for the nine months ended September 30, 2017

AVANCEON

Tomorrow's solutions, today.

SEAMLESS
ENGINEERING

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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 & Renumeration 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

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

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Trade Mark

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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-month ended September 30, 2017. The Director's Report, prepared under the prevailing Companies Ordinance as required for interim financial reporting:

(Rupees in '000)	For the nine months ended September 30, 2017	2016
Operating results (standalone)		
Profit before tax	320,350	246,154
Provision for taxation	8,880	(19,238)
Profit after taxation	329,230	226,916
Operating results (consolidated)		
Profit before tax	273,814	261,255
Provision for taxation	8,880	(19,238)
Profit after taxation	282,694	242,017

Earnings per share (standalone) for the nine months ended September 30, 2017

The basic earnings per share after tax is Rs. 2.49 (2016: Rs.2.15).

Earnings per share (consolidated) for the nine months ended September 30, 2017

The basic earnings per share after tax is Rs. 2.14 (2016: Rs.2.29)

The operating financial results of the company for the nine months ended September 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 last quarter 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. 4.65billion and with Rs. 2.6billion 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, which contains up to date financial and non-financial information on Company's activities and financial reports.

For and on behalf of the

October 26, 2017 Lahore, Pakistan.

BOARD OF DIRECTORS

Avanceon

Standalone Condensed Interim Financial Statements

for the nine months ended September 30, 2017

Condensed Balance Sheet

as at September 30, 2017

(Rupees in '000)	Note	Un-audited September 30, 2017	Audited December 31, 2016
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2016: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
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
Un-appropriated profit		787,842	828,009
		2,225,843	1,998,469
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		111,920	112,461
NON CURRENT LIABILITIES			
Long Term Loan		24,242	-
Daffered Tax Liabilities		26,127	36,270
Liabilities against assets subject to finance lease		59,684	44,567
		110,054	80,837
CURRENT LIABILITIES			
Current portion of Long term liabilities		45,494	20,960
Finances under mark up arrangements and other credit facilities - secured		235,642	200,339
Creditors, accrued and other liabilities		662,429	539,761
		943,566	761,060
CONTINGENCIES AND COMMITMENTS	5		
		3,391,382	2,952,827

The annexed notes from 1 to 9 form an integral part of these condensed financial statements.

Chief Executive Officer

(Rupees in '000)	Note	Un-audited September 30, 2017	Audited December 31, 2016
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		234,940	230,232
Intangible Assets		89	124
Long term investments		473,671	473,671
Long term deposits		19,622	16,850
		728,322	720,877
CURRENT ASSETS			
Stock in trade		65,805	48,416
Trade debts		1,417,073	1,214,804
Advances, deposits, prepayments and other receivables		1,140,468	952,850
Cash and bank balances		39,713	15,881
		2,663,060	2,231,951
		3,391,382	2,952,827

Director

Condensed Interim Profit and Loss Account (Un-audited)

for the nine month ended September 30, 2017

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Sales	747,513	620,633	364,272	303,320
Cost of sales	(420,685)	(345,403)	(206,117)	(177,339)
Gross profit / (Loss)	362,827	275,230	158,155	125,982
Administrative and selling expenses	(103,939)	(96,436)	(24,357)	(34,615)
Other operating expense	(2,888)	(3,162)	(841)	(90)
Other operating income	122,013	83,422	30,733	204
	15,187	(16,177)	5,535	(34,502)
Profit / (Loss) from operations	342,015	259,053	163,690	91,480
Finance costs	(21,664)	(12,900)	(10,178)	(4,940)
Profit / (Loss) before tax	320,350	246,154	153,512	86,540
Taxation	8,880	(19,238)	23,888	(1,787)
Profit / (Loss) for the period	329,230	226,916	177,400	84,753
Earnings/(Loss) per share - basic	2.49	2.15	1.34	0.80
Earnings/(Loss) per share - diluted	2.40	2.05	1.29	0.77

The annexed notes from 1 to 9 form an integral part of these condensed financial statements.

Chief Executive Officer

Director

Statement of Condensed Interim Comprehensive Income (Un-audited)

for the nine months ended September 30, 2017

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Profit /(loss) for the period	329,230	226,916	177,400	84,753
Other comprehensive income				
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets for the period- net of tax	542	453	201	151
Total comprehensive income / (loss) for the period	329,772	227,368	177,601	84,904

The annexed notes from 1 to 9 form an integral part of these condensed financial statements.

Chief Executive Officer

Director

Condensed Interim Cash Flow Statement (Un-audited)

for the nine months ended September 30, 2017

(Rupees in '000)	Note	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flows from operating activities			
Cash generated from operations	6	136,089	205,754
Finance cost paid		(21,065)	(13,008)
Taxes paid		(32,529)	(25,880)
Net cash from operating activities		82,495	166,865
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,594)	(4,520)
Purchase of intengible asset		-	(140)
Proceeds from sale of property, plant and equipment		4,633	2,678
Profit on bank deposit		133	269
Term deposit with banks		-	5,000
Net change in long term advances and deposits		(2,772)	(3,950)
Net cash generated from / (used in) investing activities		(1,600)	(663)
Cash flows from financing activities			
Net cash received against share issued		-	1
Long term loan		42,424	-
Dividend paid		(105,697)	(211,394)
Repayment of finance lease liabilities		(29,093)	(11,699)
Net cash used in financing activities		(92,366)	(223,092)
Net increase/(decrease) in cash and cash equivalents		(11,471)	(56,890)
Cash and cash equivalents at the beginning of period		(184,458)	(66,696)
Cash and cash equivalents at the end of period		(195,929)	(123,586)

The annexed notes from 1 to 9 form an integral part of these condensed financial statements.

Chief Executive Officer

Director

Statement of Condensed Changes in Equity (Un-audited)

for the nine months ended September 30, 2017

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on 01 January 2016	1,056,968	61,894	45,000	725,670	1,889,532
Profit for the period	-	-	-	226,916	226,916
Other comprehensive income	-	-	-	453	453
	-	-	-	227,368	227,368
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)	(211,393)
Balance as on September 30, 2016	1,056,969	61,894	45,000	741,645	1,905,508
Profit for the period	-	-	-	86,122	86,122
Other comprehensive income	-	-	-	242	242
	-	-	-	86,365	86,365
Employee share option	-	-	6,597	-	6,597
Balance as on December 31, 2016	1,056,969	61,894	51,597	828,009	1,998,469
Profit for the period	-	-	-	329,230	329,230
Other comprehensive income	-	-	-	542	542
	-	-	-	329,772	329,772
Final dividend for the year ended 31 December 2016 at the rate of Rs. 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)
Balance as on September 30, 2017	1,321,211	61,894	54,896	787,842	2,225,843

The annexed notes from 1 to 9 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 nine months ended September 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 of the Company for the nine months ended 30 September 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 (repealed - note 2.1.1). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1.1 The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 17 dated July 20, 2017 read with the related press release, this condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 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.

2.3 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. 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. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

(i) Bank guarantees issued amounting to Rs. 23.68 million (31 December 2016: Rs. 6.01 million) against the performance of various contracts.

(ii) 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.

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."

5.2 Commitments

Letter of credit includes Rs. 1.062 (31 December 2016: Rs. 0.757) which relates to import acceptance bill

(Rupees in '000)	Nine months ended September 30, 2017	Nine months ended September 30, 2016
6. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	320,350	246,154
Adjustments for:		
Depreciation on property, plant and equipment	6,091	7,557
Depreciation on assets subject to finance lease	12,825	9,656
Amortization on intangible asset	35	4
Exchange loss / (gain)	(11,139)	892
Provision for doubtful debts and advances	278	385
Gain on disposal of property, plant and equipment	(1,206)	(244)
Finance cost	21,664	12,900
Income on bank deposits	(133)	(269)
	28,415	30,882
Profit before working capital changes	348,766	277,035
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(17,389)	(19,040)
- Trade debts	(188,110)	(141,915)
- Advances, deposits, prepayments and other receivables	(156,352)	4,642
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	149,174	85,032
	(212,677)	(71,281)
Cash generated from operations	136,089	205,754

7. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees in '000)	Director 2017	Director 2016	Others Executives 2017	Others Executives 2016
Managerial remuneration	3,284	2,982	25,449	21,694
House rent	1,314	1,193	10,180	8,678
Utilities	328	298	2,545	2,169
Contribution to provident fund	328	298	2,545	2,169
Others	85	48	692	655
	5,339	4,819	41,411	35,366
Number of persons	1	1	18	16

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

8. DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on October 26, 2017 by the Board of Directors of the Company.

9. GENERAL

9.1 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Avanceon

Consolidated Condensed Interim Financial Statements

for the nine months ended September 30, 2017

Consolidated Condensed Balance Sheet

as at September 30, 2017

(Rupees in '000)	Note	Un-audited September 30, 2017	Audited December 31, 2016
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2016: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
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		211,764	209,034
Un-appropriated Profit		613,337	700,040
		2,263,102	2,079,534
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT		111,920	112,460
Minority Interest		-	-
NON CURRENT LIABILITIES			
Long Term Loans		24,242	-
Liabilities against assets subject to finance lease		59,684	44,567
Deferred taxation		26,127	36,270
Deferred liabilities		33,421	28,246
		143,475	109,083
CURRENT LIABILITIES			
Current portion of Long Term Loans		18,182	
Current portion of long-term liabilities		27,312	21,522
Finances under mark up arrangements and other credit facilities - secured		353,415	265,637
Creditors, accrued and other liabilities		949,832	696,660
		1,348,741	983,819
CONTINGENCIES AND COMMITMENTS	3		
		3,867,237	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 September 30, 2017	Audited December 31, 2016
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	237,675	233,107
Intengible Assets	89	124
Long term investment	571,941	567,349
Long term deposits	33,939	30,624
	843,644	831,204
CURRENT ASSETS		
Stock in trade	157,255	101,234
Trade debts	2,235,241	1,837,932
Advances, deposits, prepayments and other receivables	306,277	243,154
Term deposits with banks	188,830	155,554
Cash and bank balances	135,991	115,818
	3,023,593	2,453,692
	3,867,237	3,284,896

Director

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

for the nine months ended September 30, 2017

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Sales	1,712,792	1,360,077	747,384	544,357
Cost of sales	(1,172,454)	(850,854)	(536,360)	(329,867)
Gross Profit / (Loss)	540,338	509,223	211,024	214,490
Administrative and selling expenses	(250,492)	(214,463)	(88,846)	(74,993)
Other operating expenses	(2,888)	(5,289)	(841)	(596)
Other operating income	33,473	13,136	9,400	2,466
	(219,906)	(206,617)	(80,288)	(73,123)
Profit / (Loss) from operations	320,431	302,606	130,736	141,367
Finance costs	(46,617)	(41,352)	(20,666)	(13,535)
Profit / (Loss) before tax	273,814	261,255	110,070	127,832
Taxation	8,880	(19,238)	23,888	(1,787)
Income for the period from operations	282,694	242,017	133,958	126,045
Combined earnings per share				
Basic	2.14	2.29	1.01	1.19
Diluted	2.05	2.19	0.97	1.14

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 nine months ended September 30, 2017

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Profit / (Loss) for the period	282,694	242,017	133,958	126,045
Other comprehensive income				
- Exchange difference on translating foreign operations	2,730	294	9,368	673
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax	542	(453)	181	(755)
- Items to be re-classified to profit and loss in subsequent period				
Total comprehensive income for the period	285,966	241,858	143,506	125,963

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 nine months ended September 30, 2017

(Rupees in '000)	Note	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flows from operating activities			
Cash generated from continuing operations	4	130,317	232,582
Finance costs paid		(46,017)	(41,460)
Taxes paid		(32,534)	(25,880)
Net cash (used in) / generated from operating activities		51,766	165,242
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,607)	(4,939)
Purchase of intengible asset		-	(140)
Proceeds from disposal of property, plant and equipment and intangible assets		4,633	3,373
Profit on bank deposit		10,121	9,427
Term deposits with banks		(33,276)	25,202
Net change in long term advances and deposits		(3,315)	(5,491)
Net cash (used in) / generated from investing activities		(26,444)	27,433
Cash flows from financing activities			
Share issued		-	1
Long term loan		42,424	-
Dividend paid		(105,696)	(211,394)
Repayment of finance lease liabilities		(29,655)	(14,870)
Net cash (used in) / generated from financing activities		(92,927)	(226,262)
Net (decrease) / increase in cash and cash equivalents		(67,605)	(33,588)
Cash and cash equivalents at the beginning of year		(149,819)	(56,262)
Cash and cash equivalents at the end of period		(217,424)	(89,850)

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 nine months ended September 30, 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	-	-	-	-	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)	(211,393)
Balance as on September 30, 2016	1,056,969	61,894	45,000	210,304	608,843	1,983,010
Profit for the period	-	-	-	-	90,050	90,050
Other comprehensive income	-	-	-	(1,270)	1,147	(123)
	-	-	-	(1,270)	91,197	89,927
Employee share option	-	-	6,597	-	-	6,597
Balance as on December 31, 2016	1,056,969	61,894	51,597	209,034	700,040	2,079,534
Profit for the period	-	-	-	-	282,694	282,694
Other comprehensive income	-	-	-	2,730	542	3,272
	-	-	-	2,730	283,236	285,966
Final dividend for the year ended 31 December 2016 at the rate of Rs. 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)
Balance as on September 30, 2017	1,321,211	61,894	54,896	211,764	613,337	2,263,102

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 nine months ended September 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% (2016: 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. 23.68 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 September 30, 2017	Audited December 31, 2016
3.2 Commitments		
Avanceon FZE has provided the following commitments;		
Labour / performance guarantee	28,461	36,244
Letters of credit	25,431	22,211
Post dated cheques issued to;		
JAFZA against payment of rent	-	5,533
Emirates Islamic Bank against payment of lease of vehicle	-	-
Suppliers against supply of material	-	-
	-	5,533
	53,893	63,988

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

for the nine months ended September 30, 2017

(Rupees in '000)	Nine months ended September 30, 2017	Nine months ended September 30, 2016
4. Cash flow from operating activities		
Profit / (loss) before tax	273,814	261,391
Adjustments for:		
- Depreciation on property, plant and equipment	20,069	19,000
- Amortization of Intengible Assets	35	4
- Exchange revaluation reserve	1,438	399
- Exchange (gain) / loss	(11,139)	892
- Provision for doubtful debts and advances	278	385
- Finance cost	46,617	41,352
- (Gain) / loss on fixed assets	(1,206)	219
- Income on bank deposits	(10,121)	(9,427)
	45,970	52,825
Profit before working capital changes	319,784	314,216
Effect on cash flow due to working capital changes:		
Increase) / decrease in current assets		
- Stock in trade	(56,021)	(67,054)
- Trade debts	(386,447)	(192,264)
- Advances, deposits, prepayments and other receivables	(31,852)	(36,101)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	284,853	213,786
	(189,467)	(81,634)
Cash (used in) / generated from operations	130,317	232,582

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 certine executives of the company is as follows:

(Rupees in '000)	CEO / Director 2017	CEO / Director 2016	Other Executives 2017	Other Executives 2016
Managerial remuneration	26,430	25,820	68,192	55,476
House rent	9,530	9,375	26,194	20,084
Utilities	4,950	298	5,733	2,169
Contribution to provident fund	1,648	1,774	10,161	4,891
Others	855	5,180	2,629	4,886
	43,414	42,447	112,908	87,507
Number of persons	2	2	25	20

6. Date of authorization for issue

The condensed interim consolidated financial information was authorised for issue on October 26, 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

Notes

Notes

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AVANCEON

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