

Quarterly Report Q1, 2017

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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  
Deutsche 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

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Trade Mark

**AVANCEON**  
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## Headquarters Middle East and Asia

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Kuwait St. Faisaliyah District.

Jeddah, KSA. PO Box 1298

Phone: +966-12-6912204 x 127 Saudi Arabia, Dammam

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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 condensed standalone and consolidated financial statements for the first quarter ended March 31, 2017. The Director's Report, prepared under section 236 of the Companies Ordinance, 1984 as required for interim financial reporting.

(Rupees 000')	For the first quarter ended March 31	
	2017	2016
Operating results (standalone)		
Profit before tax	70,730	59,866
Provision for taxation	(1,263)	(1,342)
Profit after taxation	69,468	58,524
Operating results (consolidated)		
Profit before tax	115,034	72,881
Provision for taxation	(1,263)	(1,342)
Profit after taxation	113,771	71,539

### Earnings per share (standalone) for the first quarter ended March 31, 2017

The basic earnings per share after tax is Rs. 0.66 (2016: Rs. 0.55).

### Earnings per share (consolidated) for the first quarter ended March 31, 2017

The basic earnings per share after tax is Rs. 1.08 (2016: Rs. 0.68)

The operating financial results of the company for the first quarter ended March 31, 2017 remained on positive side and heading to achieve targeted corporate plan revenues and profit after tax for the financial year 2017, we are expecting more recovery of earnings in remaining period of 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 and in the pipeline for Pakistan, UAE, Qatar, Saudi Arabia (KSA).

### 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](http://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

April 27, 2017 Lahore, Pakistan.

Avanceon

**Standalone Condensed  
Interim Financial Statements**  
for the first quarter ended March 31, 2017

# Condensed Balance Sheet

as at March 31, 2017


(Rupees in '000)	Note	Un-audited March 31, 2017	Audited December 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized 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>			
105,696,903 (2016: 105,696,903)			
ordinary shares of Rs. 10 each		1,056,969	1,056,969
Share Premium		61,894	61,894
Employees' share compensation reserve- ESOS- 1st issue		51,597	51,597
Un-appropriated profit		897,601	828,009
		2,068,061	1,998,469
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		112,283	112,461
<b>NON CURRENT LIABILITIES</b>			
Long term loan		33,333	-
Daffered Tax Liabilities		36,327	36,270
Liabilities against assets subject to finance lease		40,086	44,567
		109,746	80,837
<b>CURRENT LIABILITIES</b>			
Current portion of Long term loan and finance lease		36,421	20,960
Finances under mark up arrangements and other credit facilities - secured		158,411	200,339
Creditors, accrued and other liabilities		441,829	539,761
		636,661	761,060
<b>CONTINGENCIES AND COMMITMENTS</b>			
	3		
		2,926,751	2,952,827

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



Chief Executive Officer

(Rupees in '000)	Note	Un-audited March 31, 2017	Audited December 31, 2016
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		228,147	230,232
Intangible Assets		113	124
Long term investments		473,671	473,671
Long term deposits		16,641	16,850
		718,572	720,877
<b>CURRENT ASSETS</b>			
Stock in trade		53,705	48,416
Trade debts		1,107,087	1,214,804
Advances, deposits, prepayments and other receivables		989,401	952,850
Cash and bank balances		57,986	15,881
		2,208,179	2,231,951
		2,926,751	2,952,827

  
 Director



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

for the first quarter ended March 31, 2017

(Rupees in '000)	Un-audited March 31, 2017	Un-audited March 31, 2016
Sales	166,315	138,056
Cost of sales	(101,677)	(85,414)
<b>Gross profit / (loss)</b>	<b>64,638</b>	<b>52,642</b>
Administrative and selling expenses	(30,241)	(30,500)
Other operating expenses	(956)	(821)
Other operating income	42,435	42,446
	11,238	11,125
<b>Profit / (loss) from operations</b>	<b>75,876</b>	<b>63,767</b>
Finance costs	(5,145)	(3,901)
<b>Profit / (loss) before tax</b>	<b>70,730</b>	<b>59,866</b>
Taxation	(1,263)	(1,342)
<b>Profit / (loss) for the period</b>	<b>69,468</b>	<b>58,524</b>
<b>Earnings/(loss) per share - basic</b>	<b>0.66</b>	<b>0.55</b>
<b>Earnings/(Loss) per share - diluted</b>	<b>0.63</b>	<b>0.53</b>

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

  
Chief Executive Officer

  
Director

## Statement of Condensed Interim Comprehensive Income (Un-audited)

for the first quarter ended March 31, 2017

(Rupees in '000)	Un-audited March 31, 2017	Un-audited March 31, 2016
Profit /(loss) for the period	69,468	58,524
<b>Other comprehensive income</b>		
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets for the period- net of tax	121	108
<b>Total comprehensive income / (loss) for the period</b>	<b>69,589</b>	<b>58,632</b>

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



Chief Executive Officer



Director

## Condensed Interim Cash Flow Statement (Un-audited)

for the first quarter ended March 31, 2017

(Rupees in '000)	Note	Un-audited March 31, 2017	Un-audited March 31, 2016
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	4	3,587	(5,260)
Finance cost paid		(4,365)	(4,212)
Taxes paid		(2,389)	(6,746)
<b>Net cash (used in)/ generated from operating activities</b>		<b>(3,167)</b>	<b>(16,218)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(686)	(502)
Proceeds from sale of property, plant and equipment		1,405	13
Profit on bank deposit		32	114
Net change in long term advances and deposits		209	6,409
<b>Net cash (used in)/generated from investing activities</b>		<b>959</b>	<b>6,034</b>
<b>Cash flows from financing activities</b>			
Net cash received against share issued			
Long term loan		50,000	-
Repayment of finance lease liabilities		(5,687)	(5,851)
<b>Net cash used in financing activities</b>		<b>44,313</b>	<b>(5,851)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>42,105</b>	<b>(16,035)</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>57,986</b>	<b>28,041</b>

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

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

for the first quarter ended March 31, 2017

(Rupees in '000)	Share Capital	Share Premium reserve	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 01, 2016	1,056,968	61,894	45,000	725,670	1,889,532
Profit for the period	-	-	-	58,524	58,524
Other comprehensive income	-	-	-	108	108
	-	-	-	58,631	58,631
Balance as on March 31, 2016	1,056,968	61,894	45,000	784,302	1,948,163
Profit for the period	-	-	-	254,517	254,517
Other comprehensive income	-	-	-	587	587
	-	-	-	255,104	255,104
Cash dividend paid at Rs. 2.00 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)	(204,795)
Balance as on December 31, 2016	1,056,969	61,894	51,597	828,012	1,998,472
Profit for the period	-	-	-	69,468	69,468
Other comprehensive income	-	-	-	121	121
	-	-	-	69,589	69,589
Balance as on March 31, 2017	1,056,969	61,894	51,597	897,601	2,068,061

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



Chief Executive Officer



Director

# Notes to and forming Part of Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 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.

## 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 and amended standards and interpretations

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

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

IFRS 10	- Consolidated Financial Statements
IFRS 12	- Disclosure of Interests in Other Entities
IAS 27	- Separate Financial Statements – 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 in September 2014

- 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 amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

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

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

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements and IAS 28: Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 - Statement of Cashflows: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	01 January 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018

IFRS 7 - Financial Instruments: Disclosures - Servicing contracts

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

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

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

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application except for IFRS 15 of which management is in process of evaluating impact on the financial statements.

### 3. CONTINGENCIES AND COMMITMENTS

#### 3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 5.35 million (31 December 2016: Rs. 6.01 million) against the performance of various contracts.
- (ii) During the year the 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. "

#### 3.2 Commitments

Letters of credit includes Rs. Nil (2016: 0.757 million ) which relates to import acceptance bills.

(Rupees in '000)	Un-audited March 31, 2017	Un-audited March 31, 2016
<b>4. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	70,730	59,866
Adjustments for:		
Depreciation on property, plant and equipment	6,081	5,724
Amortization	12	-
Exchange (gain)/loss	(3,599)	75
Gain on disposal of property, plant and equipment	(620)	(13)
Finance cost	5,145	3,901
Profit on bank deposit	(32)	(144)
	6,987	9,543
<b>Profit before working capital changes</b>	<b>77,717</b>	<b>69,409</b>
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(5,289)	(729)
- Trade debts	111,316	67,265
- Advances, deposits, prepayments and other receivables	(39,516)	(50,177)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	(140,640)	(91,028)
	(74,129)	(74,669)
<b>Cash generated from operations</b>	<b>3,587</b>	<b>(5,260)</b>

#### 5. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the condensed financial statements for three months 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	
	2017	2016	2017	2016
Managerial remuneration	1,009	964	7,510	7,029
House rent	404	386	3,004	2,811
Utilities	101	96	751	703
Contribution to provident fund	101	96	751	703
Others	14	14	249	200
	1,629	1,556	12,266	11,446
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>15</b>

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

#### 6. DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on 27 April 2017 by the Board of Directors of the Company.



## 7. GENERAL

7.1 Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Director

Avanceon  
Consolidated Condensed  
Interim Financial Statements  
for the first quarter ended March 31, 2017

# Consolidated Condensed Balance Sheet

as at March 31, 2017


(Rupees in '000)	Note	Un-audited March 31, 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>			
105,696,903 (2016: 105,696,903)			
ordinary shares of Rs. 10 each		1,056,969	1,056,969
Share premium		61,894	61,894
Employees' share compensation reserve		51,597	51,597
Exchange revaluation reserve		209,524	209,034
Un-appropriated Profit		813,933	700,040
		2,193,917	2,079,534
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT</b>			
		112,283	112,461
<b>NON CURRENT LIABILITIES</b>			
Long Term Loans		33,333	44,567
Liabilities against assets subject to finance lease		40,086	36,270
Deferred taxation		36,327	30,118
Deferred liabilities		30,118	28,246
		139,864	109,083
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities		36,775	21,522
Finances under mark up arrangements and other credit facilities - secured		232,765	265,637
Creditors, accrued and other liabilities		665,676	696,659
		935,215	983,818
<b>CONTINGENCIES AND COMMITMENTS</b>			
	3		
		3,381,280	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 March 31, 2017	Audited December 31, 2016
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	230,660	233,107
Intangible Assets	113	124
Capital work in progress	897	-
Long term investment	568,747	567,349
Long term deposits	30,234	30,624
	830,651	831,204
<b>CURRENT ASSETS</b>		
Stock in trade	93,568	101,234
Trade debts	1,890,338	1,837,932
Advances, deposits, prepayments and other receivables	270,807	243,154
Term deposits with banks	155,938	155,554
Cash and bank balances	139,979	115,818
	2,550,629	2,453,692
	3,381,280	3,284,896


  
 Director

## Consolidated Condensed Interim Profit and Loss Account (Un-audited) for the first quarter ended March 31, 2017

(Rupees in '000)	Un-audited March 31, 2017	Un-audited March 31, 2016
Sales	514,093	412,426
Cost of sales	(332,854)	(261,185)
<b>Gross Profit/(Loss)</b>	<b>181,240</b>	<b>151,241</b>
Administrative and selling expenses	(71,885)	(65,237)
Other operating expenses	(956)	(1,929)
Other operating income	16,366	6,547
	(56,475)	(60,619)
<b>Profit/(Loss) from operations</b>	<b>124,764</b>	<b>90,622</b>
Finance costs	(9,730)	(17,742)
<b>Profit/(Loss) before tax</b>	<b>115,034</b>	<b>72,881</b>
Taxation	(1,263)	(1,342)
<b>Income for the period from operations</b>	<b>113,771</b>	<b>71,539</b>
<b>Combined earnings per share</b>		
<b>Basic</b>	<b>1.08</b>	<b>0.68</b>
<b>Diluted</b>	<b>1.03</b>	<b>0.65</b>

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

  
Chief Executive Officer


  
Director

**Consolidated Statement of Condensed Interim Comprehensive Income (Un-audited)**  
for the first quarter ended March 31, 2017

(Rupees in '000)	Un-audited March 31, 2017	Un-audited March 31, 2016
Profit/(Loss) for the period	113,771	71,539
Other comprehensive income		
- Exchange difference on translating foreign operations	490	(641)
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax	121	108
- Items to be re-classified to profit and loss in subsequent period		
<b>Total comprehensive income for the period</b>	<b>114,382</b>	<b>71,006</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 first quarter ended March 31, 2017

(Rupees in '000)	Note	Un-audited March 31, 2017	Un-audited March 31, 2016
<b>Cash flows from operating activities</b>			
Cash generated from continuing operations	4	(8,429)	31,898
Finance costs paid		(8,950)	(18,052)
Taxes paid		(1,954)	(6,746)
<b>Net cash (used in) / generated from operating activities</b>		<b>(19,333)</b>	<b>7,099</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment & intangible		(4,787)	(536)
Purchase of intangible asset			
Proceeds from disposal of property, plant and equipment and intangible assets		1,405	13
Profit on bank deposit		3,661	3,258
Term deposits with banks		(384)	62
Long term investmnet		(897)	-
Net change in long term advances and deposits		390	6,419
<b>Net cash (used in) / generated from investing activities</b>		<b>(612)</b>	<b>9,217</b>
<b>Cash flows from financing activities</b>			
Share issued		-	-
Long term loan		50,000	-
Repayment of finance lease liabilities		(5,894)	(6,494)
<b>Net cash (used in) / generated from financing activities</b>		<b>44,106</b>	<b>(6,494)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>24,161</b>	<b>9,821</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>139,979</b>	<b>144,103</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 first quarter ended March 31, 2017

(Rupees in '000)	Share Capital	Share Premium reserve	Employees' share compensation reserve	Exchange revaluation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 01, 2016	1,056,968	61,894	45,000	210,010	578,673	1,952,545
Profit for the period					71,539	71,539
Other comprehensive income				(641)	108	(533)
				(641)	71,646	71,006
Balance as on March 31, 2016	1,056,968	61,894	45,000	209,369	650,319	2,023,551
Profit for the period	-	-	-	-	260,528	260,528
Other comprehensive income	-	-	-	(335)	586	251
	-	-	-	335)	261,115	260,779
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	1
Employee share option	-	-	6,597	-	-	6,597
	1	396.00	6,597	-	(211,394)	(204,796)
Balance as on December 31, 2016	1,056,969	61,894	51,597	209,034	700,040	2,079,534
Profit for the period					113,771	113,771
Other comprehensive income				490	121	611
				490	113,893	114,382
Balance as on March 31, 2017	1,056,969	61,894	51,597	209,524	813,933	2,193,917

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 first quarter ended March 31, 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.

### 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 2016:

### New and amended standards and interpretations

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:

#### Standard or Interpretation

- 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)
  - FRS 12 - Disclosure of Interests in Other Entities
  - IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (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 first quarter ended March 31, 2017

### 3 Contingencies and commitments

#### 3.1 Holding Company

##### 3.1.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 5.35 million (Dec 31, 2016: Rs 6.01 million) against the performance of various contracts.
- (ii) During the year the 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.

##### 3.1.2 Commitments

Letters of credit includes Rs. Nil (2016: 0.757 million ) which relates to import acceptance.

#### 3.2 Subsidiaries

Avanceon FZE has provided the following contingencies and commitments:

(Rupees in '000)	Un-audited March 31, 2017	Audited December 31, 2016
Labour/ performance guarantee	33,133	36,244
Letters of credit	21,300	22,211
Post dated cheques issued to;		
JAFZA against payment of rent	2,483	5,533
Suppliers against supply of material	-	-
	2,483	5,533
	<b>56,916</b>	<b>63,988</b>

(Rupees in '000)	Un-audited March 31, 2017	Un-audited March 31, 2016
<b>4 Cash flow from operating activities</b>		
Profit/ (loss) before tax	115,034	72,881
Adjustments for:		
- Depreciation on property, plant and equipment	6,448	6,436
- Amortization of intangible assets	12	
- Exchange revaluation reserve	(1,348)	307
- Exchange (gain) / loss	(3,599)	1,183
- Finance cost	9,730	17,742
- (Gain) / loss on fixed assets	(620)	(13)
- Income on bank deposits	(3,661)	(3,288)
	6,963	22,367
Profit before working capital changes	121,997	95,247
- Decrease / (Increase) in stock in trade	7,666	(5,221)
- Decrease / (Increase) in trade debts	(48,806)	23,070
- Decrease in advances, deposits, prepayments and other receivables	(26,523)	(47,722)
- Decrease in creditors, accrued and other liabilities	(62,764)	(33,477)
	(130,426)	(63,350)
Cash (used in) / generated from operations	(8,429)	31,898

#### 5 Remuneration of chief executive, directors and executives

The aggregate amount charged in the financial statements for the nine 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		Other Executives	
	2017	2016	2017	2016
Managerial remuneration	8,700	8,454	19,424	15,804
House rent	3,134	3,120	7,079	5,788
Utilities	1,637	96	1,828	703
Contribution to provident fund	699	513	1,804	1,302
Others	99	270	1,087	1,363
	14,269	12,453	31,222	24,960
Number of persons	2	2	20	19

## Notes to and forming part of the consolidated condensed Interim financial information (Un-audited) for the first quarter ended March 31, 2017

### 6 Date of authorization for issue

The condensed interim consolidated financial information was authorised for issue on 27 April 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.

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