



**HALF YEARLY REPORT**  
for the half year ended  
**June 30, 2019**

A large, stylized letter 'A' dominates the center of the page. It is filled with a gradient of orange and yellow, with horizontal lines and a sunburst effect at its base. The 'A' is set against a background of intricate, grey, wavy line patterns. At the bottom of the 'A', there are several horizontal bands of digital patterns, including arrows and geometric shapes, in shades of yellow and orange.

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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. Khalid Hameed Wain	Member

### Auditors

EY Ford Rhodes  
Chartered Accountants.

### Legal Advisor

Chima & Ibrahim advocates and Corporate Council

### Web Presence

[www.avanceon.ae](http://www.avanceon.ae)  
[www.avanceon.qa](http://www.avanceon.qa)

### 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  
MCB Bank Limited, Pakistan  
United Bank Limited, Pakistan, U.A.E. & Qatar  
National Bank of Pakistan Limited, Pakistan  
Standard Chartered Bank Limited, Pakistan  
JS Bank Limited, Pakistan & Bahrain  
Qatar International Islamic Bank, Qatar  
Mashreq Bank, Qatar  
Qatar Islamic Bank, QIB, Qatar  
Doha Bank, Qatar  
Bank of Singapore, U.A.E. & Singapore

### Share Registrar

FAMCO Associates (Pvt.) Limited  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S, Shahra-e-Faisal  
Karachi-75400 Sindh, Pakistan.  
Phone: +92 (21) 343 801 01-5, 343 846 21-3  
Fax : +92 (21) 343 801 06  
Email : [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)

### Registered office

The Avanceon Building  
19-KM , Main Multan Road, Lahore, 54660  
Punjab Pakistan  
Phone: + 92 (42) 111 940 940  
Fax No: + 92 (42) 375 151 28  
Email: [support@avanceon.ae](mailto:support@avanceon.ae)

## Global Headquarters North America Avanceon GP - Exton, PA, USA

180 Sheree Boulevard  
Suite 1400  
Exton, PA 19341  
United States of America  
Phone +1 610 458 8700

## Regional Headquarters South East Asia

### Lahore, Punjab, Pakistan

The Avanceon Building  
19 Km Main Multan Road  
Lahore, Punjab  
Pakistan  
Phone: +92 42 111 940 940

SE Asia Technical Support: 0800 11194

### Karachi, Sindh, Pakistan

First Floor, MA Tabba Foundation Building,  
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Phone: +92 21 111 940 940

### Islamabad Capital City

299 Pansi Road, Safari Villas III, Bahria Town,  
Islamabad, Pakistan.  
Phone: +92 51 573 3031

## Regional Headquarters Middle East and Asia

### Avanceon FZE - Dubai, UAE

FZS1 BD04, JAFZA  
PO Box 18590, Dubai  
United Arab Emirates  
Phone: +971 4 88 60 277  
Email: support.mea@avanceon.ae

### Abu Dhabi, UAE

In Partnership with Ali & Sons  
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Email: support.mea@avanceon.ae

### Doha, Qatar

Avanceon Automation & Control W.L.L.  
Office No.12, Al Jabar Eng. Building  
Fox Hills, Lusail. PO Box 15976  
Doha, Qatar.  
Phone: +974 404 098 34  
Email: support@avanceon.qa

### Jeddah, Saudia Arabia

In Partnership with ATCO LLC  
ATCO Building.  
Kuwait St. Faisaliyah District.  
Jeddah, KSA. PO Box 1298  
Phone: +966-12-6912204 x 127  
Email: support.mea@avanceon.ae

### Dammam, Saudia Arabia

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Dammam, KSA. PO Box 718  
Phone: +966-12-6912204 x 127  
Email: support.mea@avanceon.ae

Trade Mark

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## Interim Director's Report

The directors of the company take pleasure in presenting their half year report together with the Company's unaudited interim condensed standalone and consolidated financial statements for the half year ended June 30, 2019.

	For the half year ended June 30, 2019	2018
	(Rupees in '000)	
<b>Operating results (consolidated)</b>		
Revenues	1,684,972	1,448,531
Profit before tax	541,544	367,498
Provision for taxation	(25,445)	(20,788)
Profit after taxation	516,099	346,710
<b>Operating results (standalone)</b>		
Revenues	544,547	703,471
Profit before tax	401,205	287,957
Provision for taxation	(23,994)	(20,788)
Profit after taxation	377,211	267,169

### Earnings per share (consolidated) for the half year ended June 30, 2019

The basic earnings per share after tax is Rs. 2.68 (2018: Rs. 1.82 - restated)

### Earnings per share (standalone) for the half year ended June 30, 2019

The basic earnings per share after tax is Rs. 1.96 (2018: Rs. 1.40 - restated)

As per above operating financial results of the company for the half year ended June 30, 2019 remained on positive side, the net profits of the company increased mainly due to exchange gain income on translation of inter-company balances, management is confident to achieve the targeted corporate plan for revenues and profit after tax for the financial year 2019, we observed low gross margins on standalone financials due to huge devaluation of PKR which disturbed our margins on few orders but still we are trying to recover the PKR escalation from our customers. we are expecting more recovery of earnings in remaining period of financial year 2019, historically, our revenues and profits remain on lower side in first quarter, get start momentum in 2nd quarter and major portion of revenue of orders start getting recognized in 3rd and 4th quarter of each financial year due to business cycle which is being observed from many financials years, currently, we have strong portfolio of orders in hand and in the pipeline for Pakistan, UAE, Qatar, Saudi Arabia (KSA).

### Communication

Communication with the shareholders is given a high priority. Financial reports are shared with shareholders within time specified in the current Companies Ordinance. The Company also has a website, [www.avanceon.ae](http://www.avanceon.ae), which contains up to date information on Company's activities and financial reports.

For and on behalf of the  
BOARD OF DIRECTORS



Bakhtiar Hameed Wain  
Chief Executive Officer

August 29, 2019  
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 2019 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 unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the "interim unconsolidated financial statements"). Management is responsible for the preparation and presentation of these interim unconsolidated 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 unconsolidated 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.

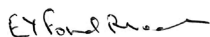
## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated 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 2019 and 30 June 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months ended 30 June 2019.

The engagement partner on the audit resulting in this independent auditor's review report is Sajjad Hussain Gill.



EY Ford Rhodes

Chartered Accountants

Lahore: August 30, 2019

Avanceon

**Standalone Condensed  
Interim Financial Statements**  
for the six month period ended June 30, 2019



## Condensed Interim Statement of Financial Position (Un-audited)

as at June 30, 2019

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018 Restated
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
250,000,000 (31 December 2018: 200,000,000)			
ordinary shares of Rs. 10 each		2,500,000	2,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
192,336,370 (31 December 2018: 136,323,754)			
ordinary shares of Rs. 10 each)		1,923,364	1,363,238
<b>CAPITAL RESERVES</b>			
Share premium		132,147	61,906
Employees' share compensation reserve	5	71,137	115,052
Surplus on revaluation of property, plant and equipment		167,485	167,915
		370,769	344,873
<b>REVENUE RESERVES</b>			
Un-appropriated profit		815,548	1,117,596
		3,109,681	2,825,707
<b>NON CURRENT LIABILITIES</b>			
Deferred tax		39,226	24,427
Long term loan	6	-	1,515
Lease liabilities		52,651	59,275
		91,877	85,217
<b>CURRENT LIABILITIES</b>			
Current portion of long term loan	6	10,606	18,182
Current portion of lease liabilities		25,464	24,546
Finances under mark up arrangements and other credit facilities - secured	7	277,660	248,866
Contract liabilities		41,297	34,761
Creditors, accrued and other liabilities	8	287,210	204,913
Unpaid dividend		282,827	283,074
		925,064	814,342
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		
		4,126,622	3,725,266

The annexed notes from 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
			Restated
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	10	327,845	325,904
Intangible assets		8	32
Long term investments	11	492,117	482,117
Long term loans and deposits		17,674	19,103
		837,644	827,156
<b>CURRENT ASSETS</b>			
Stock in trade		58,998	48,871
Trade debts		1,931,057	1,707,396
Contract assets		43,427	86,742
Advances, deposits, prepayments and other receivables		1,208,296	1,036,453
Short term investments		1,257	1,257
Cash and bank balances	12	45,942	17,391
		3,288,978	2,898,110
		4,126,622	3,725,266

  
Director  
Taveer Karamat

## Condensed Interim Statement of Profit or Loss (Un-audited)

for the six month period ended 30 June 2019

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
			Restated		Restated
Revenue from contracts with customers	13	544,547	703,471	244,065	350,312
Cost of sales		(349,181)	(467,818)	(161,581)	(252,652)
<b>Gross profit</b>		<b>195,366</b>	<b>235,653</b>	<b>82,484</b>	<b>97,660</b>
Administrative and selling expenses	14	(202,660)	(104,045)	(162,709)	(66,120)
Other operating expenses	15	(2,765)	(2,277)	(1,328)	(912)
Other operating income	16	437,239	173,960	412,918	95,101
		231,814	67,638	248,881	28,069
Profit from operations		427,180	303,291	331,365	125,729
Finance costs	17	(25,975)	(15,334)	(15,825)	(7,811)
<b>Profit before tax</b>		<b>401,205</b>	<b>287,957</b>	<b>315,540</b>	<b>117,918</b>
Taxation		(23,994)	(20,788)	(22,737)	(18,656)
<b>Profit for the period</b>		<b>377,211</b>	<b>267,169</b>	<b>292,803</b>	<b>99,262</b>
			Restated		Restated
<b>Earnings per share - basic (Rupees)</b>		<b>1.96</b>	<b>1.40</b>	<b>1.52</b>	<b>0.52</b>
<b>Earnings per share - diluted (Rupees)</b>		<b>1.93</b>	<b>1.37</b>	<b>1.49</b>	<b>0.51</b>

The annexed notes from 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

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

for the six month period ended June 30, 2019

(Rupees in '000)	Six month period ended		Three month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		Restated		Restated
Profit for the period	377,211	267,169	292,803	99,262
<b>Other comprehensive income</b>				
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Transfer from revaluation surplus on account of incremental depreciation net of tax	430	404	215	195
Deferred tax on revaluation surplus	(58)	327	(38)	327
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
<b>Total comprehensive income for the period</b>	<b>377,583</b>	<b>267,900</b>	<b>292,980</b>	<b>99,784</b>

The annexed notes from 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

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

for the six moth period ended June 30, 2019

(Rupees in '000)	Six month period ended	
	Un-audited June 30, 2019	Un-audited June 30, 2018 Restated
<b>Cash flows from operating activities</b>		
Profit before tax	401,205	287,956
Adjustments for:		
Depreciation of property, plant and equipment	5,894	4,542
Depreciation of right of use assets	14,056	10,710
Amortization of intangible assets	24	24
Employee share option expense	26,327	22,736
Exchange gain	(434,268)	(172,029)
Gain on disposal of property and equipment	(2,567)	(421)
Finance cost	25,975	15,334
Expected credit loss of receivables	74,599	-
Income on bank deposits	(1,960)	(118)
	(291,920)	(119,222)
Profit before working capital changes	109,284	168,734
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
-Stock in trade	(10,127)	(3,841)
-Trade debts	1,673	304,904
-Contract assets	43,314	(86,742)
-Advances, deposits, prepayments and other receivables	(155,464)	(53,054)
Increase / (decrease) in current liabilities		
-Creditors, accrued and other liabilities	79,550	(304,229)
-Contract liabilities	6,537	34,761
	(34,518)	(108,201)
<b>Cash flows from operating activities (carried forward)</b>	<b>74,768</b>	<b>60,533</b>



Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi

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

for the six moth period ended June 30, 2019

(Rupees in '000)	Note	Un-audited June 30, 2019	Un-audited June 30, 2018 Restated
<b>Cash flows from operating activities (brought forward)</b>		74,768	60,533
Finance cost paid		(23,230)	(17,487)
Taxes paid		(25,632)	(13,082)
<b>Net cash generated from operating activities</b>		25,905	29,964
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,206)	(7,615)
Proceeds from sale of property, plant and equipment		6,544	7,243
Investment in subsidiary		(10,000)	-
Income on bank deposits received		1,960	118
Net increase in long term advances and deposits		1,429	(123)
<b>Net cash used in investing activities</b>		(7,274)	(377)
<b>Cash flows from financing activities</b>			
(Repayment) / Receipt of loan - net		19,703	46,076
Shares issued		14,831	4,242
Dividend paid		(247)	(80,735)
Repayment of lease liabilities		(24,367)	(22,141)
<b>Net cash used in financing activities</b>		9,919	(52,558)
<b>Net increase / (decrease) in cash and cash equivalents</b>		28,551	(22,971)
<b>Cash and cash equivalents at the beginning of period</b>		17,391	54,846
<b>Cash and cash equivalents at the end of period</b>		45,942	31,875

The annexed notes from 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.

  
Director  
Taveer Karamat

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

for the six month period ended June 30, 2019

(Rupees in '000)	CAPITAL RESERVES				REVENUE RESERVES	Total
	Share Capital	Share Premium	Employees' share compensation reserve	Surplus on revaluation of property and equipment	Un-appropriated profit / (loss)	
Balance as on 01 January 2018 (audited)	1,321,211	61,894	69,825	146,115	920,870	2,519,914
Profit for the period	-	-	-	-	267,169	267,169
Other comprehensive income	-	-	-	(404)	731	327
	-	-	-	(404)	267,900	267,496
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	37,797	-	(37,797)	-	-	-
Post ballot shares issued 2997 @ Rs. 14	30	12	-	-	-	42
Cash received from employees against exercise price	4,200	-	-	-	-	4,200
Employee share option reserve	-	-	3,960	-	-	3,960
	42,027	12	(33,837)	-	(306,728)	(298,526)
Balance as on 30 June 2018 (un audited)	1,363,238	61,906	35,988	145,711	882,042	2,488,884
Balance as on 01 January 2019 (audited) - as reported	1,363,238	61,906	39,949	167,915	1,192,699	2,825,706
Effect of restatement of Employees' Share Option Scheme- Note 5.3	-	-	75,103	-	(75,103)	-
	1,363,238	61,906	115,052	167,915	1,117,596	2,825,706
Effect of adoption of IFRS 9- Note 3.1	-	-	-	-	(134,336)	(134,336)
Balance as on 01 January 2019 - as restated	1,363,238	61,906	115,052	167,915	983,260	2,691,370
Profit for the period	-	-	-	-	377,211	377,211
Other comprehensive income	-	-	-	(430)	372	(58)
	-	-	-	(430)	377,583	377,153
40% bonus share issue for the year ended 31 December 2018	545,295	-	-	-	(545,295)	-
ESOS-III issued, 1,483,115 shares @ Rs. 10	14,831	70,241	(70,241)	-	-	14,831
Employee share option reserve	-	-	26,327	-	-	26,327
	560,126	70,241	(43,915)	-	(545,295)	41,158
Balance as on 30 June 2019 (Unaudited)	1,923,364	132,147	71,137	167,485	815,548	3,109,681

The annexed notes from 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer  
Bakhtiar Hameed Wain

Chief Financial Officer  
Saeed Ullah Khan Niazi

Director  
Taveer Karamat

# Notes to Condensed Interim Unconsolidated Financial Statements

for the six month period ended June 30, 2019

## 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 is listed on Pakistan Stock Exchange Limited.

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

Business Unit	Location
Head Office	The Avanceon Building, 19 Km, Main Multan Road, Lahore
Regional Offices	
Karachi	First Floor, MA Tabba Foundation Building Gizri Road Block 9 Clifton, Karachi
Islamabad	299-Pansi Road, Bahria Town, Islamabad

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim unconsolidated 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 directives issued under the Companies Act, 2017.

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

These are the (unconsolidated) separate financial statements of the Company; consolidated financial statements have been presented separately.

2.2 These condensed interim unconsolidated 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 2018.

2.3 These condensed interim unconsolidated financial statements are unaudited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of Pakistan Stock Exchange Limited.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these



condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 31 December 2018, except as follows:

### 3.1 New / Revised Standards, Interpretations and Amendments

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

#### Standard or Interpretation

IFRIC 22	Foreign Currency Transactions and Advance Considerations
IAS 40	Transfers of Investment Property (Amendments)
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

Adoption of the above standards / interpretations did not have a material impact on these condensed interim unconsolidated financial statements except for IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The nature and effect of these changes are disclosed below:

#### - IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected to apply the standard on a full retrospective basis as permitted by IFRS 15 whereby the cumulative effect of retrospective application is recognized by adjusting opening retained earnings, assets, liabilities and other components of equity for the comparative period presented (which for the Company is the comparative period of 31 December 2018).

In summary, as a result of adopting IFRS 15 on full retrospective basis, the following adjustments were made to the amounts recognized in the statement of financial position as at 31 December 2018:

# Notes to and forming part of Condensed Interim Financial Information

for the six month period ended June 30, 2019

## Statement of Financial Position

Description	31 December 2018		
	Carrying Amount as previously stated	Reclassification	IFRS 15 Carrying Amount
(Rupees in '000)			
Trade debts	1,763,595	(56,199)	1,707,396
Contract assets	-	86,742	86,742
Creditors, accrued and other liabilities	209,131	(4,218)	204,913
Contract liabilities	-	34,761	34,761
	1,554,464	-	1,554,464

The adoption of revenue recognition standard did not have a material impact on amounts in statement of profit or loss, statement of other comprehensive income, statement of cash flows or earnings per share for the prior period as the Company already recognizes revenue against sale of goods upon of transfer of control as required by IFRS 15. Revenue against services are already accounted for as satisfaction of performance obligation over time as required by IFRS 15 and in respect of project revenue requirements of IAS 11, Construction Contracts were being followed which requires revenue recognition on percentage of completion basis, which is also similar to input method of measurement of progress towards satisfaction of performance obligation.

The Company is in the business of automation and engineering solutions. The products and services are sold on their own in separately identified contracts with customers and products together with services are sold in projects as one performance obligation.

(a) Sale of Goods

The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customers, generally on dispatch of products to customers. Therefore, the adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

(b) Rendering of services

Maintenance and service income comprises of revenue earned from service level agreements, where the customer enters into a contract with the company for a fixed period of time and fee amount, both pre-defined in the contract, for various technical and engineering services. Revenue is recognized on the basis of percentage of rendering of services, i.e. on the number of days of services performed out of the total contracted days for service level agreements. Due to recognition of revenue over time as performance obligation satisfies over time, there is no material impact of IFRS 15 adoption.

(c) Project revenue

These comprise of projects such as Hardware and Software Automation, Efficiency Solutions etc. Revenue from these projects is accounted for as per percentage of completion basis. Percentage completion is determined by dividing actual cost incurred on the project to date by total forecasted cost, which is calculated by a team of engineers on the inception of the project. This approach of revenue recognition under IAS 11, is consistent with IFRS 15, therefore resulting in only immaterial impact where cost has been incurred but contract terms require the revenue to be recognized on customer acceptance at design stage. The Company had no contracts at design stage at current or prior period end.

#### - IFRS 9 Financial Instruments

IFRS 9 Financial Instruments supersedes IAS 39 Financial Instruments: Recognition and Measurement for year or periods ending on or after 30 June 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

#### Classification and measurement of financial assets

The company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The accounting for the company's financial liabilities remains approximately the same as it was under IAS 39.

The Company adopted the standard retrospectively and elected not to restate comparative periods. Therefore it has accounted for the impact Expected Credit Loss under IFRS 9 in its opening retained earnings as shown in the statement of changes in equity.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements 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 judgements 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 2018 except for adoption of IFRS 9 and 15 as explained in note 3.1.

Provision in respect of taxation in these condensed interim unconsolidated financial statements is estimated and this is subject to final adjustment in the annual financial statements.

#### 5. EMPLOYEES' SHARE COMPENSATION RESERVE

##### 5.1 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 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. 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 profit of the Company.

##### 5.2 Share options scheme II

Employee Stock Option Scheme, 2016 was approved by the Securities and Exchange Commission

# Notes to and forming part of Condensed Interim Financial Information

for the six month period ended June 30, 2019

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%.

## 5.3 Share options scheme III

During the period, the management carried out a reconciliation of outstanding share options under employee stock option schemes and during this process, identified that Employees Share Option Scheme III (ESOS III) was approved during the year 2018, however, its financial effect was not erroneously accounted for in the financial statements for the year ended 31 December, 2018. The error has been corrected in these financial statements by restating the corresponding figures. As a result thereof, the profit for the year ended 31 December, 2018 has been reduced by Rs. 75,102,667 with corresponding increase in Employees' Share Compensation Reserve. Whereas the corresponding figures of the profit before tax in condensed interim statement of profit or loss for the three months and six months ended 30 June, 2018 has been reduced by Rs. 18,775,667. Basic and diluted EPS has decreased by Rs. 0.098 and Rs. 0.104 per share for the six months ended 30 June 2018 and by Rs. 0.084 and Rs. 0.099 per share for the three months ended 30 June 2018 respectively.

Employee Stock Option Scheme, 2018 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 23 July 2018 which comprises of an entitlement pool of 1.75 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 one year vesting period and therefore, the contractual term of each option granted is two years. The exercise price of the share options is Rs. 10 for options issued in 2018, Rs. 10.5 in 2019, Rs. 11.03 in 2020, Rs. 11.58 in 2021 and Rs. 12.15 in 2022.

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
<b>6. LONG TERM LOAN</b>			
Secured loan from banking company	6.1	10,606	19,697
Less: Current portion as shown under current liabilities		(10,606)	(18,182)
		-	1,515
6.1 Movement of long term loan			
Opening balance		19,697	37,879
Finance availed during the period		-	-
		19,697	37,879
Less: Repayments during the period		(9,091)	(18,182)
		10,606	19,697

The Company has obtained long term loan for three years from a commercial bank amounting to Rs. 50 million (31 December 2018: Rs. 50 million) bearing mark-up at the rate of 3 months KIBOR plus

200 bps per annum repayable in equal monthly installments. This loan is secured against token mortgage of Rs. 100,000 along with 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.

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
<b>7. FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED</b>			
Running finance	7.1	132,160	90,866
Inland bill purchased	7.2	145,500	158,000
		<b>277,660</b>	<b>248,866</b>

7.1 The Company has obtained running finance facility from a commercial bank with a limit of Rs.170 million (31 December 2018: Rs.120 million) bearing mark-up at the rate of 3 months KIBOR plus 2.25% (31 December 2018: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs.165 million (31 December 2018: 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 2018: 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.

7.2 This facility from a commercial bank has a limit of Rs. 186.5 million (31 December 2018: Rs.158 million) and carries mark-up at the rate of 3 months KIBOR plus 2% per annum (31 December 2018: 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, 2019	Audited December 31, 2018
<b>8. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors	8.1	175,119	129,621
Accrued expenses	8.2	62,761	25,468
Accrued mark-up		7,578	4,833
Social security payable		50	25
Provident fund payable		11,711	11,931
Withholding tax payable		10,129	4,634
Other liabilities		19,862	28,400
		<b>287,210</b>	<b>204,913</b>

8.1 This includes amount due to Octopus Digital (Private) Limited, an associated company of Rs. 16,082,809 (31 December 2018: Nil) on account of agency commission.

# Notes to and forming part of Condensed Interim Financial Information

for the six month period ended June 30, 2019

- 8.2 This includes amount due to Innovative Travels (Private) Limited, an associated company of Rs. 1,345,577 (31 December 2018: Rs. 1,458,000) on account of air tickets purchased by the Company.

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

- (i) The Company received a notice dated 01 January 2017 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. Based on opinion of tax advisor of the Company, management is confident of favorable outcome of the case, therefore no provision has been recognized in these financial statements.
- (ii) The Company received orders of the Additional Commissioner Inland Revenue u/s 122 (1) dated 07 March 2014 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 against which it preferred appeals before the Commissioner Inland Revenue (Appeals). As a result of this, the office of the Commissioner Inland Revenue (Appeals), Lahore disposed of the both appeals partially in favor of the Company. The Company however, 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.

### 9.2 Commitments

- (i) Letters of credit includes Rs. 58 million (31 December 2018: 23.08 million) which relates to import acceptance bills.
- (ii) Bank guarantees have been issued by a bank on behalf of the Company against the performance of various contracts amounting to Rs. 49 million (31 December 2018: Rs. 47 million).

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
<b>10. PROPERTY AND EQUIPMENT</b>			
Operating fixed assets - tangible	10.1	241,745	240,490
Right of use asset - leased vehicles	10.2	86,100	85,415
		327,845	325,904
10.1 Operating fixed assets - tangible			
Opening book value		240,490	212,676
Add: Additions during the period / year -cost	10.1.1	7,206	14,941
Add: Effect of revaluation		-	22,697
		247,696	250,314
Less: Deletions during the period / year	10.1.2	(3,977)	(7,861)
		243,719	242,453
Less: Depreciation during the period / year		(5,894)	(9,732)
Add: Adjustment for assets transferred from leased to owned assets		3,920	7,769
Book value at the end of the period / year		241,745	240,490
10.1.1 Additions/transfers during the period / year - cost			
Buildings		-	1,000
Furniture and fixtures		143	2,024
Office equipment and appliances		371	3,478
Computers		6,692	8,439
		7,206	14,941
10.1.2 Deletions during the period / year - net book value			
Furniture and fixtures		-	(16)
Office equipment and appliances		(57)	(8)
Vehicles		(3,920)	(7,854)
		(3,977)	(7,862)
10.2 Right of use asset - leased vehicles			
Opening book value		85,415	61,526
Add: Additions during the period / year		18,661	53,921
		104,076	115,447
Less: Transfers to operating assets during the period / year - net book value		(3,920)	(7,769)
Less: Deletions during the period /year - net book value		-	(459)
		100,156	107,219
Less: Depreciation during the period / year		(14,056)	(21,804)
Book value at the end of the period / year		86,100	85,415

# Notes to and forming part of Condensed Interim Financial Information

for the six month period ended June 30, 2019

Note	Un-Audited 30 June 2019		Audited 31 December 2018	
	Equity % held	Investment at FV through OCI	Equity % held	Investment at FV through OCI
	Percentage%	(Rupees in '000)	Percentage%	(Rupees in '000)
<b>11. LONG TERM INVESTMENTS</b>				
Wholly owned subsidiaries - unquoted				
- Avanceon FZE, Dubai				
26 (December 2018 : 26) fully paid ordinary shares of AED 1 million each	11.1	100	100	473,671
- Avanceon Automation and Control W.L.L, Qatar				
98 (December 2018 : 98) fully paid ordinary shares of QAR 1,000 each	11.2	49	49	8,446
- Octopus Digital (Private) Limited, Pakistan				
1,000 (December 2018: Nil) ordinary shares of Rs.10 each	11.3	100	-	-
		-	-	492,117

11.1 Avanceon FZE (AFZE) 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. AFZE 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 subsidiary are to trade in products of automation and control equipment and provide related engineering and technical support.

11.2 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. 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.

11.3 Octopus Digital (Private) Limited was an associated undertaking owing to common directorship of two of the Directors of the Company, who held 1 share each in it. The company has acquired 100% shareholding in the said subsidiary by acquiring 1 million ordinary shares of Rs. 10 each. Subsequent to the period end, shareholders approval has been obtained in Extra Ordinary General Meeting held on 08 August 2019.

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		336	343
Cash at bank			
-Current accounts	12.1	44,101	12,276
-Savings accounts		1,505	4,772
		45,606	17,048
		45,942	17,391

12.1 The balances in savings accounts bear mark-up at the rate ranging from 7.5% to 11% (31 December 2018: 6% to 7%) per annum.



(Rupees in '000)	Note	Six month period ended		Three month period ended	
		Un-audited June 30, 2019	Un-audited June 30, 2018	Un-audited June 30, 2019	Un-audited June 30, 2018
<b>13. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>					
Core business		105,180	429,609	37,505	220,389
After Market Support		52,284	88,416	29,586	45,717
Specialized business		92,305	11,864	17,839	5,070
Engineering		116,767	34,319	58,249	15,253
Building Maintenance Solutions		4,837	-	1,478	-
Retail		17,809	-	17,809	-
Others	13.1	155,365	139,263	81,599	63,883
		<b>544,547</b>	<b>703,471</b>	<b>244,065</b>	<b>350,312</b>

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

**13.2 Timing of Revenue Recognition**

Revenue in respect of sales of goods is recognized at a point in time

Revenue in respect of rendering of services and projects income is recognized over time

**14. ADMINISTRATIVE AND SELLING EXPENSES**

These include an amount of Rs. 74,590,710 (2018: Rs. Nil) representing discounting of trade debtors and other receivables to their present value due to adoption of IFRS 9 as explained in note 3.1.

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		Un-audited June 30, 2019	Un-audited June 30, 2018	Un-audited June 30, 2019	Un-audited June 30, 2018
<b>15. OTHER OPERATING EXPENSES</b>					
Social security		151	147	151	73
Donations		2,614	2,130	1,177	839
		<b>2,765</b>	<b>2,277</b>	<b>1,328</b>	<b>912</b>
<b>16. OTHER OPERATING INCOME</b>					
Income on bank deposits		156	118	48	36
Gain on disposal of property, plant and equipment		2,567	421	2,567	360
Exchange gain		434,268	172,029	410,182	93,313
Others		248	1,392	121	1,392
		<b>437,239</b>	<b>173,960</b>	<b>412,918</b>	<b>95,101</b>
<b>17. FINANCE COST</b>					
Mark-up and interest on:					
-Long term loan		1,246	1,358	951	649
-Finances under mark up arrangements and other credit facilities secured		19,544	10,246	12,271	5,020
-Finance lease		4,197	2,246	2,225	1,099
-Other Financial arrangements		-	-	-	-
Bank charges		267	735	168	436
Guarantee commission		720	749	210	607
		<b>25,975</b>	<b>15,334</b>	<b>15,825</b>	<b>7,811</b>

# Notes to and forming part of Condensed Interim Financial Information

for the six month period ended June 30, 2019

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

		Six month period ended	
		Un-audited June 30, 2019	Un-audited June 30, 2018
(Rupees in '000)			
i. Subsidiaries			
Avanceon FZE, Dubai	Agency commission	3,880	3,858
	Business process outsourcing	24,155	34,447
	Fee for technical services	8,662	6,868
	Revenue recognized on sub-contracted projects	70,643	29,781
Avanceon Automation and Control W.L.L, Qatar	Business process outsourcing	39,556	31,363
	Fee for technical services	79,113	62,727
	Revenue recognized on sub-contracted projects	46,123	12,532
Octopus Digital (Private) Limited	Agency commission	15,198	-
ii. Associates			
Innovative Travels (Private) Limited	Other charges and reimbursement of expenses	-	5,990
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plan	7,042	4,832
iv. Key management personnel	Remuneration and other benefits	55,774	52,113

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

## 19. DISCONTINUED OPERATIONS

During the period, the Board of Directors of the Company approved the disposal of its after-market engineering and technical services related business segment and called an extra ordinary general meeting to obtain approval of members on this resolution on 08 August 2019. The after-market engineering and technical services related business segment constituted 26% of the Company's total revenue as per latest audited financial statements for the year ended 31 December 2018. The said segment will be sold to wholly owned subsidiary of the Company Octopus Digital (Private) Limited against price of Rs. 819,000,000. The said consideration will be settled through issuance of 81,900,000 ordinary shares at nominal value of Rs. 10 each, of Octopus Digital (Private) Limited to the Company. The objective of this transaction is to integrate alike business operations to benefit from synergy. The operating results of this business segment are presented in note 20 in AMS segment.

	2019						
(Rupees in '000)	AMS	Core Business		Specialized Business	Retail & BMS	Engineering & Back Office	Total
		Core Business	Manufacturing & Assemblg				

## 20. OPERATING SEGMENTS

### Segment profit and loss account

#### Revenue from external

customers	52,284	66,940	38,241	92,305	22,646	272,132	544,547
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Cost of sales	(33,121)	(50,312)	(28,500)	(65,232)	(14,242)	(157,775)	(349,181)
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<b>Gross Profit</b>	<b>19,163</b>	<b>16,628</b>	<b>9,741</b>	<b>27,073</b>	<b>8,405</b>	<b>114,357</b>	<b>195,366</b>
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### SEGMENT ASSETS

Debtors	43,431	58,540	56,346	84,399	18,724	1,669,618	1,931,057
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Contract assets	6,361	11,785	8,132	12,312	4,837	-	43,427
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Stock in trade	5,665	19,252	8,143	23,001	2,937	-	58,998
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<b>Segment total assets</b>	<b>49,095</b>	<b>77,792</b>	<b>64,489</b>	<b>107,399</b>	<b>21,661</b>	<b>1,669,618</b>	<b>1,990,055</b>
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### SEGMENT LIABILITIES

Contract liabilities	2,472	12,543	11,201	8,540	6,542	-	41,297
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	2018						
(Rupees in '000)	AMS	Core Business		Specialized Business	Retail & BMS	Engineering & Back Office	Total
		Core Business	Manufacturing & Assemblg				

### Segment profit and loss account

#### Revenue from

external customers	64,850	94,500	63,251	115,420	-	365,450	703,471
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Cost of sales	(42,310)	(72,403)	(48,231)	(92,721)	-	(212,153)	(467,818)
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<b>Gross Profit</b>	<b>22,540</b>	<b>22,097</b>	<b>15,020</b>	<b>22,699</b>	<b>-</b>	<b>153,297</b>	<b>235,653</b>
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### SEGMENT ASSETS

Debtors	88,513	70,132	82,330	85,616	-	1,380,806	1,707,398
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Contract assets	11,323	15,412	17,694	42,312	-	-	1,805,140
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Stock in trade	3,021	26,930	13,918	5,002	-	-	48,871
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<b>Segment total assets</b>	<b>91,535</b>	<b>97,062</b>	<b>96,248</b>	<b>90,618</b>	<b>-</b>	<b>1,380,806</b>	<b>1,756,269</b>
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### SEGMENT LIABILITIES

Contract liabilities	4,875	9,951	12,984	6,950	-	-	34,761
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## 21. FINANCIAL ASSETS AND LIABILITIES

Set out below, is an overview of financial assets, other than cash and bank balances, held by the company as at 30 June 2019 and 31 December 2018:

# Notes to and forming part of Condensed Interim Financial Information

for the six month period ended June 30, 2019

(Rupees in '000)	Un-audited June 30, 2019	Audited December 31, 2018 Restated
Debt instruments at amortized cost		
Long term loans and deposits	17,674	19,103
Trade debts	1,931,057	1,707,396
Contract assets	43,427	86,742
Deposits and other receivables	1,038,039	934,465
Equity instruments at fair value through profit or loss		
Short term investments	1,257	1,257
<b>Total</b>	<b>3,031,455</b>	<b>2,748,963</b>
Total current	3,013,780	2,729,860
Total non current	17,674	19,103

Set out below, is an overview of financial liabilities held by the company as at 30 June 2019 and 31 December 2018:

(Rupees in '000)	Un-audited June 30, 2019	Audited December 31, 2018
Financial liabilities at amortized cost		
Trade and other payables	257,546	186,672
Interest bearing loans and borrowings		
Short term borrowings	277,660	248,866
Secured bank loan	10,606	19,697
Finance lease liabilities	78,115	83,821
Unpaid dividend	282,827	283,074
<b>Total</b>	<b>906,754</b>	<b>822,130</b>
Total current	854,103	761,340
Total non current	52,651	60,790

## 22. GENERAL

22.1 Figures have been rounded off to the nearest thousand rupee, unless otherwise stated.

22.2 The figures of condensed interim profit or loss account and condensed interim statement of comprehensive income for the six month period ended 30 June 2019 and 30 June 2018 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures for the six month period ended 30 June 2019 and 30 June 2018.

## 23. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized by the Board of Directors of the Company for issue on August 29, 2019.

  
Chief Executive Officer  
Bakhtiar Hameed Wain

  
Chief Financial Officer  
Saeed Ullah Khan Niazi

Avanceon

**Consolidated Condensed  
Interim Financial Statements**  
for the six month period ended June 30, 2019



# Consolidated Condensed Balance Sheet

as at June 30, 2019

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital			
250,000,000 (2018: 200,000,000)			
ordinary shares of Rs. 10 each		2,500,000	2,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
192,336,370 (2018: 136,323,754)			
ordinary shares of Rs. 10 each		1,923,364	1,363,238
<b>CAPITAL RESERVES</b>			
Share premium		132,148	61,906
Employees' share compensation reserve		71,136	115,051
Surplus On Revaluation Of Property, Plant & Equipment		167,485	167,915
Exchange revaluation reserve		606,217	445,769
		976,986	790,641
<b>REVENUE RESERVES</b>			
Un-appropriated Profit		1,325,752	1,279,978
		4,226,103	3,433,857
<b>NON CURRENT LIABILITIES</b>			
Long Term Loans			1,515
Liabilities against assets subject to finance lease		57,084	63,959
Deferred taxation		39,226	24,427
Deferred liabilities		81,126	63,749
		177,435	153,650
<b>CURRENT LIABILITIES</b>			
Current portion of Long Term Loans		10,606	18,182
Current portion of long-term liabilities		27,681	26,420
Finances under mark up arrangements and other credit facilities - secured		449,108	312,078
Unclaimed / Unpaid Dividend		282,827	283,075
Creditors, accrued and other liabilities		2,305,319	1,766,232
		3,075,540	2,405,987
<b>CONTINGENCIES AND COMMITMENTS</b>			
	3		
		7,479,078	5,993,493

The annexed notes from 1 to 5 form an integral part of these condensed interim financial statements.



Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi

(Rupees in '000)	Note	Un-audited June 30, 2019	Audited December 31, 2018
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		344,131	337,141
Intangible Assets		8	31
Long term investment		892,631	746,059
Long term deposits		47,214	37,907
		1,283,984	1,121,138
<b>CURRENT ASSETS</b>			
Stock in trade		258,576	85,341
Trade debts		4,787,182	3,981,886
Advances, deposits, prepayments and other receivables		820,932	562,253
Term deposits with banks		208,200	188,857
Investments in Stocks		1,256	1,256
Cash and bank balances		118,948	52,763
		6,195,094	4,872,355
		7,479,078	5,993,493

  
Director  
Taveer Karamat



## Consolidated Condensed Interim Statement of Profit or Loss (Un-audited)

for the six month period ended 30 June 2019

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		June 30, 2019	June 30, 2018 Restated	June 30, 2019	June 30, 2018 Restated
Sales		1,684,972	1,448,531	987,889	859,183
Cost of sales		(1,228,086)	(1,000,348)	(794,497)	(624,870)
<b>Gross profit / (Loss)</b>		<b>456,886</b>	<b>448,183</b>	<b>193,393</b>	<b>234,313</b>
Administrative and selling expenses		(301,181)	(223,301)	(189,351)	(129,992)
Other operating expenses		(2,765)	(2,278)	(1,328)	(913)
Other operating income		440,199	175,646	416,028	93,806
		136,253	(49,933)	225,349	(37,099)
<b>Profit / (Loss) from operations</b>		<b>593,139</b>	<b>398,250</b>	<b>418,742</b>	<b>197,214</b>
Finance costs		(51,594)	(30,752)	(25,778)	(16,612)
<b>Profit / (Loss) before tax</b>		<b>541,544</b>	<b>367,498</b>	<b>392,964</b>	<b>180,602</b>
Taxation		(25,445)	(20,788)	(24,188)	(18,656)
<b>Income for the period from operations</b>		<b>516,099</b>	<b>346,710</b>	<b>368,776</b>	<b>161,946</b>
<b>Earnings per share - basic</b>		<b>2.68</b>	<b>1.80</b>	<b>1.92</b>	<b>0.94</b>
<b>Earnings per share - diluted</b>		<b>2.63</b>	<b>1.77</b>	<b>1.85</b>	<b>0.91</b>

The annexed notes from 1 to 5 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director

**Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
for the six month period ended 30 June 2019

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Profit / (Loss) for the period		516,099	346,710	368,776	161,946
<b>Other comprehensive income</b>					
-Exchange difference on translating foreign operations		160,448	66,629	222,541	36,201
-Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax		430	404	215	195
-Items to be reclassified to profit and loss in subsequent period					
Deferred tax on revaluation surplus due to reduction in tax rate		(58)	327	(38)	327
<b>Total comprehensive income for the period</b>		<b>676,920</b>	<b>414,070</b>	<b>591,494</b>	<b>198,669</b>

The annexed notes from 1 to 5 form an integral part of these condensed interim financial statements.



Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi



Director  
Taveer Karamat

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

for the six month period ended June 30, 2019

(Rupees in '000)	Six month period ended	
	Un-audited June 30, 2019	Un-audited June 30, 2018
<b>Cash flows from operating activities</b>		
Profit/ (loss) before tax	541,544	367,498
Adjustments for:		
Depreciation on property, plant and equipment	19,589	16,112
Amortization of intangible asset	23	23
Exchange (gain) / loss	(430,088)	(151,379)
Exchange revaluation reserve	(146,573)	(66,832)
Provision for doubtful debts and advances	21,287	
Finance cost	51,594	30,752
(Gain)/loss on fixed assets	(2,567)	(464)
Income on bank deposits	(5,847)	(3,480)
	(492,581)	(161,268)
<b>Profit before working capital changes</b>	<b>48,963</b>	<b>206,230</b>
(Increase) / decrease in current assets		
-Stock in trade	(173,235)	(8,099)
-Trade debts	(396,495)	134,874
-Advances, deposits, prepayments and other receivables	(249,301)	(122,159)
Increase / (decrease) in current liabilities		
-Creditors, accrued and other liabilities	966,862	(29,119)
	147,831	(24,502)
<b>Cash (used in) / generated from operations</b>	<b>196,794</b>	<b>181,728</b>
Finance costs paid	(48,849)	(32,904)
Taxes paid	(34,822)	(15,415)
<b>Net cash (used in) / generated from operating activities - Continued ....</b>	<b>113,122</b>	<b>133,408</b>



Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi

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

for the six month period ended June 30, 2019

(Rupees in '000)	Six month period ended	
	Un-audited June 30, 2019	Un-audited June 30, 2018
Net cash (used in) / generated from operating activities - Continued .....	113,122	133,408
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(12,277)	(14,721)
Proceeds from disposal of property, plant and equipment and intangible assets	6,926	6,418
Profit on bank deposit	5,847	3,480
Term deposits with banks	(19,344)	28,992
Net change in long term advances and deposits	(9,307)	(1,470)
Net cash (used in) / generated from investing activities	(28,154)	22,699
<b>Cash flows from financing activities</b>		
Share issued	14,831	4,242
Dividend paid	(249)	(80,735)
Long term loan	(9,091)	(9,091)
Repayment of finance lease liabilities	(24,275)	(9,218)
Net cash (used in) / generated from financing activities	(18,784)	(94,802)
Net (decrease) / increase in cash and cash equivalents	66,184	61,305
Cash and cash equivalents at the beginning of year	52,763	169,330
Cash and cash equivalents at the end of period	118,947	230,634

The annexed notes from 1 to 5 form an integral part of these condensed interim financial statements.

  
Director  
Taveer Karamat

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

for the six month period ended June 30, 2019

(Rupees in '000)	Share Capital	CAPITAL RESERVES				REVENUE RESERVES	Total
		Share Premium Reserve	Employees' Share Compensation Reserve	Exchange Revaluation Reserve	Surplus On Revaluation Of Property And Equipment	Un-Appropriated Profit / (Loss)	
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	-	(37,797)	-	-	-	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)	(298,527)
Balance as on June 30, 2018	1,363,238	61,906	35,988	311,468	145,710	953,753	2,872,064
Profit for the period	-	-	-	-	-	401,263	401,263
Other comprehensive income	-	-	-	134,300	22,205	64	156,569
	-	-	-	134,300	22,205	401,327	557,832
Adjustment of ESOS 2nd Issue	-	-	3,960	-	-	-	3,960
Balance as on December 31, 2018	1,363,238	61,906	39,949	445,769	167,915	1,355,080	3,433,857
Effect of restatement of Employees' Share Option	-	-	75,103	-	-	(75,103)	-
Balance as on December 31, 2018 - re-stated	1,363,238	61,906	115,051	445,769	167,915	1,279,978	3,433,857
Profit for the period	-	-	-	-	-	516,099	516,099
Other comprehensive income	-	-	-	160,448	(430)	372	160,390
	-	-	-	160,448	(430)	516,471	676,490
40% share issue for the year ended 31 December 2018	-	-	-	-	-	-	-
40 shares on every 100 shares	545,295	-	-	-	-	(545,295)	-
ESOS-III issued, 1,483,115 shares @ Rs. 10	14,831	70,241	(70,241)	-	-	-	14,831
Employee share option reserve	-	-	26,327	-	-	-	26,327
IFRS-9 Impact reversal	-	-	-	-	-	74,599	74,599
	560,126	70,241	(43,915)	-	-	(470,696)	115,756
Balance as on June 30, 2019	1,923,364	132,148	71,136	606,217	167,485	1,325,752	4,226,103

The annexed notes from 1 to 5 form an integral part of these condensed interim financial statements.



Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi



Director  
Taveer Karamat

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

for the six month period ended June 30, 2019

### 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 converted to a public limited company on 31 March 2008 under the Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company was listed on Lahore and Karachi Stock Exchanges (now Pakistan Stock Exchange Limited) on 10 February 2014.

The principal activity of the Holding Company is to trade in products of automation and control equipment and to provide related technical services.

Following are the business units of the Holding Company along with their respective locations:

Business Unit	Location
Head Office	19 km, Multan Road, Lahore.
Regional Offices	
Karachi	First Floor, MA Tabba Foundation Building, Gizri Road Block 9 Clifton Karachi, Sindh 75600.
Islamabad	299-Pansi Road, Bahria Town, Islamabad

#### 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. (formerly Engro Innovative Inc.) USA (IA)	100%
- Avanceon Automation and Control W.L.L (AVAC)	49%
- Octopus Digital Pvt. Limited	100%

Avanceon FZE 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 Establishment is wholly owned subsidiary of the Holding Company.

Innovative Automation's registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Group holds 26.11% (2017: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

Avanceon Automation and Control W.L.L (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 technical support. The Establishment is a subsidiary of the Holding Company, as the Holding Company has control over its financial and operating decision making under an agreement between Avanceon FZE and AVAC.

Octopus Digital (Private) Limited was an associated undertaking owing to common directorship of two of the Directors of the Company, who held 1 share each in it. The company has acquired 100% shareholding in the said subsidiary by acquiring 1 million ordinary shares of Rs. 10 each. Subsequent to the year end, shareholders approval has been obtained in Extra Ordinary Meeting held on 08 August 2019.

Establishment is a subsidiary of the Holding Company, as the Holding Company has control over its financial and operating decision making under an agreement between Avanceon FZE and AVAC.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.
- Provisions of and directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

### 2.2 Standards, Interpretations and amendments to published approved accounting standards

#### 2.2.1 New and amended standards and interpretations

The Group has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current year.

- |          |  |
|----------|--|
| IAS 7    | - Statement of Cash Flows - Disclosure Initiative (Amendments)                         |
| IAS 12   | - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) |
| IFRIC 22 | - Statement of Cash Flows - Disclosure Initiative (Amendments)                         |

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

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

for the six month period ended June 30, 2019

### 2.2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following standards, amendments and interpretation with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Group:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 1 and IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
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 15	Revenue from Contract with Customers	01 July 2018
IFRS 9	Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 16	Leases	01 January 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	01 January 2020
IAS 19	Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9	Financial Instruments*	30 June 2019

\*The SECP has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I) /2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application except for IFRS 9 – Financial Instruments, IFRS 15 - Revenue from Contract with Customers IFRS 16 - Leases for which management is in process of calculating the impact on Group's financial statements.



The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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 or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

The above amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

### 3. CONTINGENCIES AND COMMITMENTS

#### 3.1 Contingencies

- (i) The Company has received an order dated 1 January 2017 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.
- (ii) The 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, office of the Commissioner Inland Revenue (Appeals), Lahore disposed of 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) decision for both of the years, which is pending for hearing.

#### 3.2 Commitments

- (i) Bank guarantees issued amounting to Rs.49 million (2018: Rs. 47 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs. 58 million (2018: 23.08) which relates to import acceptance bills.

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

for the six month period ended June 30, 2019

### 4. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim consolidated financial information was authorised for issue on August 29, 2019 by the Board of Directors of the Holding Company.

### 5. GENERAL

Figures have been rounded off to the nearest thousand rupees.



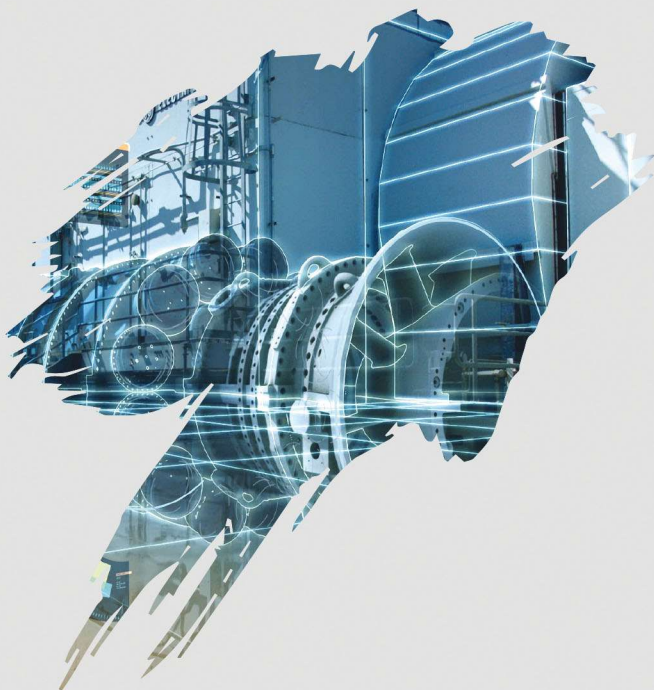
Chief Executive Officer  
Bakhtiar Hameed Wain



Chief Financial Officer  
Saeed Ullah Khan Niazi



Director  
Taveer Karamat



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