



SEAMLESS
ENGINEERING

FOR THE HALF YEAR ENDED JUNE 30, 2018

AVANCEON

Tomorrow's solutions, today.

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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

www.avanceon.com

Bankers

Faysal Bank Limited, Pakistan
Habib Bank Limited, Pakistan & United Arab Emirates
National Bank of Fujairah, United Arab Emirates
Habib Bank AG, Zurich, United Arab Emirates
National Penn Bank, United States of America
ABN Amro, United Arab Emirates
MCB Bank Limited, Pakistan
United Bank Limited, Pakistan & United Arab Emirates
National Bank of Pakistan Limited, Pakistan
Standard Chartered Bank Limited, Pakistan

JS Bank Limited, Pakistan

KASB Bank Limited, Pakistan

NIB Bank Limited, Pakistan

Share Registrar

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

Registered office

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Punjab Pakistan
Phone: + 92 (42) 111 940 940
Fax No: + 92 (42) 375 151 28
Email: support.c@avanceon.com

Headquarters North America Avanceon GP - Exton, PA, USA

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United States of America

Phone: +1 610 458 8700

Headquarters South East Asia

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Avanceon Building

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Lahore, Punjab

Pakistan

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SE Asia Technical Support: 0800 11194

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Pakistan,

Phone: +92 21 111 940 940

Islamabad Capital City

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Islamabad, Capital City

Pakistan,

Phone: +92 51 573 3031

Trade Mark

AVANCEON
Tomorrow's solutions, today.

Headquarters Middle East and Asia

Avanceon FZE - Dubai, UAE

FZS1 BD04

JAFZA

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United Arab Emirates

Phone: +971 4 88 60 277

Abu Dhabi, UAE

In Partnership with Ali & Sons

Ali & Sons Bldg.,

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

P: +971 4 88 60 277

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Jeddah, Saudia Arabia

In Partnership with ATCO LLC

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Jeddah, KSA, PO Box 1298

Phone: +966-12-6912204 x 127

Dammam, Saudia Arabia

In Partnership with ATCO LLC

ATCO Building.

King Khalid Street.

Dammam, KSA, PO Box 718

Phone: +966-12-6912204 x 127

Interim Director's Report

The directors of the company take pleasure in presenting their half yearly report together with the Company's reviewed unaudited interim condensed standalone and consolidated financial statements for the half year ended June 30, 2018.

| (Rupees 000') | For the half year ended June 30, | |
|---|----------------------------------|----------|
| | 2018 | 2017 |
| Operating results (consolidated) | | |
| Revenues | 1,448,531 | 965,408 |
| Profit before tax | 386,273 | 163,744 |
| Provision for taxation | (20,788) | (15,008) |
| Profit after taxation | 365,485 | 148,736 |
| Operating results (standalone) | | |
| Revenues | 703,471 | 383,241 |
| Profit before tax | 306,732 | 166,838 |
| Provision for taxation | (20,788) | (15,008) |
| Profit after taxation | 285,944 | 151,830 |

Earnings per share (consolidated) for the half year ended June 30, 2018

The basic earnings per share after tax is Rs. 2.68 (2017: Rs. 1.09)

Earnings per share (standalone) for the half year ended June 30, 2018

The basic earnings per share after tax is Rs. 2.10 (2017: Rs.1.11).

The operating financial results of the company for the half year ended June 30, 2018 remained on positive side and heading to achieve targeted corporate plan with respect to revenues and profit after tax for the financial year 2018, we are expecting more positive trend of earnings in 2nd half of financial year 2018, historically, our revenues and profits remain on lower side in first half year, 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, especially in Qatar, Saudi Arabia (KSA).

Communication

Communication with the shareholders is given a high priority. The Company also has a website, www.avanceon.ae, which contains up to date information on Company's activities and financial reports.

For and on behalf of the



BOARD OF DIRECTORS

August 29, 2018 Lahore, Pakistan.

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Avanceon Limited as at 30 June 2018 and the related condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

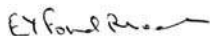
Conclusion

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

Other Matters

The figures of the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income and related notes for the quarters ended 30 June 2018 and 30 June 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months ended 30 June 2018.

The engagement partner on the audit resulting in this independent auditor's review report is Abdullah Fahad Masood.



Chartered Accountants

Lahore: August 30, 2018

Avanceon
**Standalone Condensed
Interim Financial Statements**
for the half year ended June 30, 2018

Condensed Reviewed Balance Sheet

as at June 30, 2018

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 | Audited January 01, 2017 |
|---|------|--------------------------------|---------------------------------|--------------------------------|
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Authorized Capital | | | | |
| 200,000,000 (31 December 2017: 150,000,000) | | | | |
| ordinary shares of Rs. 10 each | | 2,000,000 | 1,500,000 | 1,500,000 |
| ISSUED, SUBSCRIBED AND PAID UP CAPITAL | | | | |
| 136,323,754 (31 December 2017: 132,121,128) | | | | |
| ordinary shares of Rs. 10 each) | | 1,363,237 | 1,321,211 | 1,056,969 |
| CAPITAL RESERVES | | | | |
| Share Premium | 5 | 61,906 | 61,894 | 61,894 |
| Employees' share compensation reserve | 6 | 35,989 | 69,825 | 51,597 |
| Surplus on revaluation of property, plant and equipment | | 145,711 | 146,115 | 112,461 |
| | | 243,606 | 277,834 | 225,952 |
| REVENUE RESERVES | | | | |
| Un-appropriated profit | | 900,817 | 920,870 | 828,009 |
| | | 2,507,660 | 2,519,915 | 2,110,930 |
| NON CURRENT LIABILITIES | | | | |
| Deferred tax | | 14,803 | 11,995 | 36,270 |
| Long term loan | 7 | 10,606 | 19,697 | - |
| Liabilities against assets subject to finance lease | 8 | 47,351 | 52,517 | 44,567 |
| | | 72,760 | 84,209 | 80,837 |
| CURRENT LIABILITIES | | | | |
| Current portion of long-term loan | 7 | 18,182 | 18,182 | - |
| Current portion liabilities against subject to finance lease | 8 | 24,546 | 25,608 | 20,960 |
| Finances under mark up arrangements and other credit facilities - secured | 9 | 276,478 | 221,311 | 200,339 |
| Creditors, accrued and other liabilities | 10 | 504,972 | 548,447 | 536,080 |
| Accrued mark-up | | 3,363 | 5,516 | 3,681 |
| | | 827,541 | 819,064 | 761,060 |
| CONTINGENCIES AND COMMITMENTS | | | | |
| | 11 | | | |
| | | 3,407,961 | 3,423,188 | 2,952,827 |

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



Chief Executive Officer



Chief Financial Officer

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 | Audited January 01, 2017 |
|--|------|--------------------------------|---------------------------------|--------------------------------|
| ASSETS | | | | |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | 12 | 283,531 | 274,202 | 230,232 |
| Intangible assets | | 54 | 79 | 124 |
| Long term investments | 13 | 482,117 | 473,671 | 473,671 |
| Long term loans and deposits | | 18,239 | 18,116 | 16,850 |
| | | 783,941 | 766,068 | 720,877 |
| CURRENT ASSETS | | | | |
| Stock in trade | | 51,794 | 47,953 | 48,416 |
| Trade debts | | 1,567,613 | 1,622,192 | 1,214,804 |
| Advances, deposits, prepayments and other receivables | | 972,737 | 932,129 | 952,849 |
| Cash and bank balances | 14 | 31,876 | 54,846 | 15,881 |
| | | 2,624,020 | 2,657,120 | 2,231,950 |
| | | 3,407,961 | 3,423,188 | 2,952,827 |


Director

Condensed Reviewed Interim Profit and Loss Account

for the half year ended June 30, 2018

| (Rupees in '000) | Note | Half year ended | | Quarter ended | |
|---------------------------------------|------|-----------------|----------------|----------------|----------------|
| | | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Revenue | 15 | 703,471 | 383,241 | 350,312 | 216,926 |
| Cost of sales | | (460,308) | (214,568) | (245,142) | (112,891) |
| Gross profit | | 243,163 | 168,673 | 105,170 | 104,035 |
| Administrative and selling expenses | | (92,780) | (79,582) | (54,855) | (49,342) |
| Other operating expenses | 16 | (2,277) | (2,047) | (912) | (1,091) |
| Other operating income | 17 | 173,960 | 91,281 | 95,100 | 48,846 |
| | | 78,903 | 9,652 | 39,333 | (1,587) |
| Profit from operations | | 322,066 | 178,325 | 144,503 | 102,448 |
| Finance costs | 18 | (15,334) | (11,487) | (7,811) | (6,341) |
| Profit before tax | | 306,732 | 166,838 | 136,692 | 96,107 |
| Taxation | | (20,788) | (15,008) | (18,656) | (13,745) |
| Profit for the period | | 285,944 | 151,830 | 118,036 | 82,362 |
| Earnings per share - basic (Rupees) | | 2.10 | 1.11 | 0.87 | 0.60 |
| Earnings per share - diluted (Rupees) | | 2.04 | 1.09 | 0.84 | 0.59 |

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



Chief Executive Officer



Chief Financial Officer



Director

Statement of Condensed Reviewed Interim Comprehensive Income

for the half year ended June 30, 2018

| (Rupees in '000) | Half year ended | | Quarter ended | |
|---|------------------|------------------|------------------|------------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Profit for the period | 285,944 | 151,830 | 118,036 | 82,362 |
| Other comprehensive income | | | | |
| Items not to be reclassified to profit and loss in subsequent periods | - | - | - | - |
| Transfer from revaluation surplus on account of incremental depreciation net of tax | 404 | 341 | 195 | 220 |
| Deferred tax on revaluation surplus due to reduction in tax rate | 327 | - | 327 | - |
| Items to be reclassified to profit or loss in subsequent periods | - | - | - | - |
| Total comprehensive income for the period | 286,675 | 152,171 | 118,558 | 82,582 |

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



Chief Executive Officer



Chief Financial Officer



Director

Condensed Reviewed Interim Cash Flow Statement

for the half year ended June 30, 2018

| (Rupees in '000) | Note | Half year ended | |
|---|------|------------------|------------------|
| | | June 30, 2018 | June 30, 2017 |
| Cash flows from operating activities | | | |
| Profit before tax | | 306,732 | 166,838 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 4,542 | 4,150 |
| Depreciation of assets subject to finance lease | | 10,710 | 8,148 |
| Amortization of intangible assets | | 25 | 23 |
| Employee share option expense | | 3,960 | 3,299 |
| Bad debts written off | | - | 278 |
| Exchange (gain) / loss | | (172,029) | (5,742) |
| Gain on disposal of property, plant and equipment | | (421) | (1,310) |
| Finance cost | | 15,334 | 11,486 |
| Dividend income | | - | (75,000) |
| Income on bank deposits | | (118) | (80) |
| | | (137,997) | (54,748) |
| Profit before working capital changes | | 168,735 | 112,090 |
| Effect on cash flow due to working capital changes: | | | |
| (Increase) / decrease in current assets | | | |
| Stock in trade | | (3,841) | (9,150) |
| Trade debts | | 218,162 | (49,044) |
| Advances, deposits, prepayments and other receivables | | (53,054) | (12,232) |
| Increase / (decrease) in current liabilities | | | |
| Creditors, accrued and other liabilities | | (269,468) | 44,070 |
| | | (108,201) | (26,356) |
| Cash flows from operating activities | | 60,534 | 85,734 |
| Finance cost paid | | (17,487) | (9,711) |
| Taxes paid | | (13,082) | (2,893) |
| Net cash generated from operating activities (carried forward) | | 29,965 | 73,130 |



Chief Executive Officer



Chief Financial Officer



Director

Condensed Reviewed Interim Cash Flow Statement

for the half year ended June 30, 2018

| (Rupees in '000) | Note | Half year ended | |
|--|------|------------------|------------------|
| | | June 30, 2018 | June 30, 2017 |
| Net cash generated from operating activities (brought forward) | | 29,965 | 73,130 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (7,615) | (2,262) |
| Proceeds from sale of property, plant and equipment | | 7,243 | 2,427 |
| Investment in subsidiary | | - | 80 |
| Income on bank deposits received | | 118 | - |
| Net increase in long term advances and deposits | | (123) | (2,124) |
| Net cash (used in) investing activities | | (377) | (1,879) |
| Cash flows from financing activities | | | |
| Net receipts from finances | | 46,076 | 62,504 |
| Shares issued | | 4,242 | - |
| Dividend paid | | (80,735) | (105,697) |
| Repayment of finance lease liabilities | | (22,141) | (17,317) |
| Net cash (used in) financing activities | | (52,558) | (60,510) |
| Net decrease in cash and cash equivalents | | (22,970) | 10,741 |
| Cash and cash equivalents at the beginning of period | | 54,846 | 15,881 |
| Cash and cash equivalents at the end of period | | 31,876 | 26,622 |

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



Chief Executive Officer



Chief Financial Officer



Director

Condensed Reviewed Statement of Changes in Equity

for the half year ended June 30, 2018

| (Rupees in '000) | CAPITAL RESERVES | | | | REVENUE RESERVES | Total |
|--|------------------|---------------|---------------------------------------|---|---------------------------------|-----------|
| | Share Capital | Share Premium | Employees' share compensation reserve | Surplus on revaluation of property, plant and equipment | Un-appropriated profit / (loss) | |
| Balance as on 01 January 2017 (audited) | 1,056,969 | 61,894 | 51,597 | - | 828,009 | 1,998,469 |
| Effect of restatement (note 2.1) | - | - | - | 112,461 | - | 112,461 |
| Balance as on 01 January 2017 - Restated | 1,056,969 | 61,894 | 51,597 | 112,461 | 828,009 | 2,110,930 |
| Net comprehensive income for the period | - | - | - | (361) | 152,171 | 151,810 |
| Bonus Shares for the year ended 31 December 2016 at the rate of 25% | 264,242 | - | - | - | (264,242) | - |
| Final dividend for the year ended 31 December 2016 at the rate of Re. 1 per share | - | - | - | - | (105,697) | (105,697) |
| Employees share option reserve | - | - | 3,299 | - | - | 3,299 |
| | 264,242 | - | 3,299 | 361 | (217,768) | 49,412 |
| Balance as on 30 June 2017 (un audited) Restated | 1,321,211 | 61,894 | 54,896 | 112,100 | 610,241 | 2,160,342 |
| Balance as on 01 January 2018 (audited) | 1,321,211 | 61,894 | 69,825 | - | 920,870 | 2,373,800 |
| Effect of restatement (note 2.1) | - | - | - | 146,115 | - | 146,115 |
| Balance as on 01 January 2018- Restated | 1,321,211 | 61,894 | 69,825 | 146,115 | 920,870 | 2,519,915 |
| Profit for the period | - | - | - | - | 285,944 | 285,944 |
| Other comprehensive income | - | - | - | (404) | 731 | 327 |
| Total comprehensive income for the period | - | - | - | (404) | 286,675 | 286,271 |
| 4,199,629 shares issued under Employees' Share Option Scheme - I: | | | | | | |
| Amount utilized from employees' share compensation reserve | 37,796 | - | (37,796) | - | - | - |
| Cash received from employees against exercise price | 4,200 | - | - | - | - | 4,200 |
| | 41,996 | - | (37,796) | - | - | 4,200 |
| Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share | - | - | - | - | (306,728) | (306,728) |
| Employee share compensation reserve - charge for the period | - | - | 3,960 | - | - | 3,960 |
| Post ballot shares issued (2,997 shares of Rs. 10 each) | 30 | 12 | - | - | - | 42 |
| | 30 | 12 | 3,960 | - | (306,728) | (302,726) |
| Balance as on 30 June 2018 (un audited) | 1,363,237 | 61,906 | 35,989 | 145,711 | 900,817 | 2,507,660 |

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


Chief Executive Officer


Chief Financial Officer


Director

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

The Avanceon Limited (the Company) was incorporated in Pakistan on 26 March 2003 as a private limited company which was converted to a public company on 31 March 2008 under the repealed Companies Ordinance, 1984. The Company was listed on Lahore and Karachi Stock Exchanges (now Pakistan Stock Exchange Limited) on 10 February 2014.

The principal activity of the Company is to trade in products of automation and control equipments and to provide related technical services. Following are the business units of the Company alongwith their respective locations:

| BUSINESS UNIT | LOCATION |
|------------------|--|
| Head Office | 19 km, Multan Road, Lahore. |
| REGIONAL OFFICES | |
| Karachi | D-16/1, Block-3, Lane-5 Clifton, Karachi |
| Islamabad | 299-Pansi Road, Bahria Town, Islamabad |

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and derivatives issued under the Companies Act, 2017.

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. As a result, the Company has changed its accounting framework accordingly. This change in accounting framework has not resulted in significant changes to the amounts recognized in these condensed interim financial statements or the comparative information except some additional disclosures being made as required under the Companies Act, 2017 and presentation of surplus on revaluation of property, plant and equipment as a component of equity.

2.2 This condensed interim financial statements do 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 2017.

2.3 Standards, Interpretations and amendments to published approved accounting standards effective in 2018:

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 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
- IAS 7 - Financial Instruments: Disclosures – Disclosure Initiative- (Amendments)

"Where the provision of and directives issued under Companies Act, 2017 differ with the requirements of IAS-34 the provision of and directives issued under Companies Act, 2017 have been followed."

Improvements to Accounting Standards Issued by the IASB in December 2014

- IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

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 2017.

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 2017.

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 25,166,850 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 the same.

6. EMPLOYEES' SHARE COMPENSATION RESERVE

6.1 Share options scheme I

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

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2018

profit of the Company. During the period, 4,199,629 shares have been issued against options granted in 2013 under the scheme.

6.2 Share options scheme II

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

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 |
|--|------|--------------------------------|---------------------------------|
| 7. LONG TERM LOAN | | | |
| Secured loan from banking company | 7.1 | 28,788 | 37,879 |
| Less: Current portion as shown under current liabilities | | (18,182) | (18,182) |
| | | 10,606 | 19,697 |
| 7.1 Movement of long term loan | | | |
| Opening balance | | 37,879 | - |
| Finance availed during the period | | - | 50,000 |
| | | 37,879 | 50,000 |
| Less: Repayments during the period | | (9,091) | (12,121) |
| | | 28,788 | 37,879 |

The Company has obtained long term loan for three years from a commercial bank amounting to Rs. 50 million (31 December 2017: Rs. 50 million) bearing mark-up at the rate of 3 months KIBOR plus 200 bps repayable in equal monthly installments. This loan is secured against token mortgage of Rs. 100,000 alongwith equitable mortgage over fixed assets (land and building) of the Company, first charge over land and building for Rs. 165 million duly registered with Securities and Exchange Commission of Pakistan, pari passu charge of Rs. 375 million over current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantee of sponsor directors of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 |
|--|------|--------------------------------|---------------------------------|
| 9. FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED | | | |
| Running finance | 9.1 | 89,978 | 96,311 |
| Inland bill purchased | 9.2 | 186,500 | 125,000 |
| | | 276,478 | 221,311 |

9.1. The Company has obtained running finance facility from a commercial bank with a limit of Rs.120 million.

(31 December 2017: Rs.120 million) bearing mark-up at the rate of 3 months KIBOR plus 2.25% (31 December 2017: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs.165 million (31 December 2017: Rs.165 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed asset (land and building) of the Company, pari passu charge of Rs. 300 million (31 December 2017: Rs.300 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan to be enhanced to Rs. 375 million and personal guarantees of sponsor directors of the Company.

- 9.2. This facility from a commercial bank has a limit of Rs. 186.5 million (31 December 2017: Rs.125 million) and carries mark-up at the rate of 3 months KIBOR plus 2% per annum. The facility is secured against 10 percent margin on invoices / bills, pari passu charge of Rs. 334 million on present and future current assets of the Company, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 |
|---|------|--------------------------------|---------------------------------|
| 10. CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Trade creditors | | 131,408 | 237,949 |
| Accrued expenses | | 25,380 | 23,036 |
| Advances from customers | | 15,478 | 183,226 |
| Payable to related parties | 10.1 | 1,277 | 6,003 |
| Social security payable | | 49 | 25 |
| Provident fund payable | | 4,086 | 3,705 |
| Withholding tax payable | | 2,953 | 2,966 |
| Dividend payable | | 299,992 | 73,999 |
| Other liabilities | 10.2 | 24,349 | 17,538 |
| | | 504,972 | 548,447 |

10.1 This represents amount due to Innovative Travels (a related party) which is non-interest bearing.

10.2 This includes payable to employees against re-imbursable expenses and amount paid for purchase of vehicles under Company policy amounting to Rs. 2,953,369 (31 December 2017: Rs. 1,767,245) and Rs. 14,111,495 (31 December 2017: Rs.9,005,249) respectively.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 43,870 million (31 December 2017: Rs 22,262 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.
- (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

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2018

(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. 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. The Company expects a favourable outcome of the case.

11.2 Commitments

- (i) Letters of credit includes Rs. 10,150 million (31 December 2017: 25,920) which relates to import acceptance bills.

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 |
|---|--------|--------------------------------|---------------------------------|
| 12. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets - tangible | 12.1 | 215,478 | 212,677 |
| Assets subject to finance lease | 12.2 | 68,053 | 61,525 |
| | | 283,531 | 274,202 |
| 12.1 Operating fixed assets - tangible | | | |
| Opening book value | | 212,677 | 177,560 |
| Add: Additions/transfers during the period / year -cost | 12.1.1 | 7,615 | 6,597 |
| Add: Effect of revaluation | | - | 36,337 |
| | | 220,292 | 220,494 |
| Less: Deletions during the period / year | 12.1.2 | (5,221) | (3,427) |
| | | 215,071 | 217,067 |
| Less: Depreciation during the period / year | | (4,542) | (8,210) |
| Add: Adjustment for assets transferred from lease to owned assets | | 4,949 | 3,820 |
| Book value at the end of the period / year | | 215,478 | 212,677 |
| 12.1.1 Additions / transfers during the period / year - cost | | | |
| Buildings | | 213 | - |
| Furniture and fixture | | 2,024 | - |
| Vehicles (transfers from finance lease) | | - | 1,326 |
| Office equipment and appliances | | 1,542 | 988 |
| Computers | | 3,836 | 4,283 |
| | | 7,615 | 6,597 |

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 |
|---|------|--------------------------------|---------------------------------|
| 12.1.2 Deletions during the period / year - net book value | | | |
| Vehicles | | 5,221 | 3,427 |
| 12.2 Assets subject to finance lease | | | |
| Opening book value | | 61,525 | 52,672 |
| Add: Additions during the period / year | | 23,788 | 30,107 |
| | | 85,313 | 82,779 |
| Less: Transfers to operating assets period / year - net book value | | (4,949) | (3,820) |
| Less: Deletions during the period / year - net book value | | (1,601) | - |
| | | 78,763 | 78,959 |
| Less: Depreciation during the period / year | | (10,710) | (17,434) |
| Book value at the end of the period / year | | 68,053 | 61,525 |

| Note | Un-Audited June 30, 2018 | | Audited December 31, 2017 | | |
|---|-----------------------------|------------------------|------------------------------|------------------------|---------|
| | Equity % held | Investment at cost | Equity % held | Investment at cost | |
| | Percentage | Rupees in thousand) | Percentage | Rupees in thousand) | |
| 13. LONG TERM INVESTMENT | | | | | |
| Wholly owned subsidiary - unquoted - Avanceon FZE Dubai - at cost 26 (December 2017 : 26) fully paid ordinary shares of AED 1 million each | 13.1 | 100 | 473,671 | 100 | 473,671 |
| A subsidiary - unquoted - Avanceon Automation and Control W.L.L, Qatar - at cost 98 (December 2017 : Nil) fully paid ordinary shares of QAR 1,000 each | 13.2 | 49 | 8,446 | - | - |
| | | | 482,117 | | 473,671 |

13.1 Avanceon FZE Dubai 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 engineering and technical support.

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2018

13.2 Avanceon Automation and Control W.L.L, Qatar is a company with limited liability registered under the Ministry of Economy and Commerce, state of Qatar on 22 May 2017 with Registration No. is 99027. Its registered office is situated in Al Jaber Engg. HO Building, PO Box: 15976, Fox Hills, Lusail, Doha - Qatar. The principal activities of the subsidiary are to trade in automated measurement, control and measurements devices. The activities further include the installation, measuring, controlling and repairing of equipment and devices. During the period, the Company has acquired control over its financial and operating decision making.

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 |
|-----------------------------------|------|--------------------------------|---------------------------------|
| 14. CASH AND BANK BALANCES | | | |
| Cash in hand | | 144 | 92 |
| Cash at bank | | | |
| - Current accounts | | 26,708 | 22,045 |
| - Savings accounts | 14.1 | 5,024 | 32,709 |
| | | 31,732 | 54,754 |
| | | 31,876 | 54,846 |

14.1 The balances in savings accounts bear mark-up at the rate of 4.5% (December 2017: 4.25% to 3.75%) per annum.

| (Rupees in '000) | Note | Half year ended | | Quarter ended | |
|----------------------|------|------------------|------------------|------------------|------------------|
| | | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| 15. REVENUE | | | | | |
| Core business | | 429,609 | 131,706 | 220,389 | 68,558 |
| After Market Support | | 88,416 | 81,849 | 45,717 | 41,103 |
| Specialized business | | 11,864 | 20,485 | 5,070 | 10,506 |
| Engineering | | 34,319 | 17,073 | 15,253 | 8,840 |
| Others | 15.1 | 139,263 | 132,128 | 63,883 | 87,919 |
| | | 703,471 | 383,241 | 350,312 | 216,926 |

15.1 This represents agency commission, business process outsourcing and fee for technical services provided to Avanceon FZE and Avanceon Automation and Control W.L.L, subsidiaries of the Company,

| (Rupees in '000) | Note | Half year ended | | Quarter ended | |
|-------------------------------------|------|------------------|------------------|------------------|------------------|
| | | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| 16. OTHER OPERATING EXPENSES | | | | | |
| Social security | | 147 | 140 | 73 | 69 |
| Donations | | 2,130 | 1,907 | 839 | 1,022 |
| | | 2,277 | 2,047 | 912 | 1,091 |

| (Rupees in '000) | Note | Half year ended | | Quarter ended | |
|--|------|-----------------|---------------|---------------|---------------|
| | | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| 17. OTHER OPERATING INCOME | | | | | |
| Income on bank deposits | | 118 | 80 | 36 | 48 |
| Gain on disposal of property, plant and equipment | | 421 | 1,310 | 360 | 690 |
| Exchange gain | | 172,029 | 5,742 | 93,312 | 2,143 |
| Dividend income | | - | 75,000 | - | 45,000 |
| Others | | 1,392 | 9,149 | 1,392 | 965 |
| | | 173,960 | 91,281 | 95,100 | 48,846 |
| 18. FINANCE COST | | | | | |
| Mark-up and interest on: | | | | | |
| - Long term loan | | 1,358 | 1,853 | 649 | 1,853 |
| - Finances under mark up arrangements and other credit facilities secured | | 10,246 | 6,062 | 5,020 | 3,782 |
| - Finance lease | | 2,246 | 2,390 | 1,099 | 894 |
| - Other financial arrangements | | - | 260 | - | (892) |
| Bank charges | | 735 | 295 | 436 | 182 |
| Guarantee commission | | 749 | 627 | 607 | 522 |
| | | 15,334 | 11,487 | 7,811 | 6,341 |

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

| (Rupees in '000) | | Un-audited June 30, 2018 | Un-audited June 30, 2017 |
|---|---|--------------------------------|--------------------------------|
| i. Subsidiaries | | | |
| Avanceon FZE, Dubai | Agency commission | 3,858 | 4,712 |
| | Export sales | - | 483 |
| | Business process outsourcing | 34,447 | 52,604 |
| | Fee for technical services | 6,868 | 74,330 |
| | Revenue recognized on the project based on the stage of completion | 29,781 | 23,317 |
| Avanceon Automation and Control W.L.L, Qatar | Business process outsourcing | 31,363 | - |
| | Fee for technical services | 62,727 | - |
| | Revenue recognized on the project based on the stage of completion | 12,532 | - |
| ii. Associates | Other charges and reimbursement of expenses | 5,990 | 8,378 |
| iii. Post employment benefit plans | Expense charged in respect of retirement benefit plan | 4,832 | 4,212 |

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

Notes to and forming Part of Condensed Reviewed Interim Financial Information

for the half year ended June 30, 2018

20. REMUNERATION OF DIRECTOR AND OTHER EXECUTIVES

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

| (Rupees in '000) | Director | | Others Executives | |
|--------------------------------|----------|----------|-------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | | Restated | | Restated |
| Managerial remuneration | 2,300 | 2,018 | 29,333 | 25,609 |
| House rent | 920 | 807 | 11,733 | 10,244 |
| Utilities | 230 | 202 | 2,933 | 2,561 |
| Contribution to provident fund | 230 | 202 | 2,933 | 2,561 |
| Others | 52 | 69 | 1,449 | 664 |
| | 3,732 | 3,298 | 48,381 | 41,639 |
| Number of persons | 1 | 1 | 41 | 33 |

Comparatives for Executives' remuneration have been restated in line with change in definition of Executive brought about by the application of Companies Act, 2017.

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

No remuneration has been paid to non-executive directors and Chief Executive Officer of the Company.

21. GENERAL

21.1 Figures have been rounded off to the nearest thousand rupee. Corresponding figures have been re-arranged wherever necessary for better presentation. Third balance sheet has not been presented due to no material re-arrangements having impact on overall outlook of the financial statements being made except for presentation of surplus on revaluation of property, plant and equipment within equity as explained in note 2.1 in compliance with Companies Act, 2017.

21.2 The figures of condensed interim profit or loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2018 and 30 June 2017 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized by the Board of Directors of the Company for issue on August 29, 2018.



Chief Executive Officer



Chief Financial Officer



Director

BLANK

Avanceon
Consolidated Condensed
Interim Financial Statements
for the half year ended June 30, 2018

Consolidated Condensed Balance Sheet

as at June 30, 2018

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 | Audited January 01, 2017 |
|--|------|--------------------------------|---------------------------------|--------------------------------|
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Authorised capital | | | | |
| 200,000,000 (2017: 150,000,000) | | | | |
| ordinary shares of Rs. 10 each | | 2,000,000 | 1,500,000 | 1,500,000 |
| ISSUED, SUBSCRIBED AND PAID UP CAPITAL | | | | |
| 136,323,754 (2017: 132,121,128) | | | | |
| ordinary shares of Rs. 10 each | | 1,363,238 | 1,321,211 | 1,056,969 |
| CAPITAL RESERVES | | | | |
| Share premium | | 61,906 | 61,894 | 61,894 |
| Employees' share compensation reserve | | 35,989 | 69,825 | 51,597 |
| Exchange revaluation reserve | | 312,200 | 244,839 | 209,034 |
| Surplus On Revaluation Of Property, Plant & Equipment | | 145,710 | 146,115 | 112,461 |
| | | 555,805 | 522,673 | 434,986 |
| REVENUE RESERVES | | | | |
| Un-appropriated Profit | | 953,022 | 894,266 | 700,040 |
| | | 2,872,065 | 2,738,150 | 2,191,995 |
| NON CURRENT LIABILITIES | | | | |
| Long Term Loans | | 10,606 | 19,697 | - |
| Liabilities against assets subject to finance lease | | 52,262 | 52,517 | 44,567 |
| Deferred taxation | | 14,803 | 11,995 | - |
| Deferred liabilities | | 50,523 | 36,946 | 64,516 |
| | | 128,194 | 121,155 | 109,083 |
| CURRENT LIABILITIES | | | | |
| Current portion of Long Term Loans | | 18,182 | 18,182 | - |
| Current portion of long-term liabilities | | 26,183 | 25,608 | 21,522 |
| Finances under mark up arrangements and other credit facilities - secured | | 309,508 | 339,604 | 265,637 |
| Creditors, accrued and other liabilities | | 1,523,126 | 1,354,264 | 696,659 |
| | | 1,876,999 | 1,737,658 | 983,818 |
| CONTINGENCIES AND COMMITMENTS | | | | |
| | 3 | | | |
| | | 4,877,258 | 4,596,962 | 3,284,896 |

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer



Chief Financial Officer

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Audited December 31, 2017 | Audited January 01, 2017 |
|--|------|--------------------------------|---------------------------------|--------------------------------|
| ASSETS | | | | |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | | 293,548 | 277,105 | 233,107 |
| Intangible Assets | | 54 | 78 | 124 |
| Long term investment | | 650,994 | 599,345 | 567,349 |
| Long term deposits | | 34,732 | 33,262 | 30,624 |
| | | 979,329 | 909,790 | 831,204 |
| CURRENT ASSETS | | | | |
| Stock in trade | | 101,487 | 93,387 | 101,234 |
| Trade debts | | 2,927,876 | 2,892,596 | 1,837,932 |
| Advances, deposits, prepayments and other receivables | | 472,155 | 337,090 | 243,154 |
| Term deposits with banks | | 165,777 | 194,769 | 155,554 |
| Cash and bank balances | | 230,634 | 169,330 | 115,818 |
| | | 3,897,929 | 3,687,172 | 2,453,692 |
| | | 4,877,258 | 4,596,962 | 3,284,896 |


 Director

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

for the half year ended June 30, 2018

| (Rupees in '000) | Note | Half year ended | | Quarter ended | |
|--|------|------------------|------------------|------------------|------------------|
| | | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Sales | | 1,448,531 | 965,408 | 859,183 | 451,314 |
| Cost of sales | | (992,838) | (636,094) | (617,359) | (303,240) |
| Gross Profit / (Loss) | | 455,693 | 329,314 | 241,824 | 148,074 |
| Administrative and selling expenses | | (212,036) | (161,645) | (118,728) | (89,761) |
| Other operating expenses | | (2,278) | (2,047) | (913) | (1,091) |
| Other operating income | | 175,646 | 24,073 | 93,806 | 7,708 |
| | | (38,668) | (139,619) | (25,834) | (83,143) |
| Profit / (Loss) from operations | | 417,025 | 189,695 | 215,989 | 64,930 |
| Finance costs | | (30,752) | (25,951) | (16,612) | (16,220) |
| Profit / (Loss) before tax | | 386,273 | 163,744 | 199,377 | 48,710 |
| Taxation | | (20,788) | (15,008) | (18,656) | (13,745) |
| Income for the period from operations | | 365,485 | 148,736 | 180,721 | 34,965 |
| Combined earnings per share | | | | | |
| Basic | | 2.68 | 1.09 | 1.33 | 0.26 |
| Diluted | | 2.61 | 1.06 | 1.29 | 0.25 |

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Statement of Condensed Interim Comprehensive Income (Un-audited)
for the half year ended June 30, 2018

| (Rupees in '000) | Note | Half year ended | | Quarter ended | |
|---|------|-----------------|----------------|----------------|---------------|
| | | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Profit / (Loss) for the period | | 365,485 | 148,736 | 180,721 | 34,965 |
| Other comprehensive income | | | | | |
| Items to be re-classified to profit and loss in subsequent period | | | | | |
| - Exchange difference on translating foreign operations | | 66,629 | (6,638) | 36,201 | (7,128) |
| - Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax | | 404 | 361 | 195 | 240 |
| Deferred tax on revaluation surplus due to reduction in tax rate | | 327 | - | 327 | - |
| Items not to be re-classified to profit and loss in subsequent period | | - | - | - | - |
| Total comprehensive income for the period | | 432,845 | 142,460 | 217,444 | 28,077 |

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Condensed Interim Cash Flow Statement (Un-audited)

for the half year ended June 30, 2018

| (Rupees in '000) | Note | Un-audited June 30, 2018 | Un-audited June 30, 2017 |
|---|------|--------------------------------|--------------------------------|
| Cash flow from operating activities | | | |
| Profit/ (loss) before tax | | 386,273 | 163,744 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | | 16,112 | 13,040 |
| Amortization of intangible asset | | 23 | 23 |
| Exchange (gain) / loss | | (170,154) | 5,742 |
| Exchange revaluation reserve | | (66,832) | 3,630 |
| Employee benefit expense | | 14,000 | 3,614 |
| Finance cost | | 30,752 | 25,951 |
| (Gain)/ loss on disposal of fixed assets | | (464) | (1,310) |
| Income on bank deposits | | (3,480) | (6,892) |
| | | (180,043) | 43,797 |
| Profit before working capital changes | | 206,230 | 207,541 |
| (Increase) / decrease in current assets | | | |
| - Stock in trade | | (8,099) | 868 |
| - Trade debts | | 134,874 | 68,546 |
| - Advances, deposits, prepayments and other receivables | | (122,159) | (97,199) |
| Increase / (decrease) in current liabilities | | | |
| - Creditors, accrued and other liabilities | | (29,119) | (7,803) |
| | | (24,502) | (35,589) |
| Cash (used in) / generated from operations | | 181,728 | 171,953 |
| Finance costs paid | | (32,904) | (25,164) |
| Taxes paid | | (15,415) | (12,895) |
| Net cash (used in) / generated from operating activities (carried forward) | | 133,408 | 133,893 |

Condensed Interim Cash Flow Statement (Un-audited)

for the half year ended June 30, 2018

| (Rupees in '000) | Note | Half year ended | |
|---|------|------------------|------------------|
| | | June 30, 2018 | June 30, 2017 |
| Net cash (used in) / generated from operating activities (brought forward) | | 133,408 | 133,893 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (14,721) | (3,631) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | 6,418 | 2,427 |
| Profit on bank deposit | | 3,480 | 6,892 |
| Term deposits with banks | | 28,992 | 57,025 |
| Net change in long term advances and deposits | | (1,470) | (3,586) |
| Net cash (used in) / generated from investing activities | | 22,699 | 59,127 |
| Cash flows from financing activities | | | |
| Share issued | | 4,242 | - |
| Dividend paid | | (80,735) | (105,697) |
| Long term loan | | (9,091) | 46,970 |
| Repayment of finance lease liabilities | | (9,218) | (17,222) |
| Net cash (used in) / generated from financing activities | | (94,802) | (75,950) |
| Net (decrease) / increase in cash and cash equivalents | | 61,305 | 117,070 |
| Cash and cash equivalents at the beginning of year | | 169,330 | 115,818 |
| Cash and cash equivalents at the end of period | | 230,634 | 232,888 |

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Condensed Statement of Changes in Equity (Un-audited) for the half year ended June 30, 2018

| (Rupees in '000) | CAPITAL RESERVES | | | | | REVENUE RESERVES | Total |
|--|------------------|-----------------------|---------------------------------------|------------------------------|---|---------------------------------|-----------|
| | Share Capital | Share Premium reserve | Employees' share compensation reserve | Exchange revaluation reserve | Surplus on revaluation of property, plant and equipment | Un-appropriated profit / (loss) | |
| Balance as on January 01, 2017 | 1,056,969 | 61,894 | 51,597 | 209,034 | - | 700,040 | 2,079,535 |
| Effect of restatement | - | - | - | - | 112,461 | - | 112,461 |
| Balance as on 01 January 2017- Restated | 1,056,969 | 61,894 | 51,597 | 209,034 | 112,461 | 700,040 | 2,191,996 |
| Profit for the period | | | | | | 148,736 | 148,736 |
| Other comprehensive income | | | | (6,638) | (361) | 341 | (6,658) |
| Final dividend for the year ended 31 December 2016 at the rate of Re. 1 per share | - | - | - | - | - | (105,697) | (105,697) |
| Bonus Shares for the year ended 31 December 2016 at the rate of 25% | 264,242 | - | - | - | - | (264,242) | - |
| Adjustment of ESOS 2nd Issue | - | - | 3,299 | - | - | - | 3,299 |
| | 264,242 | - | 3,299 | (6,638) | (361) | (220,862) | 39,680 |
| Balance as on June 30, 2017 | 1,321,211 | 61,894 | 54,896 | 202,396 | 112,100 | 479,178 | 2,231,676 |
| Profit for the period | - | - | - | - | - | 414,736 | 414,736 |
| Effect of revaluation | - | - | - | - | 34,345 | - | 34,345 |
| Other comprehensive income | - | - | - | 42,443 | (331) | 351 | 42,463 |
| | - | - | - | 42,443 | 34,014 | 415,087 | 491,545 |
| Adjustment of ESOS 2nd Issue | - | - | 14,929 | - | - | - | 14,929 |
| Balance as on December 31, 2017 | 1,321,211 | 61,894 | 69,825 | 244,839 | 146,115 | 894,266 | 2,738,149 |
| Profit for the period | - | - | - | - | - | 365,485 | 365,485 |
| Other comprehensive income | - | - | - | 66,629 | (404) | 731 | 66,956 |
| | - | - | - | 66,629 | (404) | 366,216 | 432,441 |
| Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share | - | - | - | - | - | (306,728) | (306,728) |
| ESOS-I issued, 4,199,629 shares @ Rs. 10 | 41,996 | - | (37,796) | - | - | - | 4,200 |
| Post ballot shares issued 2,997 @ Rs. 14 | 30 | 12 | - | - | - | - | 42 |
| Adjustment of ESOS 2nd Issue | - | - | 3,960 | - | - | - | 3,960 |
| | 42,026 | 12 | (33,836) | - | - | (306,728) | (298,526) |
| Balance as on June 30, 2018 | 1,363,238 | 61,906 | 35,989 | 311,468 | 145,710 | 953,753 | 2,872,065 |

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.


Chief Executive Officer


Chief Financial Officer


Director

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

for the half year ended June 30, 2018

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 Companies and Associated Undertaning;

| | % age of holding |
|--|------------------|
| - Avanceon, Free Zone Establishment, UAE (AFZE); | 100% |
| - Avanceon Automation and Control WLL, (AVAC), Doha, Qatar | 49% |
| - 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.

AVAC is a company with limited liability registered under the Ministry of Economy and Commerce, state of Qatar on 22 May 2017 with Registration No. is 99027. Its registered office is situated in Al Jaber Engg. HO Building, PO Box: 15976, Fox Hills, Lusail, Doha - Qatar. The principal activities of the subsidiary are to trade in automated measurement, control and measurements devices. The activities further include the installation, measuring, controlling and repairing of equipment and devices. During the period, the Company has acquired control over its financial and operating decision making.

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

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 standards effective in 2017:

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 |
| IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments) | 01 January 2018 |
| IFRS 9 - Financial Instruments: Classification and Measurement | 01 July 2018 |
| IFRS 9 - Prepayment Features with Negative Compensation – (Amendments) | 01 January 2019 |
| IFRS 15 - Revenue from Contracts with Customers | 01 January 2018 |
| IFRIC 22 - Foreign Currency Transactions and Advance Consideration | 01 January 2018 |
| IFRIC 23 - Uncertainty over Income Tax Treatments | 01 January 2019 |

The Group expects that the adoption of the above revisions and amendments of the standards will not materially affect the Group's financial statements in the period of initial application or later periods except for IFRS 15. The management is in the process of determining the effect of application of IFRS 15.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019. The Group expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application.

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

for the half year ended June 30, 2018

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 16 - Leases | 01 January 2019 |
| IFRS 17 - Insurance Contracts | 01 January 2021 |

The Group expects that the adoption of the above standards will have no material effect on the Group's financial statements, in the period of initial application, except for IFRS 16. The management is in the process of determining the effect of application of IFRS 16.

3. Contingencies and commitments

3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 43,870 million (31 December 2017: Rs. 22,262 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.

3.2 Commitments

- (i) Avanceon Limited has commitment of letters of credit includes Rs. 10.150 million (31 December 2017: 25.920) which relates to import acceptance bills.
- (ii) Avanceon FZE has provided the following commitments;

| (Rupees in '000) | Un-audited June 30, 2018 | Audited December 31, 2017 |
|--|--------------------------------|---------------------------------|
| Labour/ performance guarantee | 209,432 | 250,218 |
| Letters of credit | | |
| Post dated cheques issued to; JAFZA against payment of rent | 3,014 | 6,525 |
| | 212,446 | 256,743 |

4. Remuneration of chief executive, directors and executives

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

| (Rupees in '000) | CEO | | Director | | Other Executives | |
|---------------------------|--------|--------|----------|-------|------------------|--------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Managerial remuneration | 18,469 | 14,544 | 3,233 | 2,872 | 67,485 | 58,484 |
| House rent | 5,965 | 5,466 | 920 | 807 | 26,544 | 24,007 |
| Utilities | 3,356 | 3,075 | 230 | 202 | 6,693 | 6,011 |
| Provident Fund / Gratuity | 6,155 | 808 | 230 | 249 | 6,908 | 4,756 |
| Others | 559 | 512 | 52 | 69 | 4,435 | 3,517 |
| | 34,505 | 24,406 | 4,665 | 4,199 | 112,065 | 96,775 |
| Number of persons | 1 | 1 | 1 | 1 | 52 | 43 |

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

5. Date of authorization for issue

The condensed interim consolidated financial information was authorised for issue on August 29, 2018 by the Board of Directors of the Holding Company.

6. General

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Chief Financial Officer



Director

AVANCEON

Tomorrow's solutions, today.

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