

for the half year ended June 30, 2017

**AVANCEON**  
Seamless solutions. Today.

**SEAMLESS  
ENGINEERING**

**AVANCEON**  
Seamless solutions. Today.

A photograph of a modern, curved office building with large windows. The building is light-colored and features the Avanceon logo and tagline 'Seamless solutions. Today.' on its upper facade. The building is surrounded by greenery and a clear blue sky.

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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. Naveed Ali Baig	Member

### Auditors

EY Ford Rhodes  
Chartered Accountants.

### Legal Advisor

Chima & Ibrahim advocates and Corporate Council

### Web Presence

[www.avanceon.ae](http://www.avanceon.ae)  
[www.avanceon.com](http://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

JS Bank Limited, Pakistan

KASB Bank Limited, Pakistan

NIB Bank Limited, Pakistan

### Share Registrar

THK Associates Private Limited  
First floor, 40-C, Block-6, P.E.C.H.S,  
Karachi-75400 Sindh, Pakistan.  
Phone: +92 (21) 111 000 322  
Fax : +92 (21) 356 555 95  
Email : [secretariat@thk.com.pk](mailto:secretariat@thk.com.pk)

### Registered office

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

## Headquarters North America Avanceon GP - Exton, PA, USA

180 Sheree Boulevard

Suite 1400

Exton, PA 19341

United States of America

Phone: +1 610 458 8700

## Headquarters South East Asia

Lahore, Punjab, Pakistan

Avanceon Building

19 Km Main Multan Road

Lahore, Punjab

Pakistan

Phone: +92 42 111 940 940

SE Asia Technical Support: 0800 11194

Karachi, Sindh, Pakistan

D-16/1, Block-3, Lane-5 Clifton

PO Box: 718

Karachi, Sindh

Pakistan,

Phone: +92 21 111 940 940

**Islamabad Capital City**

299 Pansi Road, Safari Villas III, Bahria Town,

Islamabad, Capital City

Pakistan,

Phone: +92 51 573 3031

Trade Mark

**AVANCEON**  
Tomorrow's solutions, today.

## Headquarters Middle East and Asia

Avanceon FZE - Dubai, UAE

FZS1 BD04

JAFZA

PO Box 18590, Dubai

United Arab Emirates

Phone: +971 4 88 60 277

Abu Dhabi, UAE

In Partnership with Ali & Sons

Ali & Sons Bldg.,

Zayed 2nd Street

Abu Dhabi, U.A.E, P.O. Box 915

P: +971 4 88 60 277

Doha, Qatar

Avanceon Automation & Control W.L.L.

Office No.12, Al Jabar Eng. Building

Fox Hills, Lusail, PO Box 15976

Doha, Qatar.

Phone: +974 404 098 34

Jeddah, Saudia Arabia

In Partnership with ATCO LLC

ATCO Building.

Kuwait St. Faisaliyah District.

Jeddah, KSA, PO Box 1298

Phone: +966-12-6912204 x 127

Dammam, Saudia Arabia

In Partnership with ATCO LLC

ATCO Building.

King Khalid Street.

Dammam, KSA, PO Box 718

Phone: +966-12-6912204 x 127

## Interim Director's Report

The directors of the company take pleasure in presenting their interim report together with the Company's unaudited interim reviewed condensed standalone and consolidated financial statements for the half year ended June 30, 2017. The Director's Report, prepared under the prevailing Companies Ordinance as required for interim financial reporting.

(Rupees 000')	For the half year ended June 30,	
	2017	2016
<b>Operating results (standalone-reviewed)</b>		
Profit before tax	166,838	159,614
Provision for taxation	(15,008)	(17,451)
Profit after taxation	151,830	142,163
<b>Operating results (consolidated un-audited)</b>		
Profit before tax	163,744	133,423
Provision for taxation	(15,008)	(17,451)
Profit after taxation	148,736	115,972

### Earnings per share (standalone-reviewed) for the half year ended June 30, 2017

The basic earnings per share after tax is Rs. 1.15 (2016: Rs. 1.08).

### Earnings per share (consolidated un-audited) for the half year ended June 30, 2017

The basic earnings per share after tax is Rs. 1.13 (2016: Rs. 0.88)

The operating financial results of the company for the half year ended June 30, 2017 remained on positive side and heading to achieve corporate plan for targeted revenues and profit after tax for the financial year 2017, we are expecting more positive and aggressive trend in earnings during remaining two quarters of current financial year 2017, historically, our revenues and profits remain on lower side in first quarter, get start momentum in 2nd quarter and 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 amounting to Rs. 4.5 billion and with Rs. 2 billion in pipeline for Pakistan, UAE, Qatar and Saudi Arabia (KSA) business segments.

### Communication

Communication with the shareholders is given a high priority. Financial reports are distributed to them within the time specified in the prevailing Companies Ordinance. The Company also has a website, [www.avanceon.ae](http://www.avanceon.ae), which contains up to date financial and non-financial information on Company's activities and financial reports.

For and on behalf of the



BOARD OF DIRECTORS

August 25, 2017 Lahore, Pakistan.

# Auditor's Report to the Members on Review of Condensed Interim Financial Information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Avanceon Limited (the company) as at 30 June 2017 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 "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed interim financial information as at and for the six month period ended 30 June 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Review Engagement Partner: Farooq Hameed

Lahore: August 25, 2017

Avanceon  
**Standalone Condensed  
Interim Financial Statements**  
for the half year ended June 30, 2017



# Condensed Reviewed Balance Sheet

as at June 30, 2017

(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
150,000,000 (31 December 2016: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
132,121,128 (31 December 2016: 105,696,903)			
ordinary shares of Rs. 10 each)		1,321,211	1,056,969
Share premium	5	61,894	61,894
Employees' share compensation reserve	6	54,896	51,597
Un-appropriated profit		610,241	828,009
		2,048,242	1,998,469
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		112,100	112,461
<b>NON CURRENT LIABILITIES</b>			
Deferred tax		44,414	36,270
Long term finances	7	28,788	-
Liabilities against assets subject to finance lease	8	65,306	44,567
		138,508	80,837
<b>CURRENT LIABILITIES</b>			
Current portion of Long term finances	7	18,182	-
Current portion of liabilities against assets subject to finance lease	8	25,388	20,960
Finances under mark up arrangements and other credit facilities - secured	9	215,873	200,339
Creditors, accrued and other liabilities	10	585,606	539,761
		845,048	761,060
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		
		3,143,899	2,952,827

The annexed notes from 1 to 22 form an integral part of these financial statements.



(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	12	232,027	230,232
Intangible assets		101	124
Long term investments		473,671	473,671
Long term loans and deposits		18,974	16,850
		724,773	720,877
<b>CURRENT ASSETS</b>			
Stock in trade		57,566	48,416
Trade debts		1,269,312	1,214,804
Advances, deposits, prepayments and other receivables		1,065,628	952,850
Cash and bank balances	13	26,620	15,881
		2,419,125	2,231,951
		3,143,899	2,952,827

  
 Director

## Condensed Reviewed Interim Profit and Loss Account

for the half year ended June 30, 2017

(Rupees in '000)	Note	Half year ended		Quarter ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Sales	14	383,241	317,313	216,926	179,257
Cost of sales		(214,568)	(168,064)	(112,891)	(81,445)
<b>Gross profit</b>		<b>168,673</b>	<b>149,249</b>	<b>104,035</b>	<b>97,812</b>
Administrative and selling expenses		(79,582)	(61,821)	(49,342)	(32,527)
Other operating expenses	15	(2,047)	(3,072)	(1,091)	(2,251)
Other operating income	16	91,281	83,218	48,846	40,772
		9,651	18,325	(1,586)	5,994
<b>Profit from operations</b>		<b>178,324</b>	<b>167,574</b>	<b>102,449</b>	<b>103,806</b>
Finance costs	17	(11,486)	(7,960)	(6,341)	(4,059)
<b>Profit before tax</b>		<b>166,838</b>	<b>159,614</b>	<b>96,108</b>	<b>99,748</b>
Taxation		(15,008)	(17,451)	(13,745)	(16,109)
<b>Profit for the period</b>		<b>151,830</b>	<b>142,163</b>	<b>82,362</b>	<b>83,638</b>
			Restated		Restated
<b>Earnings per share - basic</b>		<b>1.15</b>	<b>1.08</b>	<b>0.62</b>	<b>0.63</b>
<b>Earnings per share - diluted</b>		<b>1.10</b>	<b>1.03</b>	<b>0.60</b>	<b>0.61</b>

The annexed notes from 1 to 22 form an integral part of these financial statements.



Chief Executive Officer



Director

## Statement of Condensed Reviewed Interim Comprehensive Income

for the half year ended June 30, 2017

(Rupees in '000)	half year ended		Quarter ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Profit for the period	151,830	142,163	82,362	83,638
<b>Other comprehensive income</b>				
Items not to be reclassified to profit and loss in subsequent periods				
Transfer from revaluation surplus on account of incremental depreciation net of tax	341	302	220	194
Items to be reclassified to profit or loss in subsequent periods	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>152,171</b>	<b>142,465</b>	<b>82,582</b>	<b>83,832</b>

The annexed notes from 1 to 22 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, 2017

(Rupees in '000)	Note	Half year ended	
		June 30, 2017	June 30, 2016
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	85,733	170,770
Finance cost paid		(9,711)	(8,051)
Taxes paid		(2,893)	(14,966)
<b>Net cash generated from operating activities</b>		<b>73,129</b>	<b>147,753</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,262)	(2,104)
Proceeds from sale of property, plant and equipment		2,427	1,665
Income on bank deposits received		80	237
Short term investment		-	5,000
Net (increase) / decrease in long term advances and deposits		(2,124)	1,651
<b>Net cash (used in) / generated from investing activities</b>		<b>(1,880)</b>	<b>6,449</b>
<b>Cash flows from financing activities</b>			
Receipt from finances		62,504	34,735
Dividend paid		(105,697)	(211,394)
Repayment of finance lease liabilities		(17,317)	(5,216)
<b>Net cash used in financing activities</b>		<b>(60,510)</b>	<b>(181,875)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>10,739</b>	<b>(27,673)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>15,881</b>	<b>44,076</b>
<b>Cash and cash equivalents at the end of period</b>		<b>26,620</b>	<b>16,403</b>

The annexed notes from 1 to 22 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, 2017

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
<b>Balance as on 01 January 2016 (audited)</b>	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)
<b>Balance as on 30 June 2016 (un audited)</b>	1,056,969	61,894	45,000	656,741	1,820,604
<b>Balance as on 01 January 2017 (audited)</b>	1,056,969	61,894	51,597	828,009	1,998,469
Net comprehensive income for the period	-	-	-	152,171	152,171
Final dividend for the year ended 31 December 2016 at the rate of Re. 1 per share	-	-	-	(105,697)	(105,697)
Bonus Shares for the year ended 31 December 2016 at the rate of 25%	264,242	-	-	(264,242)	-
Employee share option	-	-	3,299	-	3,299
	264,242	-	3,299	(217,768)	49,773
<b>Balance as on 30 June 2017 (un audited)</b>	1,321,211	61,894	54,896	610,241	2,048,242

The annexed notes from 1 to 22 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, 2017

## 1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 26 March 2003 as a private limited company which was changed to a public company 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.

## 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 2017 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 2016.

2.4 Standards, Interpretations and amendments to published approved accounting standards effective in 2017:

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

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IAS 7	-	Statement of Cash Flows - Disclosure Initiative - (Amendment)
AS 12	-	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial statements.

## 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 2016.

#### 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 2016.

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 written off against this.

#### 6. EMPLOYEES' SHARE COMPENSATION RESERVE

##### 6.1 Share options scheme I

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

##### 6.2 Share options scheme II

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

(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
<b>7</b>	<b>LIABILITIES AGAINST LONG TERM FINANCES</b>		
	Secured loan from banking company	46,970	-
	Less: Current portion as shown under current liabilities	18,182	-
		<b>28,788</b>	<b>-</b>



# Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2017

(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
7.1	Movement of long term finances		
	Opening balance	-	-
	Finance availed during the period	50,000	-
		50,000	-
	Less: Repayments during the period	3,030	-
		46,970	-

The Company has obtained long term loan for three years from a commercial bank amounting to Rs. 50 million (31 December 2016: nil) bearing mark-up at the rate of 3 months KIBOR plus 200 bps repayable in equal monthly installments. This loan is secured against token mortgage of Rs. 100,000 alongwith equitable mortgage over fixed assets (land and building) of the Company, first charge over land and building for Rs. 165.065 million duly registered with Securities and Exchange Commission of Pakistan, pari passu charge of Rs. 300 million over current assets of the Company registered with Securities and Exchange Commission of Pakistan to be enhanced to Rs. 375 million and personal guarantee of sponsor directors of the Company, covering total security package.

## 8. 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, 2017	Audited December 31, 2016
<b>9.</b>	<b>FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES-SECURED</b>		
	Running finance	94,328	106,904
	Inland bill purchased	121,544	93,435
		215,873	200,339

9.1 The Company has obtained running finance facility from a commercial bank with a limit of Rs.120 million (31 December 2016: Rs.120 million) bearing mark-up at the rate of 3 months KIBOR plus 2.25% (31 December 2016: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs.165 million (31 December 2016: Rs.165 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed asset (land and building) of the Company, pari passu charge of Rs. 300 million (31 December 2016: Rs. 300 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, covering total security package.

9.2 This facility from a commercial bank has a limit of Rs. 125 million (31 December 2016: Rs.100 million) and carries mark-up at the rate of 3 months KIBOR plus 2% per annum. The facility is

secured against 10 percent margin on invoices / bills, pari 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, 2017	Audited December 31, 2016
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors		119,706	176,719
Accrued expenses		21,533	28,763
Advances from customers		14,259	22,250
Due to construction work in progress		56,749	-
Payable to related parties	10.1	246,205	171,827
Social security payable		46	45
Mark up accrued on:			
- Long term finances		988	-
- Finances under mark up arrangements and other credit facilities - secured		4,468	3,681
Other liabilities	10.2	121,651	136,476
		<b>585,606</b>	<b>539,761</b>

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

10.2 This includes Rs. 3,871,234 (31 December 2016: Rs.873,355), Rs. 3,138,766 (31 December 2016: Rs. 3,138,766) and Rs. 2,966,398 (31 December 2016: Rs. 2,132,888) relating to provident fund payable, withholding tax surcharge and withholding tax deducted at source payable respectively.

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 20,81 million (31 December 2016: Rs. 6,01 million) against the performance of various contracts.
- (ii) During the previous period, company received notice under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.
- (iii) Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with

# Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2017

section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result of this, the office of the Commissioner Inland Revenue (Appeals), Lahore disposed of the both appeals partially in favor of the company. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) for both of the years, which is pending for hearing.

## 11.2 Commitments

- (i) Letters of credit includes Rs. 36,916 million (31 December 2016: Rs. 0,757 million) which relates to import acceptance bills.

(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
<b>12 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets - tangible	12.1	174,555	177,560
Assets subject to finance lease	12.2	57,472	52,672
		<b>232,027</b>	<b>230,232</b>
<b>12.1 Operating fixed assets - tangible</b>			
Opening book value		177,560	178,801
Add: Additions/transfers during the period / year -cost	12.1.1	2,262	6,175
Add: Effect of revaluation		-	4,018
		<b>179,822</b>	<b>188,994</b>
Less: Deletions during the period / year	12.1.2	1,117	5,334
		<b>178,705</b>	<b>183,660</b>
Less: Depreciation during the period / year		4,150	9,893
Less: Adjustment for assets transferred from lease to owned assets		-	(3,793)
Book value at the end of the period / year		<b>174,555</b>	<b>177,560</b>
<b>12.1.1 Additions / transfers during the period / year - cost</b>			
Buildings		-	1,506
Furniture and fixture		-	926
Vehicles		-	127
Office equipment and appliances		693	1,269
Computers		1,569	2,347
		<b>2,262</b>	<b>6,175</b>

(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
12.1.2 Deletions during the period / year - net book value			
Vehicles		1,117	5,247
Office equipment and alliances		-	15
Computers		-	72
		1,117	5,334
12.2 Assets subject to finance lease			
Opening book value		52,672	46,479
Add: Additions during the period / year		12,947	23,723
		65,619	70,202
Less: Transfers to operating assets period / year - net book value		-	3,793
Less: Deletions during the period / year - net book value		-	465
		65,619	65,944
Less: Depreciation during the period / year		8,148	13,272
Book value at the end of the period / year		57,472	52,672
<b>13. CASH AND BANK BALANCES</b>			
Cash in hand		99	128
Cash at bank			
- Current accounts		21,547	15,370
- Saving accounts	13.1	4,974	383
		26,521	15,753
		26,620	15,881

13.1. The balances in saving accounts bear mark-up at the rates ranging from 4.25% to 3.75% (2016: 4.25% to 3.75%) per annum.

(Rupees in '000)	Note	Un-audited June 30, 2017	Un-audited June 30, 2016
<b>14. REVENUE</b>			
Core business		131,705	97,029
After Market Support		81,849	64,081
Specialized business		20,485	11,677
Engineering		17,073	44,691
Others	14.1	132,128	99,835
		383,241	317,313

# Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2017

14.1 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, 2017	Un-audited June 30, 2016
<b>15. OTHER OPERATING EXPENSES</b>			
Social security		140	128
Donations		1,907	1,500
Exchange loss		-	1,444
		2,047	3,072
<b>16. OTHER OPERATING INCOME</b>			
Income on bank deposits		80	237
Gain on disposal of property, plant and equipment		1,310	74
Exchange gain		5,742	-
Dividend Income	16.1	75,000	80,166
Others		9,149	2,741
		91,281	83,218

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

(Rupees in '000)		Un-audited June 30, 2017	Un-audited June 30, 2016
<b>17. FINANCE COST</b>			
Mark-up and interest on:			
- Long term loan		1,853	-
- Finances under mark up arrangements and other credit facilities - secured		6,062	4,789
- Finance lease		2,390	1,959
- Other financial arrangements		260	370
Bank charges		295	253
Guarantee commission		627	589
		11,486	7,960

(Rupees in '000)	Un-audited June 30, 2017	Un-audited June 30, 2016
<b>18. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	166,838	159,614
Adjustments for:		
Depreciation of property, plant and equipment	4,150	5,070
Depreciation of assets subject to finance lease	8,148	6,280
Amortization of intangible assets	23	-
Employee share option expense	3,299	-
Bad debts written off	278	424
Provision for doubtful debts and advances	-	290
Exchange (gain) / loss	(5,742)	1,444
Gain on disposal of property, plant and equipment	(1,310)	(74)
Finance cost	11,486	7,960
Dividend income	(75,000)	(80,166)
Income on bank deposits	(80)	(237)
	(54,748)	(59,009)
Profit before working capital changes	112,090	100,605
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(9,150)	(3,006)
- Trade debts	(49,044)	(11,049)
- Advances, deposits, prepayments and other receivables	(12,232)	(20,375)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	44,070	104,595
	(26,357)	70,165
Cash generated from operations	85,733	170,770

**19. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated undertakings, subsidiaries, post employment benefit plans, 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 20. 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, 2017

(Rupees in '000)		Un-audited June 30, 2017	Un-audited June 30, 2016
i. Subsidiaries	Agency commission	4,712	1,623
	Export sales	483	10,534
	Business process outsourcing	52,604	48,026
	Fee for technical services	74,330	50,188
	Revenue recognized on the project based on the stage of completion	23,317	55,157
ii. Associates	Other charges and reimbursement of expenses	8,378	4,034
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	4,212	3,771

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

## 20. 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)	Director		Others Executives	
	2017	2016	2017	2016
Managerial remuneration	2,018	1,973	16,249	14,361
House rent	807	789	6,499	5,745
Utilities	202	197	1,625	1,436
Contribution to provident fund	202	197	1,625	1,436
Others	69	33	460	422
	3,297	3,189	26,458	23,400
Number of persons	1	1	18	16

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

## 21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 25, 2017 by the Board of Directors of the Company.

## 22. GENERAL

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

22.2 The figures of condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2017 and 2016 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.



Chief Executive Officer



Director



**BLANK**

Avanceon  
Consolidated Condensed  
Interim Financial Statements  
for the half year ended June 30, 2017

# Consolidated Condensed Balance Sheet

as at June 30, 2017

(Rupees in '000)	Note	Un-audited June 30, 2017	Audited December 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
150,000,000 (2016: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
132,121,128 (2016: 105,696,903)			
ordinary shares of Rs. 10 each		1,321,211	1,056,969
Share premium		61,894	61,894
Employees' share compensation reserve		54,896	51,597
Exchange revaluation reserve		202,396	209,034
Un-appropriated Profit		479,198	700,040
		2,119,596	2,079,534
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT</b>			
		112,100	112,460
Minority Interest		4,654	-
<b>NON CURRENT LIABILITIES</b>			
Long Term Loans		28,788	-
Liabilities against assets subject to finance lease		65,306	44,567
Deferred taxation		44,414	36,270
Deferred liabilities		31,977	28,246
		170,485	109,083
<b>CURRENT LIABILITIES</b>			
Current portion of Long Term Loans		18,182	-
Current portion of long-term liabilities		25,531	21,522
Finances under mark up arrangements and other credit facilities - secured		390,776	265,637
Creditors, accrued and other liabilities		564,388	696,660
		998,876	983,819
<b>CONTINGENCIES AND COMMITMENTS</b>			
	3		
		3,405,711	3,284,896

The annexed notes 1 to 7 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer

(Rupees in '000)	Un-audited June 30, 2017	Audited December 31, 2016
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	234,972	233,107
Intangible Assets	101	124
Long term investment	565,035	567,349
Long term deposits	32,971	30,624
	833,079	831,204
<b>CURRENT ASSETS</b>		
Stock in trade	100,366	101,234
Trade debts	1,763,645	1,837,932
Advances, deposits, prepayments and other receivables	377,203	243,154
Term deposits with banks	98,529	155,554
Cash and bank balances	232,888	115,818
	2,572,632	2,453,692
	3,405,711	3,284,896

  
Director

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

for the half year ended June 30, 2017

(Rupees in '000)	Note	Half year ended		Quarter ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Sales		965,408	815,720	451,314	403,294
Cost of sales		(636,094)	(520,987)	(303,240)	(259,802)
<b>Gross Profit / (Loss)</b>		<b>329,314</b>	<b>294,733</b>	<b>148,074</b>	<b>143,492</b>
Administrative and selling expenses		(161,645)	(139,470)	(89,761)	(74,233)
Other operating expenses		(2,047)	(4,694)	(1,091)	(2,765)
Other operating income		24,073	10,670	7,708	4,122
		(139,619)	(133,494)	(83,143)	(72,875)
<b>Profit / (Loss) from operations</b>		<b>189,695</b>	<b>161,239</b>	<b>64,930</b>	<b>70,617</b>
Finance costs		(25,951)	(27,816)	(16,220)	(10,075)
<b>Profit / (Loss) before tax</b>		<b>163,744</b>	<b>133,423</b>	<b>48,710</b>	<b>60,542</b>
Taxation		(15,008)	(17,451)	(13,745)	(16,109)
<b>Income for the period from operations</b>		<b>148,736</b>	<b>115,972</b>	<b>34,965</b>	<b>44,433</b>
Combined earnings per share			Restated		Restated
<b>Basic</b>		<b>1.13</b>	<b>0.88</b>	<b>0.26</b>	<b>0.34</b>
<b>Diluted</b>		<b>1.08</b>	<b>0.85</b>	<b>0.25</b>	<b>0.32</b>

The annexed notes 1 to 7 form an integral part of these consolidated condensed financial statements.

**Consolidated Statement of Condensed Interim Comprehensive Income (Un-audited)**  
for the half year ended June 30, 2017

(Rupees in '000)	Note	Half year ended		Quarter ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Profit / (Loss) for the period		148,736	115,972	34,965	44,433
Other comprehensive income					
- Exchange difference on translating foreign operations		(6,638)	(379)	(7,128)	262
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax		361	302	240	194
- Items to be re-classified to profit and loss in subsequent period					
<b>Total comprehensive income for the period</b>		<b>142,460</b>	<b>115,895</b>	<b>28,077</b>	<b>44,889</b>

The annexed notes 1 to 7 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, 2017

(Rupees in '000)	Note	Un-audited June 30, 2017	Un-audited June 30, 2016
<b>Cash flows from operating activities</b>			
Cash generated from continuing operations	4	171,953	165,038
Finance costs paid		(25,164)	(27,908)
Taxes paid		(12,895)	(14,966)
<b>Net cash (used in) / generated from operating activities</b>		<b>133,893</b>	<b>122,165</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,631)	(3,757)
Proceeds from disposal of property, plant and equipment and intangible assets		2,427	1,664
Profit on bank deposit		6,892	6,728
Term deposits with banks		57,025	4,982
Net change in long term advances and deposits		(3,586)	53
<b>Net cash (used in) / generated from investing activities</b>		<b>59,127</b>	<b>9,670</b>
<b>Cash flows from financing activities</b>			
Bonus Share issued			
Dividend paid		(105,697)	(211,394)
Long term loan		46,970	-
Repayment of finance lease liabilities		(17,222)	(5,198)
<b>Net cash (used in) / generated from financing activities</b>		<b>(75,950)</b>	<b>(216,592)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>117,070</b>	<b>(84,758)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>115,818</b>	<b>134,281</b>
<b>Cash and cash equivalents at the end of period</b>		<b>232,888</b>	<b>49,524</b>

The annexed notes 1 to 7 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer



Director

## Consolidated Condensed Statement of Changes in Equity (Un-audited) for the half year ended June 30, 2017

(Rupees in '000)	Share Capital	Share Premium reserve	Employees' share compensation reserve	Exchange revaluation reserve	Un-appropriated profit / (loss)	Total
<b>Balance as on January 01, 2016</b>	1,056,968	61,894	45,000	210,010	578,673	1,952,545
Profit for the period	-	-	-	-	115,972	115,972
Other comprehensive income	-	-	-	(379)	302	(77)
	-	-	-	(379)	116,274	115,895
<b>Balance as on June 30, 2016</b>	1,056,968	61,894	45,000	209,631	694,947	2,068,440
Profit for the period	-	-	-	-	216,095	216,095
Other comprehensive income	-	-	-	(597)	392	(205)
	-	-	-	(597)	216,487	215,890
Final dividend for the year ended 31 December 2015 at the rate of Rs. 2 per share	-	-	-	-	(211,394)	(211,394)
Issue of 99 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	1	-	-	-	-	1
Employee share option	-	-	6,597	-	-	6,597
	1	-	6,597	-	(211,394)	(204,796)
<b>Balance as on December 31, 2016</b>	1,056,969	61,894	51,597	209,034	700,040	2,079,534
Profit for the period	-	-	-	-	148,736	148,736
Other comprehensive income	-	-	-	(6,638)	361	(6,277)
	-	-	-	(6,638)	149,097	142,460
Final dividend for the year ended 31 December 2016 at the rate of Re. 1 per share	-	-	-	-	(105,697)	(105,697)
Bonus Shares for the year ended 31 December 2016 at the rate of 25%	264,242	-	-	-	(264,242)	-
Adjustment of ESOS 2nd Issue	-	-	3,299	-	-	3,299
	264,242	-	3,299	-	(369,939)	(102,398)
<b>Balance as on June 30, 2017</b>	1,321,211	61,894	54,896	202,396	479,198	2,119,596

The annexed notes 1 to 7 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, 2017

### 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 Pakistan Stock Exchange Limited (formerly Karachi and Lahore Stock Exchanges).

#### 1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVL)

Subsidiary Company and Associated Undertaning;

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

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.

IA'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 (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 2017:

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

#### New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

##### Standard or Interpretation

- IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendment)  
 IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial statements.

### 3. Contingencies and commitments

#### 3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 20,81 million (31 December 2016: Rs. 6,01 million) against the performance of various contracts.
- (ii) During the previous period, Company received notice under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.
- (iii) Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result of this, the office of the Commissioner Inland Revenue (Appeals), Lahore disposed of the both appeals partially in favor of the company. Then, Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) decision for both of the years, which is pending for hearing.

(Rupees in '000)	Un-audited June 30, 2017	Audited December 31, 2016
<b>3.2 Commitments</b>		
Labour / performance guarantees	38,461	36,244
Letter of credits	41,905	22,211
Post dated cheques issued to JAFZA against payment of rent	8,331	5,533
	<b>88,697</b>	<b>63,988</b>

## Notes to and forming part of the consolidated condensed Interim financial information (Un-audited) for the half year ended June 30, 2017

(Rupees in '000)	Un-audited June 30, 2017	Un-audited June 30, 2016
<b>4. Cash flow from operating activities</b>		
Profit / (loss) before tax	163,744	133,423
Adjustments for:		
- Depreciation on property, plant and equipment	13,040	12,773
- Amortization of Intangible Assets	23	-
- Exchange revaluation reserve	3,630	(82)
- Exchange (gain) / loss	5,742	3,068
- Employee benefits expense	3,614	-
- Bad debts written off	-	424
- Provision for doubtful debts and advances	-	290
- Finance cost	25,951	27,816
- (Gain) / loss on fixed assets	(1,310)	(74)
- Income on bank deposits	(6,892)	(6,728)
	43,797	37,487
Profit before working capital changes	207,541	170,910
- Increase in stock in trade	868	(4,604)
- Decrease trade debts	68,546	23,175
- Decrease / (Increase) in advances, deposits, prepayments and other receivables	(97,199)	(72,097)
- Decrease in creditors, accrued and other liabilities	(7,803)	47,653
	(35,589)	(5,872)
<b>Cash (used in) / generated from operations</b>	<b>171,953</b>	<b>165,038</b>

### 5. 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 / Director		Other Executives	
	2017	2016	2017	2016
Managerial remuneration	17,416	17,128	40,230	33,376
House rent	6,273	6,244	14,683	11,896
Utilities	3,277	197	2,905	1,436
Contribution to provident fund	1,057	1,241	3,229	3,243
Others	582	2,079	1,749	2,837
	28,605	26,889	62,796	52,788
<b>Number of persons</b>	<b>2</b>	<b>2</b>	<b>22</b>	<b>20</b>

6. Date of authorization for issue

This condensed interim consolidated financial information was authorised for issue on August 25, 2017 by the Board of Directors of the Holding Company.

7. General

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Director



# AVANCEON

Tomorrow's solutions, today.

Avanceon Building,  
19 - 404, Main Multan Road,  
Lahore 54000, Pakistan.  
Phone: +92 42 - 111 960 940  
Fax: +92 42 - 20656057