued to IGI Insurance Company Limited amounting to Rs. 6.68 million (31 December 2015: Rs. 1.8 million) for Pakistan Refinery Limited , KEPCO Plant Engineering & Services , Dalda Foods Limited and to Orix Leasing Company amounting to Rs. 1.2 million (31 December 2015: 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 this 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.37,378,691 (31 December 2015:Rs.22,978,426) if the Supreme Court's decision is unfavorable. This amount has been calculated based on accounting profits excluding dividend income. This amount of WWF on dividend in Rs. 13,056,412. (31 December 2015:Rs.11,533,250).

10.2 Commitments

- (i) The Company has two outstanding LCs from JS Bank amounting to Rs. 11.7 million. (31 December 2015:Nil).

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
11. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - tangible	11.1	175,747	178,801
Assets subject to finance lease	11.2	40,012	46,479
		215,759	225,280

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2016

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
11.1	Operating fixed assets - tangible		
	Opening book value	178,801	148,181
	Add: Additions/transfers during the period/ year - cost	4,302	43,721
	Add: Effect of revaluation	-	20,339
		183,103	212,241
	Less: Deletions during the period/ year	1,591	5,430
		181,512	206,811
	Less: Depreciation during the period/ year	5,070	10,122
	Less: Adjustment for assets transferred from lease to owned assets	695	17,888
	Book value at the end of the period/ year	175,747	178,801
11.1.1	Additions/transfers during the period/ year - cost		
	Buildings	634	5,459
	Furniture and fixture	28	925
	Vehicles	2,198	32,675
	Office equipment and appliances	582	3,651
	Computers	860	1,011
		4,302	43,721
11.1.2	Deletions during the period / year - net book value		
	Buildings	-	332
	Vehicles	1,503	5,097
	Office equipment and appliances	15	-
	Computers	73	1
		1,591	5,430

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
11.2 Assets subject to finance lease			
Opening book value		46,479	49,391
Add: Additions during the period/ year		1,316	27,047
		47,795	76,438
Less: Transfers to operating assets during the period/year			
- net book value		1,503	14,720
Less: Deletions during the period/ year			
- net book value		-	956
		46,292	60,762
Less: Depreciation during the period/ year		6,280	14,283
Book value at the end of the period/ year		40,012	46,479

12. CASH AND BANK BALANCES

Cash in hand		159	143
Cash at bank			
- Current accounts		14,043	17,770
- Saving accounts	12.1	2,201	26,162
		16,244	43,933
		16,403	44,076

12.1 The balances in saving accounts bear mark-up at the rates ranging from 4.25% to 3.75% (2015: 8.25% to 3.75%) per annum.

12.2 The Company has banking relationship with banks having conventional banking system.

(Rupees in '000)	Note	Un-audited June 30, 2016	Un-audited June 30, 2015
13. REVENUE			
Core business		97,029	120,773
After Market Support		64,081	79,494
Specialized business		11,677	14,579
Engineering		44,691	31,488
Others	13.1	99,835	105,043
		317,313	351,377

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2016

13.1 This represents agency commission, fee for technical services and back office support provided to Avanceon FZE, subsidiary of the Company.

(Rupees in '000)	Note	Un-audited June 30, 2016	Un-audited June 30, 2015
14. OTHER OPERATING EXPENSES			
Social security		128	107
Donations		1,500	1,260
Exchange loss		1,444	-
Bad debts written off		-	18,999
		3,072	20,366
15. OTHER OPERATING INCOME			
Income on bank deposits	15.1	237	4,021
Gain on disposal of property, plant and equipment		74	2,047
Exchange gain		-	8,978
Dividend income	15.2	80,166	41,615
Others		2,741	2,215
		83,218	58,876

15.1 This represents income earned under mark-up arrangements.

15.2 This represents interim dividend declared by Avanceon FZE (a wholly owned subsidiary).

(Rupees in '000)	Un-audited June 30, 2016	Un-audited June 30, 2015
16. FINANCE COST		
Mark-up and interest on:		
- Finances under mark up arrangements and other credit facilities - secured	4,789	-
- Finance lease	1,959	2,242
- Other financial arrangements	370	-
Bank charges	253	171
Guarantee commission	589	238
	7,960	2,651

(Rupees in '000)	Un-audited June 30, 2016	Un-audited June 30, 2015
17. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	159,614	133,177
Adjustments for:		
Depreciation on property, plant and equipment	5,070	2,988
Depreciation on assets subject to finance lease	6,280	7,064
Bad debts written off	424	18,999
Provision for doubtful debts and advances	290	-
Exchange loss / (gain)	1,444	(8,978)
Gain on disposal of property, plant and equipment	(74)	(2,047)
Finance cost	7,960	2,651
Income on bank deposits	(237)	(4,021)
	21,157	16,656
Profit before working capital changes	180,771	149,833
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(3,006)	(9,041)
- Trade debts	(11,049)	3,057
- Advances, deposits, prepayments and other receivables	(100,541)	54,990
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	104,595	(4,504)
	(10,001)	44,502
Cash (used in)/ generated from operations	170,770	194,335

18. 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 19. Other significant transactions with related parties are as follows:

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2016

(Rupees in '000)		Un-audited June 30, 2016	Un-audited June 30, 2015
i. Subsidiaries	Agency commission	1,623	3,205
	Export sales	10,534	30,430
	Outsourcing income	-	1,839
	Business process outsourcing	48,026	35,000
	Management fee charged	-	20,000
	Fee for technical services	50,188	45,000
	Revenue recognized on the project based on the stage of completion	55,157	36,799
ii. Associates	Other charges and reimbursement of expenses	4,034	9,371
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	3,771	3,439

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

19. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees in '000)	Chief Operating Officer / Director		Others Executives	
	2016	2015	2016	2015
Managerial remuneration	1,973	1,889	14,361	13,220
House rent	789	756	5,745	5,288
Utilities	197	189	1,436	1,322
Contribution to provident fund	197	189	1,436	1,322
Others	33	44	422	316
	3,189	3,067	23,400	21,468
Number of persons	1	1	16	16

The Company also provides the director and certain executives with company maintained cars. No remuneration has been paid to non-executive directors of the company.

20. DATE OF AUTHORIZATION FOR ISSUE

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

21. GENERAL

21.1 Figures have been rounded off to the nearest thousand rupee.

21.2 The figures of condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2016 and 2015 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.



Chief Executive Officer



Director

Avanceon
Consolidated Condensed
Interim Financial Statements
for the half year ended June 30, 2016

Consolidated Condensed Balance Sheet


as at June 30, 2016

(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2015: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
105,696,804 (2015: 105,696,804)			
ordinary shares of Rs. 10 each		1,056,969	1,056,969
Share premium		61,894	61,894
Employees' share compensation reserve		45,000	45,000
Exchange revaluation reserve		209,631	210,010
Un-appropriated Profit		483,554	578,674
		1,857,048	1,952,547
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
		110,082	110,384
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		30,071	35,433
Deferred taxation		33,310	20,762
Deferred liabilities		24,695	18,783
		88,076	74,978
CURRENT LIABILITIES			
Current portion of long-term liabilities		18,101	17,938
Finances under mark up arrangements and other credit facilities - secured		161,113	190,544
Creditors, accrued and other liabilities liabilities directly associated with assets		588,714	517,633
		767,928	726,115
CONTINGENCIES AND COMMITMENTS			
	3		
		2,823,134	2,864,023

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.



(Rupees in '000)	Note	Un-audited June 30, 2016	Audited December 31, 2015
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		220,590	231,196
Long term investment		567,948	568,547
Long term deposits		27,280	27,333
		815,818	827,076
CURRENT ASSETS			
Stock in trade		64,079	59,475
Trade debts		1,472,106	1,499,063
Advances, deposits, prepayments and other receivables		245,653	163,191
Short term investments		175,954	180,936
Cash and bank balances		49,524	134,281
		2,007,315	2,036,946
		2,823,134	2,864,023


 Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)

for the half year ended June 30, 2016

(Rupees in '000)	Note	Half year ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Sales		815,720	557,819	403,294	192,967
Cost of sales		(520,987)	(320,957)	(261,217)	(94,206)
Gross Profit/(Loss)		294,733	236,862	142,077	98,761
Administrative and selling expenses		(139,470)	(120,569)	(72,818)	(57,494)
Other operating expenses		(4,694)	(21,612)	(2,765)	(20,528)
Other operating income		10,670	20,698	4,122	5,099
		(133,494)	(121,483)	(71,460)	(72,923)
Profit/(Loss) from operations		161,239	115,379	70,617	25,838
Finance costs		(27,816)	(12,276)	(10,075)	(6,138)
Profit/(Loss) before tax		133,423	103,103	60,542	19,699
Taxation		(17,451)	(14,714)	(16,109)	(11,909)
Income for the period from operations		115,972	88,389	44,433	7,791
Combined earnings per share					
Basic		1.10	0.84	0.42	0.07
Diluted		1.05	0.80	0.40	0.07

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.

Consolidated of Condensed Interim Comprehensive Income (Un-audited)

for the half year ended June 30, 2016

(Rupees in '000)	Note	Half year ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Profit/(Loss) for the period		115,972	88,389	44,433	7,791
Other comprehensive income					
- Exchange difference on translating foreign operations		(379)	7,265	262	11
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax		302	651	194	450
Total comprehensive income for the period		115,895	96,306	44,889	8,252

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer



Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

for the half year ended June 30, 2016

(Rupees in '000)	Note	Half year ended	
		June 30, 2016	June 30, 2015
Cash flows from operating activities			
Cash generated from continuing operations	5	194,469	282,319
Finance costs paid		(27,908)	(12,276)
Taxes paid		(14,966)	(15,020)
Net cash (used in) / generated from operating activities		151,595	255,023
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,757)	(4,800)
Proceeds from disposal of property, plant and equipment and intangible assets		1,664	5,641
Profit on bank deposit		6,728	7,449
Short term investment		4,982	28,957
Net change in long term advances and deposits		53	(2,469)
Net cash (used in) / generated from investing activities		9,670	34,777
Cash flows from financing activities			
Share issued		-	4
Repayment of finances		(29,431)	-
Dividend paid		(211,394)	(237,823)
Repayment of finance lease liabilities		(5,198)	(11,717)
Net cash (used in) / generated from financing activities		(246,023)	(249,537)
Net (decrease) / increase in cash and cash equivalents		(84,758)	40,263
Cash and cash equivalents at the beginning of year		134,281	826
Cash and cash equivalents at the end of period		49,524	41,089

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.

Consolidated Condensed Statement of Changes in Equity (Un-audited)

for the half year ended June 30, 2016

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Exchange revaluation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 01, 2015	1,056,965	61,893	45,000	184,641	573,689	1,922,188
Profit for the period	-	-	-	-	88,389	88,389
Other comprehensive income	-	-	-	7,265	651	7,916
	-	-	-	7,265	89,040	96,306
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)	(237,820)
Balance as on June 30, 2015	1,056,969	61,894	45,000	191,906	424,906	1,780,674
Balance as on January 01, 2016	1,056,969	61,894	45,000	210,010	578,674	1,952,547
Profit for the period	-	-	-	-	115,972	115,972
Other comprehensive income	-	-	-	(379)	302	(77)
	-	-	-	(379)	116,274	115,895
Final dividend for the year ended 31 December 2015 at the rate of Rs. 2 per share	-	-	-	-	(211,394)	(211,394)
	-	-	-	-	(211,394)	(211,394)
Balance as on June 30, 2016	1,056,969	61,894	45,000	209,631	483,554	1,857,048

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.


Chief Executive Officer


Director

Notes to and forming part of the Consolidated Condensed Interim Financial Information (Un-audited)

for the half year ended June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on March 26, 2003 as a private limited company which was converted into a public company as 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 Pakistan Stock Exchange Limited (formerly Karachi and Lahore Stock Exchanges).

1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVN)

Subsidiary Company and Associated Undertaking;

	% age of holding
- Avanceon, Free Zone Establishment, UAE (AVNFZE);	100%
- Innovative Automation Inc. USA (IAI) (formerly Engro Innovative Inc.)	100%
- Avanceon Limited Partnership (AVNLP)	26.13%

AVNFZE 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.

IAI's registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Company holds 26.13% (2015: 26.13%) equity interest in Avanceon Limited Partnership (AVNLP) 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 2016:

New/ revised standards, interpretations and amendment

The accounting policies adopted in the preparation of this condensed interim financial information 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 period:

- IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 & 38 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 & 41 - Property, Plant and Equipment, IAS 41 Agriculture : Bearer Plants (Amendment)
- IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 - Employee Benefits - Discount rate: regional market issue
- IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report

The adoption of the above IFRSs and amendments did not have any significant effect on this condensed interim financial information.

Notes to and forming part of the Consolidated Condensed Interim Financial Information (Un-audited)

for the half year ended June 30, 2016

3. CONTINGENCIES AND COMMITMENTS

3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs 35 million (31 December 2015: Rs 31.35 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 Pak Limited and Orix Leasing Company amounting to Rs.1.2 million as security against vehicles obtained on lease, whereas post dated cheques issued to JAFZA and Emirates Islamic Bank amounting to Rs. 4.77 million.
- (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 this 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.37,378,691 (31 December 2015:Rs.22,978,426) if the Supreme Court's decision is unfavorable. This amount has been calculated based on accounting profits excluding dividend income. This amount of WWF on dividend in Rs. 13,056,412. (31 December 2015:Rs.11,533,250).

3.2 Commitments

Avanceon FZE has provided the following guarantees;

(Rupees in '000)	Un-audited June 30, 2016	Audited December 31, 2015
Labour/ performance guarantee	66,948	48,065
Letters of credit	26,281	27,722
Post dated cheques issued to;		
JAFZA against payment of rent	-	5,544
Emirates Islamic Bank against payment of lease of vehicle	1,624	2,377
Suppliers against supply of material	77	9,250
	1,701	17,171
	94,930	92,958

4. CONSOLIDATED OPERATING SEGMENT RESULTS

2016							
(Rupees in '000)	AMS	Core Business	Specialized Business	Engineering	Middle East and USA	Elimination	Total
Segment Profit and Loss Account							
Revenue	68,170	118,350	18,715	44,857	731,154	(165,527)	815,720
Cost of sales	(34,125)	(69,185)	(5,422)	(27,499)	(496,858)	112,102	(520,987)
Gross Profit	34,045	49,165	13,294	17,358	234,296	(53,425)	294,733
Segment Assets							
Debtors	72,436	806,412	22,473	32,721	1,285,712	(747,648)	1,472,106
- Considered good - others	62,312	742,287	22,422	32,721	429,749	(747,648)	541,843
- Due against WIP - others	10,124	64,125	51	-	855,962	-	930,263
Stock in Trade	7,534	47,472	1,407	2,048	5,620	-	64,079
Segment total assets	79,969	853,884	23,880	34,769	1,291,331	(747,648)	1,536,185
2015							
(Rupees in '000)	AMS	Core Business	Specialized Business	Engineering	Middle East and USA	Elimination	Total
Segment Profit and Loss Account							
Revenue	84,092	181,350	16,144	31,171	415,495	(170,433)	557,819
Cost of sales	(41,246)	(110,125)	(7,548)	(17,246)	(257,714)	112,922	(320,957)
Gross Profit	42,846	71,225	8,595	13,926	157,781	(57,511)	236,862
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 WIP - 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	-	59,475
Segment total assets	78,552	706,153	223,174	171,981	1,013,081	(634,403)	1,558,538

Notes to and forming part of the Consolidated Condensed Interim Financial Information (Un-audited)

for the half year ended June 30, 2016

(Rupees in '000)	Un-audited June 30, 2016	Un-audited June 30, 2015
5. CASH FLOW FROM OPERATING ACTIVITIES		Restated
Profit/ (loss) before tax	133,773	103,103
Adjustments for:		
- Depreciation on property, plant and equipment	12,773	11,635
- Exchange revaluation reserve	(82)	1,280
- Exchange (gain) / loss	3,068	(7,732)
- Bad debts written off	424	18,999
- Provision for doubtful debts and advances	290	-
- Finance cost	27,816	12,276
- (Gain)/loss on fixed assets	(74)	(2,047)
- Income on bank deposits	(6,728)	(7,449)
	37,487	26,963
Profit before working capital changes	171,212	130,066
- Increase in stock in trade	(4,604)	(43,904)
- Decrease trade debts	23,175	340,336
- Decrease / (Increase) in advances, deposits, prepayments and other receivables	(72,399)	(70,949)
- Decrease in creditors, accrued and other liabilities	77,085	(73,229)
	23,257	152,253
Cash (used in) / generated from operations	194,469	282,319

6. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the six months period for remuneration, including certain benefits, to the full time working directors and certain executives of the company is as follows:

(Rupees in '000)	CEO & COO / Director 2016	2015	Other Executives 2016	2015
Managerial remuneration	17,128	16,223	33,376	30,557
House rent	6,244	6,061	11,896	11,271
Utilities	197	189	1,436	1,322
Contribution to provident fund	1,241	1,083	3,243	2,906
Others	2,079	541	2,837	2,193
	26,889	24,097	52,788	48,249
Number of persons	2	2	20	19

The Company also provides the director and certain executives with company maintained cars. No remuneration has been paid to non-executive directors of the company.

7. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim consolidated financial information was authorised for issue on 24 August 2016 by the Board of Directors of the Holding Company.

8. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Director

avanceon.ae

Middle East | South Asia | North America



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