SEAMLESS ENGINEERING

QUARTERLY REPORT Q1 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 & Renumeration Committee

Mr. Umar Ahsan Khan	Chairman
Mr. Bakhtiar Hameed Wain	Member
Mr. Khalid Hameed Wain	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

Qatar Islamic Bank, QIB, Qatar

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 first quarter ended March 31, 2018. The Director's Report, prepared under section 236 of the Companies Ordinance, 1984 as required for interim financial reporting.

(Rupees in '000)	For the first quarter ended March 31, 2018	2017	%age
Operating results (standalone)			
Revenues	353,159	166,315	112%
Profit before tax	170,040	70,730	140%
Provision for taxation	(2,131)	(1,263)	
Profit after taxation	167,909	69,468	141%
Operating results (consolidated)			
Revenues	589,348	514,093	15%
Profit before tax	186,896	115,034	62%
Provision for taxation	(2,131)	(1,263)	
Profit after taxation	184,765	113,771	62%

Earnings per share (standalone) for the first quarter ended March 31, 2018

The basic earnings per share after tax is Rs. 1.27 (2017: Rs.0.53).

Earnings per share (consolidated) for first quarter ended March 31, 2018

The basic earnings per share after tax is Rs. 1.40 (2017: Rs. 1.08)

The standalone operating financial results of the company for the first quarter ended March 31, 2018 remained on positive side as per projected plan as disclosed in Annual Report 2017 by the Chief Financial Officer and President/CEO of the Company, we observed 112% and 141% excellent QoQ growth in revenues and profits after taxations respectively as compared to last comparative first quarter of FY 2017 based all-time high business in hand in Pakistan, The company also observed excellent 62% QoQ growth in consolidated revenues and profits after taxations as compare to last year first quarter FY 2017 based on again all-time high business in hand in Qatar and KSA.

We started first quarter with excellent QoQ growth in business in Pakistan an Middle East, hopefully, we shall keep this momentum in 2nd & 3rd quarter of current financial year with major portion of revenue recognition of orders start getting recognized in 3rd and 4th quarter due to business cycle which is being observed from many financials years, currently, we have strong portfolio of orders in hand and in the pipeline for Pakistan, UAE, Qatar, Saudi Arabia (KSA).

Communication

Communication with the shareholders is given a high priority. Financial reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company also has a website, www.avanceon.ae, which contains up to date information on Company's activities and financial reports.

For and on behalf of the

BOARD OF DIRECTORS

April 27, 2018
Lahore, Pakistan.

Avanceon

Standalone Condensed Interim Financial Statements

for the first quarter ended March 31, 2018

Condensed Balance Sheet (Un-audited)

as at March 31, 2018

(Rupees in '000)	Note	Un-audited March 31, 2018	Un-audited December 31, 2017
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2017: 150,000,000)			
ordinary shares of Rs. 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
132,121,128 (2017: 132,121,128)			
ordinary shares of Rs. 10 each		1,321,211	1,321,211
CAPITAL RESERVE			
Share Premium		61,894	61,894
Employees' share compensation reserve		71,700	69,825
		133,594	131,719
REVENUE RESERVE			
Un-appropriated profit		1,088,986	920,870
		2,543,791	2,373,800
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		145,906	146,115
NON CURRENT LIABILITIES			
Long Term Loan		15,152	19,697
Daffered Tax Liabilities		11,995	11,995
Liabilities against assets subject to finance lease		42,418	52,517
		69,565	84,209
CURRENT LIABILITIES			
Current portion of long-term loans		18,182	18,182
Current portion liabilities against subject to finance lease		26,754	25,608
Finances under mark up arrangements and other credit facilities - secured		217,067	221,311
Creditors, accrued and other liabilities		467,882	553,962
		729,885	819,063
CONTINGENCIES AND COMMITMENTS	3		
		3,489,147	3,423,187

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

Chief Executive Officer

Chief Financial Officer

(Rupees in '000)	Un-audited March 31, 2018	Audited December 31, 2017
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	281,480	274,202
Intangible Assets	66	79
Long term investments	473,671	473,671
Long term loans & deposits	17,483	18,116
	772,700	766,068
CURRENT ASSETS		
Stock in trade	69,006	47,953
Trade debts	1,596,630	1,622,192
Advances, deposits, prepayments and other receivables	978,482	932,129
Cash and bank balances	72,328	54,846
	2,716,447	2,657,120
	3,489,147	3,423,187

Director

Condensed Interim Profit and Loss Account (Un-audited)

for the first quarter ended March 31, 2018

(Rupees in '000)	Un-audited March 31, 2018	Un-audited March 31, 2017
Sales	353,159	166,315
Cost of sales	(215,166)	(101,677)
Gross profit / (loss)	137,993	64,638
Administrative and selling expenses	(37,925)	(30,241)
Other operating expenses	(1,365)	(956)
Other operating income	78,860	42,435
	39,570	11,238
Profit / (loss) from operations	177,562	75,876
Finance costs	(7,523)	(5,145)
Profit / (loss) before tax	170,040	70,730
Taxation	(2,131)	(1,263)
Profit / (loss) for the period	167,909	69,468
Earnings / (loss) per share - basic	1.27	0.66
Earnings / (loss) per share - diluted	1.21	0.63

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

Chief Executive Officer

Chief Financial Officer

Director

Statement of Condensed Interim Comprehensive Income (Un-audited)

for the first quarter ended March 31, 2018

(Rupees in '000)	Un-audited March 31, 2018	Un-audited March 31, 2017
Profit /(loss) for the period	167,909	69,468
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	209	121
Total comprehensive income / (loss) for the period	168,118	69,589

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

Chief Executive Officer

Chief Financial Officer

Director

Condensed Interim Cash Flow Statement (Un-audited)

for the first quarter ended March 31, 2018

(Rupees in '000)	Note	Un-audited March 31, 2018	Un-audited March 31, 2017
Cash flows from operating activities			
Cash generated from operations	4	72,754	3,587
Finance cost paid		(7,806)	(4,365)
Taxes paid		(32,258)	(2,389)
Net cash (used in) from operating activities		32,690	(3,167)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,688)	(686)
Proceeds from sale of property, plant and equipment		5,339	1,405
Profit on bank deposit		82	32
Net change in long term advances and deposits		633	209
Net cash generated from investing activities		3,366	959
Cash flows from financing activities			
Share issued		-	-
Long term Loan		(4,545)	50,000
Repayment of finance lease liabilities		(14,029)	(5,687)
Net cash (used in) from financing activities		(18,574)	44,313
Net increase in cash and cash equivalents		17,482	42,105
Cash and cash equivalents at the beginning of period		54,846	15,881
Cash and cash equivalents at the end of period		72,328	57,986

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

Chief Executive Officer

Chief Financial Officer

Director

Statement of Condensed Changes in Equity (Un-audited)

for the first quarter ended March 31, 2018

(Rupees in '000)	Share Capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 01, 2017	1,056,969	61,894	51,597	828,009	1,998,469
Profit for the period	-	-	-	69,468	69,468
Other comprehensive income	-	-	-	121	121
	-	-	-	69,589	69,589
Balance as on March 31, 2017	1,056,969	61,894	51,597	897,598	2,068,058
Profit for the period	-	-	-	392,640	392,640
Other comprehensive income	-	-	-	571	571
	-	-	-	393,211	393,211
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)	-
Employees share option scheme	-	-	18,228	-	18,228
	264,242	-	18,228	(369,939)	(87,469)
Balance as on December 31, 2017	1,321,211	61,894	69,825	920,870	2,373,800
Profit for the period	-	-	-	167,907	167,907
Other comprehensive income	-	-	-	209	209
Cash received against ESOS	-	-	1,875	-	1,875
	-	-	1,875	168,116	169,991
Balance as on March 31, 2018	1,321,211	61,894	71,700	1,088,986	2,543,791

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

Chief Executive Officer

Chief Financial Officer

Director

Notes to and forming part of Condensed Interim Financial Information

for the first quarter ended March 31, 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.

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:

New and amended standards and interpretations

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

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

IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)

IFRS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2016

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

The adoption of the above amendments and improvements did not have any material effect on the financial statements.

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

The following new standards, amendments and interpretations to new standards 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 Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company'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 Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

Standard			IASB Effective date (annual periods beginning on or after)
IFRS 14	-	Regulatory Deferred Accounts	01 January 2016
IFRS 16	-	Leases	01 January 2019
IFRS 17	-	Insurance Contracts	01 January 2021

The Company expects that the adoption of the above standards will have no material effect on the Company'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. 7.423 million (December 31, 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) Letters of credit includes Rs. Nil (December 31, 2017: 25.920 million) which relates to import acceptance bills.

(Rupees in '000)	Un-audited March 31, 2018	Un-audited March 31, 2017
4. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	170,040	70,730
Adjustments for:		
Depreciation on property, plant and equipment	7,310	6,081
Amortization on intangible asset	12	12
Exchange (gain)/loss	(78,716)	(3,599)
Gain on disposal of property, plant and equipment	(61)	(620)
Finance cost	7,523	5,145
Profit on bank deposit	(82)	(32)
	(64,016)	6,987
Profit before working capital changes	106,022	77,717
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(21,053)	(5,289)
- Trade debts	104,278	111,316
- Advances, deposits, prepayments and other receivables	(28,327)	(39,516)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	(88,166)	(140,640)
	(33,268)	(74,129)
Cash generated from operations	72,754	3,587

5. 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:

	Chief Operating Officer / Director		Others Executives	
(Rupees in '000)	2018	2017	2018	2017
Managerial remuneration	1,137	1,009	9,201	7,510
House rent	455	404	3,680	3,004
Utilities	114	101	920	751
Contribution to provident fund	114	101	920	752
Others	67	14	334	249
	1,887	1,629	15,055	12,266
Number of persons	1	1	18	16

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

6. DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on April 27, 2018 by the Board of Directors of the Company.

7. GENERAL

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

Chief Executive Officer | Chief Financial Officer | Director

Avanceon

Consolidated Condensed Interim Financial Statements

for the first quarter ended March 31, 2018

Consolidated Condensed Balance Sheet

as at March 31, 2018

(Rupees in '000)	Note	Un-audited March 31, 2018	Audited December 31, 2017
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
150,000,000 (2017: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
132,121,128 (2017: 132,121,128) ordinary shares of Rs. 10 each		1,321,211	1,321,211
CAPITAL RESERVES			
Share premium		61,894	61,894
Employees' share compensation reserve		71,700	69,825
Exchange revaluation reserve		275,267	244,839
		409,070	376,558
REVENUE RESERVES			
Un-appropriated profit		1,079,239	894,266
		2,809,312	2,592,034
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		145,906	146,115
NON CURRENT LIABILITIES			
Long Term Loans		15,152	19,697
Liabilities against assets subject to finance lease		42,418	52,517
Deferred taxation		11,995	11,995
Deferred liabilities		40,633	36,946
		110,198	121,155
CURRENT LIABILITIES			
Current portion of long term Loans		18,182	18,182
Current portion liabilities against subject to finance lease		26,754	25,608
Finances under mark up arrangements and other credit facilities - secured		266,990	339,604
Creditors, accrued and other liabilities		1,209,527	1,354,264
		1,521,453	1,737,658
CONTINGENCIES AND COMMITMENTS	3		
		4,586,868	4,596,962

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

Chief Executive Officer

Chief Financial Officer

(Rupees in '000)	Un-audited March 31, 2018	Audited December 31, 2017
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	285,209	277,105
Intengible Assets	66	78
Long term investment	625,900	599,345
Long term loans & deposits	33,367	33,262
	944,542	909,790
CURRENT ASSETS		
Stock in trade	129,817	93,387
Trade debts	2,756,916	2,892,596
Advances, deposits, prepayments and other receivables	350,365	337,090
Term deposits with banks	157,345	194,769
Cash and bank balances	247,883	169,330
	3,642,326	3,687,172
	4,586,868	4,596,962

Director

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

for the first quarter ended March 31, 2018

(Rupees in '000)	Un-audited March 31, 2018	Un-audited March 31, 2017
Sales	589,348	514,093
Cost of sales	(375,478)	(332,854)
Gross Profit/(Loss)	213,869	181,240
Administrative and selling expenses	(93,309)	(71,885)
Other operating expenses	(1,365)	(956)
Other operating income	81,839	16,366
	(12,834)	(56,475)
Profit/(Loss) from operations	201,035	124,764
Finance costs	(14,140)	(9,730)
Profit/(Loss) before tax	186,896	115,034
Taxation	(2,131)	(1,263)
Income for the period from operations	184,765	113,771
Combined earnings per share		
Earnings / (loss) per share - basic	1.40	1.08
Earnings / (loss) per share - diluted	1.33	1.03

The annexed notes 1 to 7 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 first quarter ended March 31, 2018

(Rupees in '000)	Un-audited March 31, 2018	Un-audited March 31, 2017
Profit/(Loss) for the period	184,765	113,771
Other comprehensive income		
- Exchange difference on translating foreign operations	30,428	490
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax	209	121
- Items to be re-classified to profit and loss in subsequent period	-	-
Total comprehensive income for the period	215,402	114,382

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

Chief Executive Officer | Chief Financial Officer | Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

for the first quarter ended March 31, 2018

(Rupees in '000)	Note	Un-audited March 31, 2018	Un-audited March 31, 2017
Cash flows from operating activities			
Cash generated from continuing operations	4	102,312	(8,429)
Finance costs paid		(14,423)	(8,950)
Taxes paid		(32,285)	(1,954)
Net cash (used in) / generated from operating activities		55,603	(19,333)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,911)	(4,787)
Proceeds from disposal of property, plant and equipment and intangible assets		5,339	1,405
Profit on bank deposit		2,777	3,661
Term deposits with banks		37,424	(384)
Long term investmnet		-	(897)
Net change in long term advances and deposits		(105)	390
Net cash (used in) / generated from investing activities		41,525	(612)
Cash flows from financing activities			
Finances under markup arrangements			
Long term loan		(4,546)	50,000
Repayment of finance lease liabilities		(14,029)	(5,894)
Net cash (used in) / generated from financing activities		(18,575)	44,106
Net (decrease) / increase in cash and cash equivalents		78,553	24,161
Cash and cash equivalents at the beginning of year		169,330	115,818
Cash and cash equivalents at the end of period		247,883	139,979

The annexed notes 1 to 7 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 first quarter ended March 31, 2018

(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, 2017	1,056,969	61,894	51,597	209,034	700,040	2,079,534
Profit for the period	-	-	-	-	113,771	113,771
Other comprehensive income	-	-	-	490	121	611
	-	-	-	490	113,893	114,382
Balance as on March 31, 2017	1,056,969	61,894	51,597	209,524	813,933	2,193,917
Profit for the period	-	-	-	-	449,701	449,701
Other comprehensive income	-	-	-	35,316	571	35,886
	-	-	-	35,316	450,272	485,587
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)	-
Employees share option reserve	-	-	18,228	-	-	18,228
	264,242	-	18,228	-	(369,939)	(87,469)
Balance as on December 31, 2017	1,321,211	61,894	69,825	244,839	894,265	2,592,034
Profit for the period	-	-	-	-	184,765	184,765
Other comprehensive income	-	-	-	30,428	209	30,637
	-	-	-	30,428	184,974	215,402
Cash received ag. ESOS	-	-	1,875	-	-	1,875
	-	-	1,875	-	-	1,875
Balance as on March 31, 2018	1,321,211	61,894	71,700	275,267	1,079,239	2,809,312

The annexed notes 1 to 7 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 first quarter ended March 31, 2018

1. Legal status and nature of business

Avanceon Limited (the Holding Company), was incorporated in Pakistan on 26 March 2003 as a private limited company which was changed to public limited company on 31 March 2008 under the Companies Ordinance, 1984. The principal activity of the Holding Company is to trade in products of automation and control equipments and provide related technical services. The registered office of the Holding Company is situated at 19 km, Multan Road, Lahore. Subsequent to the year end, the holding company has been listed on Pakistan Stock Exchange Limited.

1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVL)

Subsidiary Companies;

	% age of holding
- Avanceon, Free Zone Establishment, UAE (AFZE);	100%
- Innovative Automation Inc. (formely Engro Innovative Inc.) USA (IA);	100%
- Avanceon Automation and Control WLL (AVAC)	49%

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.

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 26.11% (2016: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

AVAC is an Establishment 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 Establishment are to trade in products of automation and control equipment and provide related engineering and technical support. The Establishment is a subsidiary of the Group as Avanceon FZE has control over financial and operating decision making.

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.

2.1.1 The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 dated 04 October 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

New and amended standards and interpretations

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

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

IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)

IFRS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2016

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

The adoption of the above amendments, interpretations and improvements did not have any material effect on the financial statements.

2.3 Standards, Interpretations and amendments to published approved accounting 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:

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

for the first quarter ended March 31, 2018

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

Standard or Interpretation			Effective date (annual periods Beginning on or after)
IFRS 15	-	Revenue from Contracts with Customers	01 January 2018
IFRIC 22	-	Foreign Currency Transactions and Advance	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.

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 14	-	Regulatory Deferred Accounts	01 January 2016
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. 7.423 million (December 31, 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

Avanceon FZE has provided the following commitments;

(Rupees in '000)	Un-audited March 31, 2018	Audited December 31, 2017
Labour/ performance guarantee	34,631	250,218
Letters of credit		
Post dated cheques issued to;		
JAFZA against payment of rent	2,483	6,525
Emirates Islamic Bank against payment of lease of vehicle	-	-
Suppliers against supply of material	-	-
	2,483	6,525
	37,114	256,743

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

for the first quarter ended March 31, 2018

(Rupees in '000)	Un-audited March 31, 2018	Un-audited March 31, 2017
4. Cash flow from operating activities		
Profit/ (loss) before tax	186,896	115,034
Adjustments for:		
- Depreciation on property, plant and equipment	7,705	6,448
- Amortization of intengible asset	12	12
- Exchange (gain) / loss	(78,945)	(3,599)
- Exchange revaluation reserve	4,084	(1,348)
- Finance cost	14,140	9,730
- (Gain)/loss on disposal of fixed assets	(61)	(620)
- Income on bank deposits	(2,777)	(3,661)
	(55,844)	6,963
Profit before working capital changes	131,052	121,997
(Increase) / decrease in current assets		
- Stock in trade	(36,430)	7,666
- Trade debts	214,625	(48,806)
- Advances, deposits, prepayments and other receivables	4,779	(26,523)
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	(211,715)	(62,764)
	(28,741)	(130,426)
Cash (used in) / generated from operations	102,312	(8,429)

5. Remuneration of chief executive, directors and executives

The aggregate amount charged in the financial statements for the first quarter 2018 for remuneration, including certain benefits, to the full time working directors and certine executives of the company is as follows:

(Rupees in '000)	CEO & COO / Director 2018	CEO & COO / Director 2017	Other Executives 2018	Other Executives 2017
Managerial remuneration	9,616	8,700	24,731	19,424
House rent	3,465	3,134	9,771	7,079
Utilities	1,807	1,637	2,425	1,828
Contribution to provident fund	602	699	1,989	1,804
Others	349	99	1,354	1,087
	15,837	14,269	40,270	31,222
Number of persons	2	2	26	20

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

for the first quarter ended March 31, 2018

6. Date of authorization for issue

The condensed interim consolidated financial information was authorised for issue on April 27, 2018 by the Board of Directors of the Holding Company.

7. General

Figures have been rounded off to the nearest thousand rupees.

Chief Executive Officer | Chief Financial Officer | Director

Notes

Notes

Notes

Notes

Notes

AVANCEON

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