

AVANCEON

Tomorrow's solutions, today.



Middle East



South Asia



North America

For the half year ended June 30, 2014





TOMORROW'S SOLUTIONS, TODAY

At Avanceon, we are dedicated to help our clients reach the pinnacle of their productivity through state-of-the-art automation systems and cutting-edge technology.

Our value-driven approach and strict compliance with the highest standards of competence and efficiency have earned us the profound trust of our stakeholders. We seek to continue to foster valuable relationships with our clients by providing them outstanding expertise and sustainable strategies to manage complex challenges.

With our dynamic and ingenious workforce, we aspire to always stay one step ahead of the game by providing our clients Tomorrow's Solutions, Today.

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Company Information

Directors

Mr. Khalid H Wain
Director/Chairman
 Mr. Bakhtiar H Wain
Director/Chief Executive Officer
 Mr. Tanveer Karamat
Director/Chief Operating Officer
 Mr. Amir W Wain
Director
 Mr. Naveed A Baig
Director
 Mr. Tajammal Hussain
Director
 Mr. Umar Ahsan Khan
Director

Mr. Saeed Ullah Khan Niazi
Chief Financial Officer

Mr. Ahsan Khalil
Company Secretary

Bankers

Faysal Bank Limited
 Habib Bank Limited
 MCB Bank Limited
 United Bank Limited
 National Bank of Pakistan Limited
 Standard Chartered Bank Limited
 Deutsche Bank Limited
 JS Bank Limited
 KASB Bank Limited
 NIB Bank Limited

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
 Chartered Accountants.

Legal Advisor

Chima & Ibrahim Advocates and Corporate Council

Share Registrar

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Trade Mark

AVANCEON
 Tomorrow's solutions, today.

Web Presence: www.avanceon.com

Interim Director's Report

The directors of Avanceon take pleasure in presenting their report together with the Company's reviewed condensed financial statements for the half year ended June 30, 2014. The Director's report, prepared under section 236 of the Companies Ordinance, 1984.

(Rupees 000')	For the half year ended June 30	
	2014	2013
Operating results (standalone)		
Profit before tax	128,214*	106,214
Provision for taxation	(12,179)	(17,791)
Profit after taxation	116,035	88,425

*Rs. 34m exchange loss on translation of foreign receivable is included due to decrease in USD value as compared to December 31, 2013 translated receivables at Rs. 107.50.

(Rupees 000')	For the half year ended June 30	
	2014	2013
Operating results (consolidated)		
Profit before tax	105,547*	228,172
Provision for taxation	(12,179)	(17,791)
Profit after taxation	93,368	210,381

*Rs. 34m exchange loss on translation of foreign receivable is included due to decrease in USD value as compared to December 31, 2013 translated receivables at Rs. 107.50.

Earnings per share (standalone) for the half year ended June 30, 2014

The basic earnings per share after tax is Rs. 1.18 @ 106m ordinary shares (June 30, 2013: Rs. 1.11 @ 76m ordinary shares).

Earnings per share (consolidated) for the half year ended June 30, 2014

The basic earnings per share after tax is Rs. 0.88 @ 106m ordinary shares (June 30, 2013: Rs. 2.79 @ 76m ordinary shares).

The operating financial results of the company for the half year ended June 30, 2014 are as per expectation and approved business plan. We observed a one-time decrease in net profits as compared to previous year, mainly due to Rs. 34m exchange loss on devaluation of US Dollar value. Historically, our revenues and profits remain lower in first and second quarter, as the revenue of backlog orders start getting recognized in the second half every year. We have strong portfolio of orders in hand and in the pipeline for Pakistan, UAE, Qatar and Saudi Arabia [KSA]. Some of the major contracts have already been shared with KSE in July 2014. All these orders will turn into revenue in the 3rd and 4th quarter of the current financial year.

Shareholders Communication

Communication with the shareholders is given a high priority. Financial reports are distributed within the time specified in the Companies Ordinance, 1984.

For and on behalf of the



BOARD OF DIRECTORS

Avanceon

**Standalone Condensed Interim
Financial Statements**

for the half year ended June 30, 2014

Auditors Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Avanceon Limited as at 30th June 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof, for the Six-month period then ended (herein-after referred to as the "interim financial information") Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information 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 information consists of making inquiries, primarily of person 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore: 22 August 2014

Condensed Balance Sheet

as at June 30, 2014

(Rupees)	Note	Un-audited June 30, 2014	Audited December 31, 2013
Equity And Liabilities			
Share Capital And Reserves			
Authorised capital			
150,000,000 (2013: 110,000,000)			
ordinary shares of Rs. 10 each		1,500,000,000	1,100,000,000
Issued, subscribed and paid up capital			
105,699,300 (2013: 75,500,000)			
ordinary shares of Rs. 10 each		1,056,993,000	755,000,000
Share premium	5	61,987,268	—
Employees' share compensation reserve	6	45,000,000	45,000,000
Un-appropriated profit		318,848,079	453,974,085
		1,482,828,347	1,253,974,085
Surplus on revaluation of property, plant and equipment			
		83,762,115	84,265,939
Non current liabilities			
Long term finances		—	7,083,331
Daffered tax		22,531,116	15,517,626
Liabilities against assets subject to finance lease		29,883,293	26,730,405
		52,414,409	49,331,362
Current liabilities			
Current portion of long-term liabilities		15,948,553	15,403,703
Finances under mark up arrangements and other credit facilities - secured		7,522,526	49,613,346
Short term loan from directors - unsecured		—	24,107,908
Cash received against Initial Public Offering		—	264,243,000
Creditors, accrued and other liabilities	7	442,531,785	499,821,844
		466,002,864	853,189,801
Contingencies and commitments			
	8		
		2,085,007,735	2,240,761,187

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive Officer

(Rupees)	Note	Un-audited June 30, 2014	Audited December 31, 2013
Assets			
Non current assets			
Property, plant and equipment	9	192,827,541	185,473,715
Intangible assets		—	12,237
Long term investments		473,670,870	473,670,870
Long term deposits		10,199,400	9,154,904
		676,697,811	668,311,726
Current assets			
Stock in trade		57,327,312	49,331,509
Trade debts		493,952,675	484,405,136
Short term investments		—	33,740,996
Advances, deposits, prepayments and other receivables		760,119,783	674,910,469
Cash and bank balances		96,252,354	330,061,351
		1,407,652,124	1,572,449,461
Asset held for sale		657,800	—
		2,085,007,735	2,240,761,187



Director

Condensed Interim Profit and Loss Account

for the six month period ended June 30, 2014

(Rupees)	Note	Un-audited Six month period ended June 30, 2014	Audited Six month period ended June 30, 2013	Un-audited Quarter ended June 30, 2014	Un-audited Quarter ended June 30, 2013
Sales		382,806,063	525,572,128	188,682,306	369,128,308
Cost of sales		(238,863,238)	(339,900,284)	(129,591,003)	(233,586,260)
Gross profit		143,942,825	185,671,844	59,091,303	135,542,048
Administrative and selling expenses		(60,703,751)	(83,153,384)	(27,891,551)	(50,328,087)
Other charges	10	(34,203,412)	(1,425,804)	4,563,474	(1,415,804)
Other operating income	11	84,655,290	14,287,881	77,759,706	6,883,219
		(10,251,873)	(70,291,307)	54,431,630	(44,860,672)
Profit from operations		133,690,952	115,380,537	113,522,932	90,681,376
Finance costs		(5,476,985)	(9,166,516)	(1,652,960)	(3,324,815)
Profit before tax		128,213,967	106,214,021	111,869,972	87,356,561
Taxation		(12,178,796)	(17,790,886)	(10,798,717)	(17,440,886)
Profit for the period		116,035,171	88,423,135	101,071,255	69,915,675
			Restated		Restated
Earnings per share - basic		1.18	1.11	0.96	0.88
Earnings per share - diluted		1.12	1.05	0.91	0.83

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive Officer



Director

Statement of Interim Comprehensive Income

for the six month period ended June 30, 2014

(Rupees)	Note	Un-audited Six month period ended June 30, 2014	Audited June 30, 2013	Un-audited Quarter ended June 30, 2014	Un-audited June 30, 2013
Profit for the period		116,035,171	88,423,135	101,071,255	69,915,675
Other comprehensive income					
Items not to be reclassified to profit and loss in subsequent periods					
- Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets for the period - net of tax		503,823	399,403	232,095	282,406
Total comprehensive income for					
the period		116,538,984	88,822,538	101,303,350	70,198,081

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive Officer



Director

Interim Cash Flow Statement

for the six month period ended June 30, 2014

(Rupees)	Note	Un-audited Six months period ended June 30 2014	Audited Six months period ended June 30 2013
Cash flows from operating activities			
Cash (used in) / generated from operations	12	(7,761,400)	27,026,463
Financial cost paid		(6,357,124)	(12,185,903)
Taxes paid		(24,003,949)	(10,284,302)
Net cash (used in) / generated from operating activities		(38,122,473)	4,556,258
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,057,110)	(10,150,084)
Proceeds from sale of property, plant and equipment		469,987	5,660,041
Increase in capital work in progress		(603,819)	(2,093,000)
Purchase of asset held for sale		(657,800)	–
Income on bank deposits received		9,735,982	168,311
Short term investment		33,740,996	3,447,000
Net increase in long term advances and deposits		(1,044,496)	(642,750)
Net cash generated from / (used in) investing activities		39,583,739	(3,610,482)
Cash flows from financing activities			
Repayment of long term finances		(10,000,000)	(74,354,707)
Shares issued		49,404,268	–
Dividend paid		(201,332,000)	–
(Repayment)/receipt of loan from directors		(24,107,908)	5,000,000
Repayment of finance lease liabilities		(7,143,803)	(10,079,520)
Net cash (used in) financing activities		(193,179,444)	(79,434,227)
Net (decrease) in cash and cash equivalents		(191,718,177)	(78,488,451)
Cash and cash equivalents at the beginning of period		280,448,005	189,485,082
Cash and cash equivalents at the end of period	13	88,729,828	110,996,631

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive Officer



Director

Statement of Changes in Equity

for the six month period ended June 30, 2014

(Rupees)	Share capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 01, 2013	400,000,000	—	—	414,645,753	814,645,753
Net comprehensive income for the period	—	—	—	88,822,538	88,822,538
Employee share option scheme recognized	—	—	45,000,000	(45,000,000)	—
Bonus shares issued	355,000,000	—	—	(355,000,000)	—
	355,000,000	—	45,000,000	(311,177,462)	88,822,538
Balance as on June 30, 2013	755,000,000	—	45,000,000	103,468,291	903,468,291
Balance as on January 01, 2014	755,000,000	—	45,000,000	453,974,085	1,253,974,085
Net comprehensive income for the period	—	—	—	116,538,994	116,538,994
Final dividend for the year ended 31 December 2013 at the rate of Rs. 2 per share	—	—	—	(201,332,000)	(201,332,000)
Issue of 25,166,000 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	251,660,000	100,664,000	—	—	352,324,000
Transaction costs-Expenses incurred against Initial Public Offering	—	(38,676,732)	—	—	(38,676,732)
Bonus shares issued for the year ended 31 December 2013 at the rate of 5%	50,333,000	—	—	(50,333,000)	—
	301,993,000	61,987,268	45,000,000	(135,126,006)	228,854,262
Balance as on June 30, 2014	1,056,993,000	61,987,268	45,000,000	318,848,079	1,482,828,347

The annexed notes from I to I7 form an integral part of these financial statements.



Chief Executive Officer



Director

Notes to the Condensed Interim Financial Information

for the six month period ended June 30, 2014

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 and on 11th of February 2014 has been formally listed on Karachi Stock Exchange and Lahore Stock Exchange. 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, Main Multan Road, Lahore.

2. Basis of Preparation

- 2.1 This interim financial information is unaudited and is being submitted to shareholders, as required by section 245 of Companies Ordinance, 1984.
- 2.2 This interim financial information of the Company for the six month period ended 30 June 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.3 This condensed interim financial information does not include all the information and the disclosures required in the annual financial statements and should be read in conjunction with annual audited financial statements of the Company for the year ended 31 December 2013.
- 2.3 Standards, Interpretations and amendments to published approved accounting standards effective in 2014:

New and amended standards and interpretations

The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those of the previous financial year except as describe below:

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

IAS 32	-	Financial Instruments : Presentation – (Amendment) Offsetting Financial assets and Financial Liabilities
IAS 36	-	Impairment of Assets – (Amendment) Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	-	Financial Instruments: Recognition and Measurement – (Amendment) Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	-	Levies

The adoption of the above amendments did not have any significant effect on this condensed interim financial information.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of this financial information are the same as those applied in the preparation of preceding annual financial statements of the company for the year ended 31 December 2013.

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 2013.

Provision in respect of taxation in this financial information is estimated and this is subject to final adjustment in the annual financial statements.

5. This represents premium on 25,166,000 shares at the rate of Rs. 4 each. Costs incurred on Initial Public Offering amounting to Rs. 38,676,732 have been written off against this.
6. This represents option to purchase 5 million shares offered to employees at an exercise price of Rs. 1 per share which has been recorded as receivable from employees. The remaining amount of Rs. 45 million out of the total par value of these shares of Rs. 50 million has been set aside from unappropriated profit of the Company.

(Rupees)	Note	Un-audited June 30, 2014	Audited December 31, 2013
7. Creditors, Accrued and Other Liabilities			
Trade creditors		87,186,017	113,343,406
Accrued expenses		25,848,380	38,169,302
Advances from customers		32,463,047	75,327,421
Payable to related parties	7.1	283,764,720	229,741,925
Sales tax payable		—	9,550,765
Social security payable		12,140	12,140
Mark up accrued on:			
- Long term finances		311,033	561,908
- Finances under mark up arrangements and other credit facilities - secured		—	644,035
- Finances under mark up arrangement from director - unsecured		—	1,569,448
Other liabilities	7.2	9,807,682	27,762,728
Withholding tax surcharge		3,138,766	3,138,766
		442,531,785	499,821,844

Notes to the Condensed Interim Financial Information

for the six month period ended June 30, 2014

- 7.1 This represents amount due to Avanceon FZE (a wholly owned subsidiary) which is non-interest bearing.
- 7.2 This includes Rs. 1,220,816 (31 December 2013 :Rs.2,555,037) and Rs. 1,207,932 (31 December 2013 :Rs. 16,525,073) relating to provident fund payable and withholding tax deducted at source payable respectively.

8 Contingencies and Commitments

8.1 Contingencies

- (i) Bank guarantees issued amounting to Rs 58.979 million (31 December 2013:Rs 4 million) against the performance of various contracts.
- (ii) Post dated cheques issued to IGI insurance against general insurance amounting to Rs. 1.1 million (31 December, 2013: nil)
- (iii) Post dated cheques issued to ORIX Leasing Pakistan Limited, as installments of leased cars, amounting to Rs. 1.243 million (31 December 2013 : nil).
- (iv) "The Honorable Lahore High Court, Lahore in its Order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the Company has not made any provision for Workers Welfare Fund (WWF) in the financial statements in the light of this Order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WWF amounting to Rs. 14,067,943 if the Supreme Court's decision is unfavourable.

The Honorable Sindh High Court, Karachi in its Order dated 11 March 2011 declared the amendments made in Companies Profits Workers' Participation Act, 1968 brought through Finance Act, 2007 are ultra vires of the provisions of the Constitution. Therefore, the Company has not made any provision of Workers Profit Participation Fund (WPPF) in the financial statements in the light of this Order of the Honorable Sindh High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WPPF amounting to Rs. 52,482,157 if the Supreme Court's decision is unfavourable.

8.2 Commitments

Letters of credit other than for capital expenditure amounting to Rs 1.2 million (31 December 2013: Rs. nil).

(Rupees)	Note	Un-audited June 30, 2014	Audited December 31, 2013
9. Property, Plant and Equipment			
Operating fixed assets - tangible	9.1	146,149,760	147,190,851
Assets subject to finance lease	9.2	37,483,462	38,282,864
Capital work-in-progress		9,194,319	—
		192,827,541	185,473,715
9.1 Operating fixed assets - tangible			
Opening book value		147,190,851	127,626,927
Add: Additions during the period / year - cost	9.1.1	6,569,204	17,180,181
Add: Effect of revaluation		—	15,921,546
		153,760,055	160,728,654
Less: Deletions during the period / year	9.1.2	(1,308,261)	(10,939,605)
		152,451,794	149,789,049
Less: Depreciation during the period / year		(6,302,034)	(2,598,198)
Book value at the end of the period / year		146,149,760	147,190,851
9.1.1 Additions during the period / year - cost			
Buildings		590,707	145,925
Furniture and fixture		—	60,000
Vehicles		4,512,094	10,210,800
Office equipment and alliances		866,200	5,242,798
Computers		600,203	1,520,658
		6,569,204	17,180,181
9.1.2 Deletions during the period / year - cost			
Vehicles		929,328	10,039,505
Office equipment and alliances		107,233	—
Computers		271,700	900,100
		1,308,261	10,939,605
9.2 Assets subject to finance lease			
Opening book value		38,282,864	29,773,257
Add: Additions during the period / year		5,167,710	20,239,854
		43,450,574	50,013,111
Less: Transfers to operating assets during the period / year		(858,386)	(2,430,980)
		42,592,188	47,582,131
Less: Depreciation during the period / year		(5,108,726)	(9,299,267)
Book value at the end of the period / year		37,483,462	38,282,864

Notes to the Condensed Interim Financial Information

for the six month period ended June 30, 2014

10. This includes exchange loss of Rs. 34,108,058 (2013: nil).

11. This includes dividend income from Avanceon FZE of Rs. 73,912,500 (2013: nil)

(Rupees)	Un-audited Six months period ended 30 June 2014	Audited Six months period ended 30 June 2013
	2014	2013
12 Cash Flows From Operating Activities		
Profit before tax	128,213,967	106,214,021
Adjustments for:		
Depreciation on property, plant and equipment	3,629,227	10,530,654
Depreciation on assets subject to finance lease	5,108,726	4,131,294
Amortization on intangible asset	12,237	4,166
Exchange loss / (gain)	34,108,058	(6,936,145)
Gain on disposal of property, plant and equipment	(429,056)	(2,869,856)
Finance cost	3,892,766	7,399,740
Income on bank deposits	(9,442,523)	(168,311)
	36,879,435	12,091,542
	—	—
Profit before working capital changes	165,093,402	118,305,563
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(7,995,803)	(2,803,759)
- Trade debts	(9,547,539)	57,359,247
- Advances, deposits, prepayments and other receivables	(100,485,758)	(7,327,654)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(54,825,701)	(138,506,934)
	(172,854,802)	(91,279,100)
Cash (used in) / generated from operations	(7,761,400)	27,026,463
13. Cash And Cash Equivalents		
Cash and bank balances	96,252,354	128,701,060
Finances under mark up arrangements and other credit facilities - secured	(7,522,526)	(17,704,429)
	88,729,828	110,996,631

14. 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 15. Other significant transactions with related parties are as follows:

(Rupees)		Un-audited Six months period ended 2014	Audited 30 June 2013
i. Subsidiaries	Agency commission	5,240,521	6,285,912
	Export sales	49,263,060	65,631,165
	Outsourcing income	9,105,883	5,804,280
	Business process outsourcing	31,726,751	24,000,000
	Management fee charged	14,715,000	14,820,000
	Fee for technical services	40,229,147	59,000,000
	Revenue recognised on the project based on the stage of completion	3,521,402	115,694,504
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	4,136,696	3,334,130

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

15. 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 director and executives of the Company is as follows:

(Rupees)	Un-audited Director 2014	Audited 2013	Un-audited Other Executive 2014	Audited 2013
Managerial remuneration	1,757,630	10,659,603	12,393,060	11,141,510
House rent	703,052	6,003,747	4,957,224	4,456,604
Utilities	175,763	3,043,253	1,239,306	1,114,151
Contribution to provident fund	175,763	1,374,500	1,239,306	1,114,151
Others	67,591	4,723,549	436,872	512,460
	2,879,799	25,804,652	20,265,768	18,338,876
Number of persons	1	2	14	13

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

Notes to the Condensed Interim Financial Information

for the six month period ended June 30, 2014

16. Date of Authorization For Issue

These financial statements were authorized for issue on 22 August 2014 by the Board of Directors of the Company.

17. General

17.1 Figures have been rounded off to the nearest rupee.

17.2 The figures of condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2014 and 2013 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.



Chief Executive Officer



Director

Avanceon

**Consolidated Condensed
Interim Financial Statements**
for the half year ended June 30, 2014

Consolidated Condensed Balance Sheet

as at June 30, 2014

(Rupees)	Note	Un-audited June 30, 2014	Audited December 31, 2013
Equity and liabilities			
Share capital and reserves			
Authorised capital 150,000,000 (2013: 110,000,000)			
ordinary shares of Rs. 10 each		1,500,000,000	1,100,000,000
Issued, subscribed and paid up capital			
105,699,300 (2013: 75,500,000)			
ordinary shares of Rs. 10 each		1,056,993,000	755,000,000
Share premium	5	61,987,268	–
Employees' share compensation reserve	6	45,000,000	45,000,000
Exchange revaluation reserve		172,815,027	211,115,509
Un-appropriated Profit		238,982,431	396,775,229
		1,575,777,726	1,407,890,738
Surplus on revaluation of property, plant & equipment			
		83,762,115	84,265,939
Non current liabilities			
Long term finances - secured		–	7,083,331
Liabilities against assets subject to finance lease		34,600,942	33,166,155
Deferred taxation		22,531,116	15,517,626
Deferred liabilities		17,427,909	15,488,142
		74,559,968	71,255,254
Current liabilities			
Current portion of long-term liabilities		17,506,843	17,947,821
Finances under mark up arrangements and other credit facilities - secured		7,522,531	49,613,346
Short term loan from director - unsecured		–	54,834,483
Cash received against IPO		–	264,243,000
Creditors, accrued and other liabilities		312,779,822	466,962,442
		337,809,196	853,601,092
Contingencies and commitments			
	7		
		2,071,909,005	2,417,013,023

The annexed notes 1 to 10 form an integral part of these consolidated financial statements.



Chief Executive Officer

(Rupees)	Note	Un-audited June 30, 2014	Audited December 31, 2013
Assets			
Non current assets			
Property, plant and equipment		147,699,937	149,030,689
Intangible assets		—	12,237
Assets subject to finance lease		44,073,702	46,397,225
Long term investment		535,607,914	571,341,725
Capital work in progress		9,194,319	—
Long term deposits		21,579,996	20,431,850
		758,155,868	787,213,726
Current assets			
Stock in trade		58,810,910	55,629,054
Trade debts		793,862,617	904,277,239
Advances, deposits, prepayments and other receivables		144,568,117	123,197,924
Short term investment		104,689,169	139,634,996
Cash and bank balances		211,164,523	407,060,084
		1,313,095,336	1,629,799,297
Asset Held for Sale		657,800	—
		2,071,909,005	2,417,013,023



Director

Consolidated Condensed Interim Profit and Loss Account

for the six month period ended June 30, 2014

(Rupees)	Note	Un-audited Six month period ended June 30, 2014	Audited June 30, 2013	Un-audited Quarter ended June 30, 2014	Un-audited June 30, 2013
Sales		660,830,403	954,692,864	301,617,222	600,001,452
Cost of sales		(415,885,257)	(603,796,124)	(192,489,252)	(382,598,342)
Gross Profit/(Loss)		244,945,147	350,896,740	109,127,971	217,403,110
Administrative and selling expenses		(111,671,786)	(120,788,835)	(48,588,259)	(53,033,150)
Other charges		(34,203,412)	(1,425,804)	5,716,065	(1,410,804)
Other operating income		15,198,275	16,569,872	7,959,030	6,513,348
		(130,676,923)	(105,644,767)	(34,913,164)	(47,930,606)
Profit/(Loss) from operations		114,268,224	245,251,973	74,214,807	169,472,504
Finance costs		(8,721,049)	(17,080,344)	(3,067,018)	(10,825,659)
Profit/(Loss) before tax		105,547,175	228,171,629	71,147,789	158,646,845
Taxation		(12,178,796)	(17,790,886)	(10,798,717)	(16,081,555)
Income for the year from operations		93,368,379	210,380,743	60,349,072	142,565,290
Combined earnings per share					
Basic		0.88	2.79	0.57	1.89
Diluted		0.84	2.61	0.55	1.77

The annexed notes 1 to 10 form an integral part of these consolidated financial statements.



Chief Executive Officer



Director

Consolidated Statement of Interim Comprehensive Income

for the six month period ended June 30, 2014

(Rupees)	Un-audited Six month period ended June 30, 2014	Audited Six month period ended June 30, 2013	Un-audited Quarter ended June 30, 2014	Un-audited Quarter ended June 30, 2013
Profit/(Loss) for the period	93,368,379	210,380,743	60,349,072	142,565,290
Other comprehensive income				
- Exchange differences on translating foreign operations	(38,300,482)	8,462,971	8,418,065	(7,064,372)
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax	503,823	399,403	232,095	196,817
Total comprehensive income for the period	55,571,720	219,243,117	68,999,232	135,697,735

The annexed notes 1 to 10 form an integral part of these consolidated financial statements.



Chief Executive Officer



Director

Consolidated Interim Cash Flow Statement

for the six month period ended June 30, 2014

(Rupees)	Note	Un-audited For the half year ended June 30 2014	Audited June 30 2013
Cash flows from operating activities			
Cash generated from continuing operations	8	71,192,442	213,052,908
Finance costs paid		(11,185,407)	(12,185,903)
Retirement benefits paid		(6,415,753)	(12,148,241)
Taxes paid		(22,474,969)	(10,284,302)
Net cash / (used in) from operating activities		31,116,313	178,434,462
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,221,677)	(11,268,183)
Capital work in progress		(603,819)	(2,093,000)
Proceeds from disposal of property, plant and equipment and intangible assets		471,686	5,660,041
Income on bank deposits received		10,386,995	168,311
Assets held for sale		(657,800)	–
Short term investment		34,945,827	(77,253,000)
Net increase in long term advances and deposits		(1,148,146)	(2,041,915)
Net cash / (used in) investing activities		41,173,066	(86,827,746)
Cash flows from financing activities			
Repayment of long term finances		(10,000,000)	(74,354,707)
Proceeds from / (repayment of) loan from directors		(54,834,483)	5,000,000
Dividend paid		(201,332,000)	–
Shares issued		49,404,268	–
Repayment of finance lease liabilities		(9,331,908)	(10,079,520)
Net cash from / (used in) financing activities		(226,094,124)	(79,434,227)
Net (decrease) / increase in cash and cash equivalents		(153,804,745)	12,172,489
Cash and cash equivalents at the beginning of year		357,446,738	244,843,664
Cash and cash equivalents at the end of period		203,641,993	257,016,153

The annexed notes 1 to 10 form an integral part of these consolidated financial statements.



Chief Executive Officer



Director

Consolidated Statement of Changes in Equity

for the six month period ended June 30, 2014

(Rupees)	Attributable to equity holders of the parent					Total
	Share capital	Share premium reserve	Un-appropriated (loss) / profit	Exchange revaluation reserve	Employee share compensation reserve	
Balance as on December 31, 2012	400,000,000	—	384,671,690	153,006,134	—	937,677,824
Profit for the period	—	—	210,380,743	—	—	210,380,743
Other comprehensive income	—	—	399,403	8,462,971	—	8,862,374
	—	—	210,780,146	8,462,971	—	219,243,117
Employee share option scheme recognized			(45,000,000)	—	45,000,000	—
Bonus share	355,000,000	—	(355,000,000)	—	—	—
	355,000,000	—	(400,000,000)	—	45,000,000	—
Balance as on June 30, 2013	755,000,000	—	195,451,836	161,469,105	45,000,000	1,156,920,941
Profit / (loss) for the year	—	—	200,912,451	—	—	200,912,451
Other comprehensive income	—	—	410,942	49,646,404	—	50,057,346
	—	—	201,323,393	49,646,404	—	250,969,797
Employee share option scheme recognized	—	—	—	—	—	—
Bonus share	—	—	—	—	—	—
	—	—	—	—	—	—
Balance as on December 31, 2013	755,000,000	—	396,775,229	211,115,509	45,000,000	1,407,890,738
Profit for the year	—	—	93,368,379	—	—	93,368,379
Other comprehensive income	—	—	503,823	(38,300,482)	—	(37,796,659)
	—	—	93,872,202	(38,300,482)	—	55,576,720
Issue of 25,166,000 ordinary shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	251,660,000	100,664,000	—	—	—	352,324,000
Final dividend for the year ended 31 December 2013 at the rate of Rs. 2 per share	—	—	(201,332,000)	—	—	(201,332,000)
Bonus shares issued for the year ended 31 December 2013 at the rate of 5%	50,333,000	—	(50,333,000)	—	—	—
Transaction costs-expenses incurred against initial public offering	—	(38,676,732)	—	—	—	(38,676,732)
	301,993,000	61,987,268	(251,665,000)	—	—	112,315,268
Balance as on June 30, 2014	1,056,993,000	61,987,268	238,982,431	172,815,027	45,000,000	1,575,777,726

The annexed notes I to 10 form an integral part of these consolidated financial statements.



Chief Executive Officer



Director

Notes to the Condensed Interim Consolidated Financial Information

for the six month period ended June 30, 2014

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 and on 11th of February 2014 has been formally listed on Karachi Stock Exchange and Lahore Stock Exchange. 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, Main Multan Road, Lahore.

1.1 The "Group" consists of:

Holding company

Avanceon Limited (AVN)

Subsidiary companies, i.e. each of those companies in which the Holding Company owns over 50% of voting rights, or companies controlled by the Holding Company.

% age of holding

- Avanceon, Free Zone Establishment, UAE (AVN-FZE);	100%
- Engro Innovative Inc., USA (EI);	100%

Avanceon, FZE (AVN-FZE), a wholly owned Free Zone Establishment with limited liability was formed under the laws of Jebel Ali Free Zone Authority U.A.E and was registered on February 28, 2004. The principal activity of the Establishment is to trade in products of automation and control equipment and provide related technical support.

Engro Innovative Inc. (EI), a wholly owned subsidiary of AVN-FZE, was incorporated in the State of Pennsylvania on October 25, 2006, as a Corporation Service Company under the provisions of Business Corporation Law of 1988. The principal activity of the company is to explore investment opportunities in automation industry in USA and provide related technical support from its holding companies.

2. Basis of preparation

- 2.1 This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standards - 34 "Interim Financial Reporting" as applicable in Pakistan.
- 2.2 This consolidated condensed interim financial information does not include all the information and the disclosures required in the annual consolidated financial statements and should be read in conjunction with annual audited consolidated financial statements of the group for the year ended 31 December 2013.
- 2.3 The financial results of Avanceon FZE, UAE and Engro Innovative Inc, USA have been consolidated based on un-audited financial information prepared by the management.
- 2.4 Standards, Interpretations and amendments to published approved accounting standards effective in 2014:

New and amended standards and interpretations

The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those of the previous financial year except as describe below:

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

IAS 32	-	Offsetting Financial Assets and Financial Liabilities - (Amendment)
IAS 36	-	Recoverable Amount of Non-Financial Assets - (Amendment)
IFRIC 21	-	Levies
IAS 39	-	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above amendments did not have any significant effect on this condensed interim financial information.

3. Significant Accounting policies

The accounting policies adopted in the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of preceding annual financial information of the group for the year ended 31 December 2013.

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 2013.

Provision in respect of taxation in this financial information is estimated and this is subject to final adjustment in the annual financial statements.

5. This represents premium on 25,166,000 shares at the rate of Rs. 4 each. Costs incurred on Initial Public Offering amounting to Rs. 38,676,732 have been written off against this.
6. This represents option to purchase 5 million shares offered to employees at an exercise price of Rs. 1 per share which has been recorded as receivable from employees. The remaining amount of Rs. 45 million out of the total par value of these shares of Rs. 50 million has been set aside from unappropriated profit of the Company.

7. Contingencies and commitments

7.1 Contingencies

- (i) Bank guarantees issued amounting to Rs 58.979 million (31 December 2013: Rs 4 million) against the performance of various contracts.
- (ii) Post dated cheques issued to IGI insurance against general insurance amounting to Rs. 1.1 million (31 December, 2013: nil)
- (iii) Post dated cheques issued to ORIX Leasing Pakistan Limited, as installments of leased cars, amounting to Rs. 1.243 million (31 December 2013 : nil).
- (iv) "The Honorable Lahore High Court, Lahore in its Order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the Company has not made any provision for Workers Welfare Fund (WWF) in the financial statements in the light of this Order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WWF amounting to Rs. 14,067,943 if the Supreme

Notes to the Condensed Interim Consolidated Financial Information

for the six month period ended June 30, 2014

Court's decision is unfavourable.

The Honorable Sindh High Court, Karachi in its Order dated 11 March 2011 declared the amendments made in Companies Profits Workers' Participation Act, 1968 brought through Finance Act, 2007 are ultra vires of the provisions of the Constitution. Therefore, the Company has not made any provision of Workers Profit Participation Fund (WPPF) in the financial statements in the light of this Order of the Honorable Sindh High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WPPF amounting to Rs. 52,482,157 if the Supreme Court's decision is unfavourable.

7.2 Commitments

Letters of credit other than for capital expenditure amounting to Rs 1.2 million (31 December 2013: Rs. nil).

(Rupees)	Un-audited June 30, 2014	Audited December 31, 2013
Letters of guarantee	20,277,094	38,304,922
Letters of credit	51,365,085	32,989,702
Post dated cheques issued to		
JAFZA against payment of rent	1,414,048	5,079,106
Emirates Islamic Bank against payment of lease of vehicle	4,359,982	5,405,059
	5,774,031	10,484,165
	77,416,210	81,778,789

(Rupees)	Note	Un-audited June 30, 2014	Audited June 30, 2013
8. Cash flow from operating activities			
Profit/ (loss) before tax		105,547,175	228,171,629
Adjustments for:			
- Depreciation on property, plant and equipment		4,368,183	11,192,555
- Depreciation on asset subject to finance lease		6,117,025	5,140,424
- Amortisation on intangible asset		12,237	61,502
- Exchange revaluation reserve		(2,566,671)	8,462,971
- Exchange (gain) / loss		34,203,412	(6,936,145)
- Employee benefits accrued		7,021,300	5,194,157
- Finance cost		8,721,049	8,950,636
- Gain on sale of fixed assets		(429,056)	(2,869,856)
- Income on bank deposits		(10,093,537)	(168,311)
Profit before working capital changes		152,901,118	257,199,562
- Increase in stock in trade		(3,181,856)	(1,118,723)
- Decrease trade debts		110,414,622	294,224,587
- Decrease / (Increase) in advances, deposits, prepayments and other receivables		(38,557,400)	24,063,655
- Decrease in creditors, accrued and other liabilities		(150,384,042)	(361,316,173)
		(81,708,676)	(44,146,654)
Cash generated from / (used in) operations		71,192,442	213,052,908

9. 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 director and executives of the Company is as follows:

(Rupees)	Un-audited Director / CEO 2014	Audited 2013	Un-audited Other Executive 2014	Audited 2013
Managerial remuneration	15,233,829	10,659,603	26,709,333	26,103,092
House rent	5,854,412	6,003,747	9,093,283	4,456,604
Utilities	175,763	3,043,253	1,239,306	1,114,151
Contribution to provident fund	1,001,188	1,374,500	2,396,430	1,114,151
Others	309,061	4,723,549	1,498,669	1,539,090
	22,574,253	25,804,652	40,937,022	34,327,088
Number of persons	2	2	17	15

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

Notes to the Condensed Interim Consolidated Financial Information

for the six month period ended June 30, 2014

10. Date of authorization for issue

The condensed interim consolidated financial information was authorised for issue on 22 August 2014 by the Board of Directors of the Holding Company.



Chief Executive Officer



Director

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