

# AVANCEON

Tomorrow's solutions, today.



for the nine months ended September 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. Naveed Ali Baig	Member

### Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants.

### Legal Advisor

Chima & Ibrahim advocates and Corporate Council

### Web Presence

[www.avanceon.ae](http://www.avanceon.ae), for Middle East, South Asia and Africa

[www.avanceon.com](http://www.avanceon.com), for United State of America and Europe

### 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

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Phone: +92 (21) 111 000 322  
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### Registered office

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**Trade Mark**

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

## Headquarters Middle East and Asia

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**Dammam, Saudia Arabia**

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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 nine months ended September 30, 2016. The Director's Report, prepared under section 236 of the Companies Ordinance, 1984.

(Rupees 000')	For the nine months ended September 30	
	2016	2015
<b>Operating results (standalone)</b>		
Profit before tax	246,154	201,183
Provision for taxation	(19,238)	(16,384)
Profit after taxation	226,916	184,799
<b>Operating results (consolidated)</b>		
Profit before tax	261,255	228,829
Provision for taxation	(19,238)	(16,384)
Profit after taxation	242,017	212,446

### Earnings per share (standalone) for the Nine Months Period Ended September 30, 2016

The basic earnings per share after tax is Rs. 2.15 (2015: Rs.1.75).

### Earnings per share (consolidated) for the Nine Months Period Ended September 30, 2016

The basic earnings per share after tax is Rs. 2.29 (2015: Rs. 2.01).

The operating financial results of the company for the nine months period ended September 30, 2016 remained on positive side and heading to achieve corporate plan revenues and profit after tax targets for the financial year 2016, we are expecting more recovery of earnings in last quarter of current financial year 2016, historically, our revenues and profits remain lower in first, 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).

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](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

October 31, 2016, Lahore, Pakistan.



Avanceon  
**Standalone Condensed  
Interim Financial Statements**  
for the nine months ended September 30, 2016

# Condensed Balance Sheet

as at September 30, 2016

(Rupees in '000)	Note	Un-audited September 30, 2016	Audited December 31, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
150,000,000 (2015: 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 (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		741,645	725,670
		1,905,508	1,889,533
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		109,924	110,384
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		33,317	20,762
Liabilities against assets subject to finance lease		44,430	34,015
		77,748	54,777
<b>CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance lease		20,443	15,416
Finances under mark up arrangements and other credit facilities - secured		150,091	110,772
Creditors, accrued and other liabilities	7	618,404	533,473
		788,939	659,661
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
		2,882,118	2,714,355

The annexed notes from 1 to 15 form an integral part of these condensed Interim financial statements.



(Rupees in '000)	Note	Un-audited September 30, 2016	Audited December 31, 2015
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	217,540	225,280
Intangible assets	9	136	-
Long term investments		473,671	473,671
Long term deposits and advances		19,247	15,297
		710,594	714,248
<b>CURRENT ASSETS</b>			
Stock in trade		74,494	55,454
Trade debts		1,065,043	924,407
Advances, deposits, prepayments and other receivables		1,005,481	971,170
Short term investment		-	5,000
Cash and bank balances		26,506	44,076
		2,171,524	2,000,107
		2,882,118	2,714,355

  
 Director

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

for the nine months ended September 30, 2016

(Rupees in '000)	Note	Nine months ended		Quarter ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Sales		620,633	562,686	303,320	211,309
Cost of sales		(345,403)	(335,292)	(179,960)	(139,844)
<b>Gross profit / (loss)</b>		<b>275,230</b>	<b>227,394</b>	<b>123,360</b>	<b>71,465</b>
Administrative and selling expenses		(96,436)	(86,543)	(31,995)	(27,931)
Other operating expenses	10	(3,162)	(20,854)	(90)	(488)
Other operating income		83,422	87,161	204	28,285
		(16,177)	(20,236)	(31,881)	(135)
<b>Profit / (loss) from operations</b>		<b>259,053</b>	<b>207,158</b>	<b>91,479</b>	<b>71,330</b>
Finance costs		(12,900)	(5,976)	(4,940)	(3,324)
<b>Profit / (loss) before tax</b>		<b>246,154</b>	<b>201,183</b>	<b>86,539</b>	<b>68,006</b>
Taxation		(19,238)	(16,384)	(1,787)	(1,670)
<b>Profit / (loss) for the period</b>		<b>226,916</b>	<b>184,799</b>	<b>84,752</b>	<b>66,336</b>
<b>Earnings/(loss) per share - basic</b>		<b>2.15</b>	<b>1.75</b>	<b>0.80</b>	<b>0.63</b>
<b>Earnings/(loss) per share - diluted</b>		<b>2.05</b>	<b>1.67</b>	<b>0.77</b>	<b>0.60</b>

The annexed notes from 1 to 15 form an integral part of these condensed Interim financial statements.



Chief Executive Officer



Director



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

for the nine months ended September 30, 2016

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Profit /(loss) for the period	226,916	184,799	84,752	66,336
<b>Other comprehensive income</b>				
Items not to be re-classified to profit and loss in subsequent period				
- Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets for the period- net of tax	453	813	151	162
Items to be re-classified to profit and loss in subsequent period	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>227,369</b>	<b>185,612</b>	<b>84,903</b>	<b>66,498</b>

The annexed notes from 1 to 15 form an integral part of these condensed Interim financial statements.



Chief Executive Officer



Director

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

for the nine months ended September 30, 2016

(Rupees in '000)	Note	Nine months ended	
		September 30, 2016	September 30, 2015
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	205,754	97,440
Finance cost paid		(13,008)	(4,987)
Taxes paid		(25,880)	(23,670)
<b>Net cash from operating activities</b>		<b>166,865</b>	<b>68,782</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,520)	(6,066)
Purchase of intangible asset		(140)	-
Proceeds from sale of property, plant and equipment		2,678	6,745
Capital work in progress		-	973
Income on bank deposit		269	4,048
Short term investment		5,000	94,566
Net change in long term advances and deposits		(3,950)	(122)
<b>Net cash generated from/ (used in) investing activities</b>		<b>(663)</b>	<b>100,145</b>
<b>Cash flows from financing activities</b>			
Net cash received against share issued		1	4
Dividend paid		(211,394)	(237,823)
Repayment of finance lease liabilities		(11,699)	(17,869)
<b>Net cash used in financing activities</b>		<b>(223,092)</b>	<b>(255,689)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(56,890)</b>	<b>(86,761)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(66,696)</b>	<b>11,851</b>
<b>Cash and cash equivalents at the end of period</b>		<b>(123,586)</b>	<b>(74,910)</b>

The annexed notes from 1 to 15 form an integral part of these condensed Interim financial statements.



Chief Executive Officer



Director

## Statement of Condensed Changes in Equity (Un-audited) for the nine months ended September 30, 2016

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
<b>Balance as on January 01, 2015</b>	1,056,966	61,893	45,000	681,661	1,845,520
Profit for the period	-	-	-	184,799	184,799
Other comprehensive income	-	-	-	813	813
	-	-	-	185,612	185,612
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 share of Rs. 10 each fully paid in cash at premium of Rs. 4 each	3	1	-	-	4
	3	1	-	(237,823)	(237,820)
<b>Balance as on September 30, 2015</b>	1,056,969	61,894	45,000	629,450	1,793,311
Profit for the period	-	-	-	96,139	96,139
Other comprehensive income	-	-	-	81	81
	-	-	-	96,220	96,220
<b>Balance as on December 31, 2015</b>	1,056,969	61,894	45,000	725,670	1,889,533
Profit for the period	-	-	-	226,916	226,916
Other comprehensive income	-	-	-	453	453
	-	-	-	227,369	227,369
Final dividend for the year ended 31 December 2015 at the rate of Rs. 2 per share	-	-	(211,394)	-	(211,394)
Issue of 99 share of Rs. 10 each fully paid in cash at premium of Rs. 4 each	1	-	-	-	1
	1	-	-	(211,394)	(211,392)
<b>Balance as on September 30, 2016</b>	1,056,969	61,894	45,000	741,645	1,905,508

The annexed notes from 1 to 15 form an integral part of these condensed Interim financial statements.

  
Chief Executive Officer

  
Director

# Notes to and forming part of condensed interim financial information (Un-audited)

for the nine months ended September 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 nine months period ended 30 September 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 25,163,853 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.

# Notes to and forming part of condensed interim financial information (Un-audited)

for the nine months ended September 30, 2016

## 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 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.

(Rupees in '000)	Note	Un-audited September 30, 2016	Audited December 31, 2015
<b>7. Creditors, accrued and other liabilities</b>			
Trade creditors		140,008	84,100
Accrued expenses		15,401	23,662
Advances from customers		16,952	39,573
Payable to related parties	7.1	271,641	353,676
Social security payable		21	21
Mark up accrued on:			
- Finances under mark up arrangement and other credit facilities - secured		2,334	2,442
Other liabilities	7.2	168,909	26,860
Withholding tax surcharge		3,139	3,139
		618,404	533,473

7.1 This represents amount due to Avanceon FZE (a 100% wholly owned subsidiary) which is non-interest bearing.

7.2 This includes Rs. 4,691,620 (31 December 2015 : Rs. 8,789,118) and Rs. 8,971,788 (31 December 2015 : Rs. 6,699,262) relating to provident fund payable and withholding tax deducted at source payable respectively.

## 8. Contingencies and commitments

### 8.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 61 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, Orix Leasing Company amounting to Rs. 0.7 million as security against vehicles obtained on lease and Rs. 4.5 million against supply of material.
- (iii) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the Company has not made any provision for Workers' Welfare Fund (WWF) in the financial statements in the light of the order of the Honorable Lahore High Court. The said order has been challenged in the

Honorable Supreme Court. The Company may be liable to pay WWF amounting to Rs. 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. The amount of WWF on dividend is Rs. 13,056,412 (31 December 2015: Rs. 11,533,250).

## 8.2 Commitments

(i) Nil

(Rupees in '000)	Note	Un-audited September 30, 2016	Audited December 31, 2015
<b>9. Property, plant and equipment</b>			
Operating fixed assets - tangible	9.1	175,297	178,801
Operating fixed assets - Intangible	9.2	136	-
Assets subject to finance lease	9.3	42,244	46,479
		<b>217,676</b>	<b>225,280</b>
<b>9.1 Operating fixed assets - tangible</b>			
Opening book value		178,802	148,181
Add: Additions/transfers during the period / year -cost	9.1.1	7,182	43,721
Add: Effect of revaluation		2,661	20,339
		<b>188,644</b>	<b>212,241</b>
Less: Deletions during the period / year	9.1.2	5,094	5,430
		<b>183,550</b>	<b>206,811</b>
Less: Depreciation during the period / year		8,253	10,122
Less: Adjustment for assets transferred from lease to owned assets		-	17,888
		<b>175,297</b>	<b>178,801</b>
<b>9.1.1 Additions/transfers during the period / year - cost</b>			
Buildings		1,506	5,459
Furniture and fixture		811	925
Vehicles		2,326	32,675
Office equipment and appliances		1,241	3,651
Computers		1,298	1,011
		<b>7,182</b>	<b>43,721</b>

# Notes to and forming part of condensed interim financial information (Un-audited)

for the nine months ended September 30, 2016

(Rupees in '000)	Un-audited September 30, 2016	Audited December 31, 2015
<b>9.1.2 Deletions during the period / year - net book value</b>		
Buildings	-	332
Vehicles	4,730	5,097
Office equipment and appliances	162	-
Computers	202	1
	5,094	5,430
<b>9.2 Operating fixed assets - Intangible</b>		
Opening book value	-	-
Add: Additions/transfers during the period / year -cost	140	-
	140	-
Less: Amortization during the period / year	4	-
Book value at the end of the period / year	136	-
<b>9.3 Assets subject to finance lease</b>		
Opening book value	46,479	49,391
Add: Additions during the period / year	7,387	27,047
	53,866	76,438
Less: Transfers to operating fixed assets during the period / year - net book value	-	14,720
Less: Deletions during the period / year - net book value	1,966	956
	51,900	60,762
Less: Depreciation during the period / year	9,656	14,283
Book value at the end of the period / year	42,244	46,479
(Rupees in '000)	Un-audited September 30, 2016	Un-audited September 30, 2015
<b>10. Other operating expenses</b>		
Worker welfare fund	206	185
Donations	2,064	1,670
Exchange loss	892	-
Bad debts written off	-	18,999
	3,162	20,854



(Rupees in '000)	Un-audited September 30, 2016	Un-audited September 30, 2015
<b>11. Cash flows from operating activities</b>		
Profit before tax	246,154	201,183
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	7,557	4,711
Depreciation on assets subject to finance lease	9,656	10,779
Amortization on intangible assets	4	-
Exchange loss / (gain)	892	(34,424)
Provision for doubtful debts and advances	385	18,999
Gain on disposal of property, plant and equipment	(244)	(2,784)
Finance costs	12,900	5,976
Income on bank deposits	(269)	(4,048)
	30,882	(792)
<b>Profit before working capital changes</b>	277,035	200,391
<b>Effect on cash flow due to working capital changes:</b>		
(Increase) / decrease in current assets		
- Stock in trade	(19,040)	(24,550)
- Trade debts	(141,915)	(28,230)
- Advances, deposits, prepayments and other receivables	4,642	17,597
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	85,032	(67,767)
	(71,281)	(102,951)
<b>Cash generated from operations</b>	205,754	97,440

## 12. 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 13. Other significant transactions with related parties are as follows:

## Notes to and forming part of condensed interim financial information (Un-audited)

for the nine months ended September 30, 2016

(Rupees in '000)		Un-audited September 30, 2016	Un-audited September 30, 2015
<b>i. Subsidiaries</b>	Agency commission	4,930	6,245
	Export sales	10,534	46,196
	Outsourcing income	-	1,839
	Business process outsourcing	88,556	41,434
	Management fee charged	-	20,000
	Fee for technical services	60,262	83,476
	Revenue recognized on the projects based on the stage of completion	71,494	68,616
	Dividend income	80,166	41,615
<b>ii. Associates</b>	Other charges and reimbursement of expenses	4,599	7,340
<b>iii. Post employment benefit plans</b>	Expense charged in respect of retirement benefit plans	6,220	3,771

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

### 13. Remuneration of chief executive, directors and executives

The aggregate amount charged in the financial statements for the nine 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	2,982	2,864	21,694	20,398
House rent	1,193	1,145	8,678	8,159
Utilities	298	286	2,169	2,040
Contribution to provident fund	298	286	2,169	2,040
Others	48	44	655	316
	4,819	4,626	35,366	32,953
Number of persons	1	1	16	16

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

### 14. Date of authorization for issue

These financial statements were authorized for issue on 31 October 2016 by the Board of Directors of the Company.

15. General

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



Chief Executive Officer



Director

Avanceon

**Consolidated Condensed  
Interim Financial Statements**  
for the nine months ended September 30, 2016

# Consolidated Condensed Balance Sheet

as at September 30, 2016

(Rupees in '000)	Note	Un-audited September 30, 2016	Audited December 31, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
150,000,000 (2015: 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 (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		210,304	210,010
Un-appropriated Profit		608,844	578,673
		1,983,011	1,952,546
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT</b>		109,924	110,384
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		44,430	35,432
Deferred taxation		33,317	20,762
Deferred liabilities		26,440	18,783
		104,187	74,977
<b>CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance lease		21,212	17,938
Finances under mark up arrangements and other credit facilities - secured		179,653	190,545
Creditors, accrued and other liabilities		724,409	517,630
		925,273	726,113
<b>CONTINGENCIES AND COMMITMENTS</b>	3		
		3,122,396	2,864,020

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



Chief Executive Officer

(Rupees in '000)	Un-audited September 30, 2016	Audited December 31, 2015
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	220,929	231,195
Intangible Assets	136	-
Long term investment (translated)	568,148	568,547
Long term deposits and advances	32,823	27,333
	822,036	827,075
<b>CURRENT ASSETS</b>		
Stock in trade	126,529	59,474
Trade debts	1,690,049	1,499,063
Advances, deposits, prepayments and other receivables	238,245	163,190
Term deposits with banks	155,734	180,936
Cash and bank balances	89,803	134,282
	2,300,360	2,036,945
	3,122,396	2,864,020

  
Director

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

for the nine months ended September 30, 2016

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Sales	1,360,077	1,041,471	544,357	483,652
Cost of sales	(850,854)	(644,821)	(329,867)	(323,864)
<b>Gross Profit/(Loss)</b>	<b>509,223</b>	<b>396,650</b>	<b>214,490</b>	<b>159,788</b>
Administrative and selling expenses	(214,463)	(172,689)	(74,993)	(52,121)
Other operating expenses	(5,289)	(22,486)	(595)	(874)
Other operating income	13,136	49,070	2,466	28,372
	(206,617)	(146,106)	(73,123)	(24,622)
<b>Profit/(Loss) from operations</b>	<b>302,606</b>	<b>250,544</b>	<b>141,367</b>	<b>135,165</b>
Finance costs	(41,352)	(21,715)	(13,536)	(9,439)
<b>Profit/(Loss) before tax</b>	<b>261,255</b>	<b>228,829</b>	<b>127,832</b>	<b>125,726</b>
Taxation	(19,238)	(16,384)	(1,787)	(1,670)
<b>Income for the period from operations</b>	<b>242,017</b>	<b>212,446</b>	<b>126,045</b>	<b>124,057</b>
<b>Combined earnings per share</b>				
<b>Basic</b>	<b>2.29</b>	<b>2.01</b>	<b>1.19</b>	<b>1.17</b>
<b>Diluted</b>	<b>2.19</b>	<b>1.92</b>	<b>1.14</b>	<b>1.12</b>

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

## Consolidated Statement of Condensed Interim Comprehensive Income (Un-audited) for the nine months ended September 30, 2016

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Profit/(Loss) for the period	242,017	212,446	126,045	124,057
<b>Other comprehensive income</b>				
- Exchange difference on translating foreign operations	294	23,346	673	16,081
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax	(453)	813	(755)	162
Items to be re-classified to profit and loss in subsequent period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>241,858</b>	<b>236,605</b>	<b>125,963</b>	<b>140,299</b>

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



Chief Executive Officer



Director



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

for the nine months ended September 30, 2016

(Rupees in '000)	Note	Nine months ended	
		September 30, 2016	September 30, 2015
<b>Cash flows from operating activities</b>			
Cash generated from continuing operations	4	232,582	125,223
Finance costs paid		(41,460)	(20,726)
Taxes paid		(25,880)	(23,691)
<b>Net cash (used in) / generated from operating activities</b>		<b>165,242</b>	<b>80,805</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,939)	(6,207)
Purchase of intangible asset		(140)	-
Proceeds from disposal of property, plant and equipment and intangible assets		3,373	6,745
Income on bank deposit		9,427	7,541
Term deposits with banks		25,202	24,350
Net change in long term advances and deposits		(5,491)	(1,472)
<b>Net cash (used in) / generated from investing activities</b>		<b>27,433</b>	<b>30,956</b>
<b>Cash flows from financing activities</b>			
Net cash received against share issued		1	4
Dividend paid		(211,394)	(237,823)
Repayment of finance lease liabilities		(14,870)	(19,861)
<b>Net cash (used in) / generated from financing activities</b>		<b>(226,262)</b>	<b>(257,681)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(33,588)</b>	<b>(145,919)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(56,262)</b>	<b>826</b>
<b>Cash and cash equivalents at the end of period</b>		<b>(89,850)</b>	<b>(145,093)</b>

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



Chief Executive Officer



Director

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

for the nine months ended September 30, 2016

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Exchange revaluation reserve	Un-appropriated profit / (loss)	Total
<b>Balance as on January 01, 2015</b>	1,056,966	61,893	45,000	184,641	573,689	1,922,189
Profit for the period	-	-	-	-	212,446	212,446
Other comprehensive income	-	-	-	23,346	813	24,159
	-	-	-	23,346	213,259	236,605
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)
<b>Balance as on September 30, 2015</b>	1,056,969	61,894	45,000	207,987	549,125	1,920,975
Profit for the period	-	-	-	-	29,468	29,468
Other comprehensive income	-	-	-	2,023	81	2,104
	-	-	-	2,023	29,549	31,572
<b>Balance as on December 31, 2015</b>	1,056,969	61,894	45,000	210,010	578,673	1,952,546
Profit for the period	-	-	-	-	242,017	242,017
Other comprehensive income	-	-	-	294	(453)	(159)
	-	-	-	294	241,564	241,858
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	-	-	-	(211,394)	(211,392)
<b>Balance as on September 30, 2016</b>	1,056,969	61,894	45,000	210,304	608,844	1,983,011

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

  
Chief Executive Officer

  
Director

## Notes to and forming part of the consolidated condensed Interim financial information (Un-audited)

for the nine months ended September 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 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 (AVN)

##### Subsidiary Company and Associated Undertaning;

	% 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 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.

## Notes to and forming part of the consolidated condensed Interim financial information (Un-audited)

for the nine months ended September 30, 2016

### 3. Contingencies and commitments

#### 3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 61 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, Orix Leasing Company amounting to Rs. 0.7 million as security against vehicles obtained on lease and Rs. 4.5 million against supply of material.
- (iii) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the Company has not made any provision for Workers' Welfare Fund (WWF) in the financial statements in the light of the order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WWF amounting to Rs. 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. The amount of WWF on dividend is Rs. 13,056,412 (31 December 2015: Rs. 11,533,250).

#### 3.2 Commitments

Avanceon FZE has provided the following commitments;

(Rupees in '000)	Un-audited September 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	5,540	5,544
Emirates Islamic Bank against payment of lease of vehicle	-	2,377
Suppliers against supply of material	4,376	9,250
	9,916	17,171
	103,145	92,958

(Rupees in '000)	Un-audited September 30, 2016	Un-audited September 30, 2015
<b>4. Cash flow from operating activities</b>		
Profit/ (loss) before tax	261,391	228,829
Adjustments for:		
- Depreciation on property, plant and equipment	19,000	17,881
- Amortization of intangible asset	4	-
- Exchange revaluation reserve	399	2,497
- Exchange (gain) / loss	892	(34,424)
- Provision for doubtful debts and advances	385	18,999
- Finance cost	41,352	21,715
- (Gain)/loss on fixed assets	219	(2,784)
- Income on bank deposits	(9,427)	(7,541)
	52,825	16,342
<b>Profit before working capital changes</b>	314,216	245,172
<b>Effect on cash flow due to working capital changes:</b>		
(Increase) / decrease in current assets		
- Stock in trade	(67,054)	(51,900)
- Trade debts	(192,264)	119,415
- Advances, deposits, prepayments and other receivables	(36,101)	(86,632)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	213,786	(100,831)
	(81,634)	(119,948)
<b>Cash (used in) / generated from operations</b>	232,582	125,223

#### 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	
	2016	2015	2016	2015
Managerial remuneration	25,820	25,034	55,476	47,396
House rent	9,375	9,313	20,084	17,477
Utilities	298	286	2,169	2,040
Contribution to provident fund	1,774	1,204	4,891	3,666
Others	5,180	810	4,886	3,231
	42,447	36,648	87,507	73,810
Number of persons	2	2	20	19

## Notes to and forming part of the consolidated condensed Interim financial information (Un-audited)

for the nine months ended September 30, 2016

### 6. Date of authorization for issue

The condensed interim consolidated financial information was authorised for issue on 31 October 2016 by the Board of Directors of the Holding Company.

### 7. General

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



Chief Executive Officer



Director

