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Digital Transformation



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Company Information

Directors

Khalid Hameed Wain	Director / Chairman
Bakhtiar Hameed Wain	Director / Chief Executive Officer
Tanveer Karamat	Director / Chief Operating Officer
Amir Waheed Wain	Director
Hanan Darwish	Director
Omer Iqbal Khan	Director
Umar Ahsan Khan	Director
Saeed Ullah Khan Niazi	Chief Financial Officer
Ahsan Khalil (ACA-FPFA)	Company Secretary

Audit Committee

M. Shahid Mir	Chairman
Amir Waheed Wain	Member
Bakhtiar Waheed Wain	Member

Human Resource & Remuneration Committee

M. Shahid Mir	Chairman
Bakhtiar Hameed Wain	Member
Khalid Hameed Wain	Member

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

Chima & Ibrahim

Web Presence

www.avanceon.ae | www.avanceon.com
www.avanceon.qa | www.octopusdtl.com

Bankers

Faysal Bank Limited, Pakistan
Habib Bank Limited, Pakistan & United Arab Emirates
National Bank of Fujairah, United Arab Emirates
Habib Bank AGA, Zurich, United Arab Emirates
National Penn Bank, United States of America
Bank of Singapore, United Arab Emirates
MCB Bank Limited, Pakistan
United Bank Limited, Pakistan & United Arab Emirates
National Bank of Pakistan Limited, Pakistan
Standard Chartered Bank Limited, Pakistan
JS Bank Limited, Pakistan
Qatar International Islamic Bank QIIB,
QatarQatar Islamic Bank QIB, Qatar

Share Registrar

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Trade Mark

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Interim Director's Report

The Directors of the company take pleasure in presenting their half year report together with the Company's unaudited interim condensed standalone (reviewed) and consolidated financial statements for the half year ended June 30, 2021

(Rupees in '000)	For the half year ended June 30, 2021	2020
Operating results (consolidated)		
Revenues	2,380,603	1,999,482
Profit before tax	568,608	419,668
Tax (Expense) / Reversal	(82,095)	7,438
Net Profit after tax	486,514	427,106
Operating results (standalone)		
Revenues	792,748	506,949
Profit before tax	538,159	341,001
Tax (Expense) / Reversal	(66,806)	7,438
Net Profit after tax	471,353	348,439

Earnings Per Share (Consolidated) For The Half Year Ended June 30, 2021

The basic earnings per share after tax is Rs. 1.91 (2020: Rs. 1.68 - restated)

Earnings Per Share (Standalone) For The Half Year Ended June 30, 2021

The basic earnings per share after tax is Rs. 1.85 (2020: Rs. 1.37 - restated)

The financial results for the half year period ended June 30, 2021 remained on positive side in order to achieve the corporate plan for FY 2021. However, 4th wave of COVID19 impacted our revenue recognition slightly, but we are hopeful for compensate this in Q3 of FY 2021. We observed the major decrease in other income due to exchange gain at reporting date because of devaluation of USD as compared to PKR 158 which will be restored to previous level during Q3 of FY 2021 and can boost the earning per share (EPS) by PKR 2 per share. All business segments including Pakistan, Qatar, KSA, UAE and Nigeria are performing satisfactory as per management expectations to achieve corporate plan of FY 2021 except for some revenue recognition delays in building automation segment in Pakistan. The Octopus Digital, wholly owned subsidiary is going to offer Initial Public Offering (IPO) in September 2021 which is also performing

as per management plan and will further increase shareholders wealth positively because in last analyst briefing The Octopus Digital figures were not included in the corporate plan which was shared with the public. The Octopus Digital revenues and net profits shall be additional impact revenues and net profits of the company.

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, 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 30, 2021
Lahore, Pakistan.

Independent Auditor's Review Report to the Members of Avanceon Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Avanceon Limited as at 30 June 2021 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of other comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim statement of cash flows and notes to the unconsolidated condensed interim financial statements for the six months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

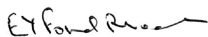
Conclusion

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

Other Matter

The figures of the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of other comprehensive income and related notes for the quarter ended 30 June 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-months ended 30 June 2021.

The engagement partner on the audit resulting in this independent auditor's review report is Farooq Hameed.



Chartered Accountants

Lahore: August 31, 2021

Avanceon

**Condensed Standalone
Interim Financial Statements**
for the half year ended June 30, 2021

Unconsolidated Condensed Interim Statement of Financial Position

as at June 30, 2021

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
500,000,000 (2020: 250,000,000)			
ordinary shares of Rs. 10 each		5,000,000	2,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
256,593,349 (2020: 211,790,007)			
ordinary shares of Rs. 10 each	5	2,565,934	2,117,900
CAPITAL RESERVES			
Share premium		185,875	138,384
Employees' share compensation reserve	6	64,524	74,270
Surplus on revaluation of property and equipment		241,609	241,827
		492,008	454,481
REVENUE RESERVES			
Un-appropriated profit		2,616,499	2,786,411
		5,674,441	5,358,792
NON CURRENT LIABILITIES			
Lease liabilities		15,722	17,460
Long term loan	7	10,596	23,551
Deferred grant		95	518
		26,413	41,529
CURRENT LIABILITIES			
Current portion of lease liabilities		9,676	20,983
Current portion of long term loan	7	25,911	25,911
Current portion of deferred grant		1,154	1,218
Finances under mark up arrangements and other credit facilities - secured	8	387,658	419,006
Creditors, accrued and other liabilities	9	852,926	714,119
Contract liabilities		137,957	82,176
Unclaimed dividend		170,929	1,665
		1,586,211	1,265,078
CONTINGENCIES AND COMMITMENTS			
	10		
		7,287,065	6,665,399

The annexed notes from 1 to 20 form an integral part of these unconsolidated 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, 2021	Audited December 31, 2020
ASSETS			
NON CURRENT ASSETS			
Property and equipment	11	366,228	379,281
Long term investments	12	4,177,734	4,218,820
Deferred taxation		18,472	57,450
Long term loans, deposits and other receivables		2,026	2,072
		4,564,460	4,657,623
CURRENT ASSETS			
Stock in trade		47,279	39,984
Trade debts	13	1,259,812	967,810
Contract assets		179,727	187,931
Advances, deposits, prepayments and other receivables	14	1,202,869	742,658
Short term investments		400	2,955
Cash and bank balances	15	32,518	66,438
		2,722,605	2,007,776
		7,287,065	6,665,399



Director
Taveer Karamat

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

for the half year ended June 30, 2021

(Rupees in '000)	Note	Six months ended		Three months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue from contracts with customers	16	792,748	506,949	407,644	224,801
Cost of revenue		(511,626)	(315,759)	(276,735)	(143,465)
Gross Profit		281,122	191,190	130,909	81,336
Administrative and selling expenses		(136,646)	(105,290)	(95,057)	(69,466)
Other operating expenses		(56,150)	(2,065)	(101,476)	(1,141)
Other operating income		470,691	284,794	328,815	60,045
		277,895	177,439	132,282	(10,562)
Profit from operations		559,017	368,629	263,191	70,774
Finance costs		(20,858)	(27,628)	(13,369)	(14,304)
Profit before tax		538,159	341,001	249,822	56,470
Taxation		(66,806)	7,438	(57,990)	9,584
Profit for the period		471,353	348,439	191,832	66,054
			Restated		Restated
Earnings per share - basic (Rupees)		1.85	1.37	0.75	0.26
Earnings per share - diluted (Rupees)		1.83	1.34	0.74	0.25

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

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

for the half year ended June 30, 2021

(Rupees in '000)	Six months ended		Three months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Profit for the period	471,353	348,439	191,832	66,054
Other comprehensive income				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	-	-	-	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income for the period	471,353	348,439	191,832	66,054

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

Unconsolidated Condensed Interim Statement of Cash Flows (Un-audited)

for the half year ended June 30, 2021

(Rupees in '000)	Un-audited June 30, 2021	Un-audited June 30, 2020
Cash flows from operating activities		
Profit before tax	538,159	341,001
Adjustments for:		
Depreciation on property, plant and equipment	8,172	6,389
Depreciation on right of use assets	10,632	11,970
Gain on sale of short term investments	(315)	14
Trade debts written off - specific	2,384	-
Employees' share option expense	31,940	12,964
Exchange loss / (gain)	41,086	(272,500)
Gain on disposal of property and equipment	(3,074)	(522)
Finance cost	20,858	27,628
Provision for expected credit losses - contract asset	1,702	27,562
Provision for expected credit losses - trade debts	1,765	-
Provision for expected credit losses - related party	18,735	-
Amortization of deferred grant	(487)	-
Dividend income	(461,370)	-
Profit on bank deposits	(403)	(398)
	(328,375)	(186,893)
Profit before working capital changes	209,784	154,108
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock in trade	(7,295)	(812)
- Trade debts	(296,151)	(144,044)
- Contract assets	6,502	18,340
- Advances, deposits, prepayments and other receivables	(25,127)	49,841
Increase / (decrease) in current liabilities		
- Creditors, accrued and other liabilities	131,811	(59,986)
- Contract liabilities	55,781	2,600
	(134,479)	(134,062)
Cash generated from operations	75,305	20,048



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

Unconsolidated Condensed Interim Statement of Cash Flows (Un-audited)

for the half year ended June 30, 2021

(Rupees in '000)	Un-audited June 30, 2021	Un-audited June 30, 2020
Finance costs paid	(21,883)	(30,737)
Taxes paid	(10,561)	(5,792)
Net cash generated from / (used in) from operating activities	42,861	(16,482)
Cash flows from investing activities		
Purchase of property and equipment	(7,572)	(1,244)
Proceeds from sale of property and equipment	4,894	854
Proceeds from sale of short term investment	2,870	-
Profit on bank deposits received	403	398
Decrease in long term loans, advances, deposits and other receivables - net	46	868
Net cash generated from investing activities	641	876
Cash flows from financing activities		
(Repayment) / receipt of loan	(12,955)	33,301
Finances under mark up arrangements and other credit facility obtained	(31,348)	1,213
Issuance of shares against ESOS	26,183	-
Dividend paid	(44,563)	(86)
Repayment of lease liabilities	(14,739)	(13,251)
Net cash (used in) / generated from financing activities	(77,423)	21,177
Net (decrease) / increase in cash and cash equivalents	(33,920)	5,571
Cash and cash equivalents at the beginning of period	66,438	17,675
Cash and cash equivalents at the end of period	32,518	23,245

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.


Director
Taveer Karamat

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

for the half year ended June 30, 2021

	CAPITAL RESERVES				REVENUE RESERVES	Total
	Share Capital	Share Premium	Employees' share compensation reserve	Surplus on revaluation of property and equipment	Un-appropriated profit / (loss)	
(Rupees in '000)						
Balance as on 01 January 2020 (audited)	1,925,364	138,384	53,862	209,721	1,220,393	3,547,724
Profit for the period	-	-	-	-	348,439	348,439
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	348,439	348,439
Transfer from revaluation surplus on account of incremental depreciation - net of tax	-	-	-	(369)	369	-
10% bonus shares issued for the period ended 30 June 2020	192,536	-	-	-	(192,536)	-
Employee share option reserve	-	-	12,964	-	-	12,964
	192,536	-	12,964	-	(192,536)	12,964
Balance as on 30 June 2020 (un-audited)	2,117,900	138,384	66,826	209,352	1,376,665	3,909,127
Balance as on 01 January 2021 (audited)	2,117,900	138,384	74,270	241,827	2,786,411	5,358,792
Profit for the period	-	-	-	-	471,353	471,353
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	471,353	471,353
Transfer from revaluation surplus on account of incremental depreciation - net of tax	-	-	-	(218)	218	-
Issuance of shares against ESOS	20,378	47,491	(41,686)	-	-	26,183
20% bonus shares issued for the year ended 31 December 2020	427,656	-	-	-	(427,656)	-
10% final dividend for the year ended 31 December 2020 @ Re 1 per share	-	-	-	-	(213,828)	(213,828)
Employee share option reserve	-	-	31,940	-	-	31,940
	448,034	47,491	(9,746)	-	(641,483)	(155,705)
Balance as on 30 June 2021 (un-audited)	2,565,934	185,875	64,524	241,609	2,616,499	5,674,441

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

for the half year ended June 30, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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 Companies Ordinance, 1984 (now Companies Act 2017). The Company is listed on Pakistan Stock Exchange Limited.

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

Business Units	Location
Head Office	19 km, Multan Road, Lahore 54500.
Regional Offices	
Karachi	MA Tabba Foundation Building, First Floor, Gizri Road Block 9 Clifton Karachi, Sindh 75600
Islamabad	Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards 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 unconsolidated condensed interim financial statements do not include all the information and the disclosures required in the annual financial statements and should be read in conjunction with annual audited financial statements of the Company for the year ended 31 December 2020.

Comparative condensed interim statement of financial position is stated from annual audited financial statements as of 31 December 2020, whereas comparatives for condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from condensed interim financial statements of the Company for the six months ended 30 June 2020.

- 2.3 These unconsolidated condensed interim 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.
- 2.4 Disclosure of operating segments has been made in consolidated condensed interim financial statements of the Company.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the unconsolidated condensed interim financial statements, the significant judgments made by the management in applying accounting policies and the key sources of estimation uncertainty

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

for the half year ended June 30, 2021

are the same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2020.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 31 December 2020.

4.1 Changes in accounting policies and disclosures resulting from amendments in standards during the period

The accounting policies adopted in the preparation of the unconsolidated condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of amendments to standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Following amendments apply for the first time in 2021, but do not have an impact on the unconsolidated condensed interim financial statements of the Company:

- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16;
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Un-audited June 30, 2021	Audited December 31, 2020		Un-audited June 30, 2021	Audited December 31, 2020
(Number of Shares)			(Rupees in '000)	
57,166,850	57,166,850	Ordinary shares of Rs. 10 each fully paid in cash	571,669	571,669
191,505,964	148,740,413	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,915,060	1,487,404
4,399,629	4,399,629	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I	43,996	43,996
849,029	-	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - II	8,490	-
1,545,616	1,483,115	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III	15,456	14,831
1,126,261	-	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - IV	11,263	-
256,593,349	211,790,007		2,565,934	2,117,900
			Un-audited June 30, 2021	Audited December 31, 2020
(Rupees in '000)				
5.1	Movement during the year is as follows:			
	Opening balance		211,790,007	192,536,370
	Shares issued under Employees' Share Options Schemes during the year		2,037,791	-
	Bonus shares issued during the year		42,765,551	19,253,637
	Closing balance		256,593,349	211,790,007

5.2 Chief Executive Officer holds 61% (2020: 61%) share capital of the Company.

(Rupees in '000)	Un-audited June 30, 2021	Audited December 31, 2020
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6. EMPLOYEES' SHARE COMPENSATION RESERVE

Reserve in respect of employees' share option schemes	64,524	74,270
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6.1 Share options scheme I

Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 18 September 2013 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level 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.

6.2 Share options scheme II

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

6.3 Share options scheme III

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.

6.4 Share options scheme IV

Employee Stock Option Scheme, 2019 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 November 2019 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 & 2 (who have completed minimum of 7 years of service period with the Company), MT3 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 2019, Rs. 10.5 in 2020, Rs. 11.03 in 2021, Rs. 11.58 in 2022 and Rs. 12.15 in 2023.

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
7. LONG TERM LOAN			
Long term loan	7.1	36,507	49,462
Less: Current portion as shown under current liabilities		(25,911)	(25,911)
		10,596	23,551

- 7.1 This represents loan amounting to Rs.51.822 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

for the half year ended June 30, 2021

The facility has an aggregate sanctioned limit of Rs. 60 million (31 December 2020: Rs. 60 million). It carries mark-up at SBP rate plus 2% per annum (31 December 2020: SBP rate plus 2%). The security provided against this facility by the Company is same as disclosed in note 7.1.

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
8. FINANCING UNDER MARK UP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED			
Running finance	8.1	168,630	158,634
Inland bill purchased	8.2	219,028	260,372
		387,658	419,006

8.1 The Company has obtained running finance facility from a commercial bank with a sanctioned limit of Rs. 170 million (31 December 2020: Rs. 170 million) bearing mark-up at the rate of 1 month KIBOR plus 2.25% (31 December 2020: 1 month KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs. 265.160 million (31 December 2020: Rs. 265.160 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land & building) of the Company, ranking hypothecation charge of Rs. 655 million (31 December 2020: Rs. 655 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Company, covering total security package.

8.2 This includes facility from Habib Bank Limited which has a sanctioned limit of Rs.125 million (31 December 2020: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (31 December 2020: Matching Tenor KIBOR plus 2%) per annum. The facility is secured against invoices / bills receivable from customers (31 December 2020: invoices / bills receivable from customers), charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company. This also includes facility from JS Bank Limited which has a sanctioned limit of Rs.100 million (31 December 2020: Rs. 100) bearing mark-up at the rate of 1 month KIBOR plus 2% (31 December 2020: 1 month KIBOR plus 2%). The facility is secured against invoices / bills receivable from customers, charge on present and future current assets of the Company with 15% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

The Company has un-utilized facility from Faysal Bank Limited amounting to Rs. 200 million (31 December 2020: Rs. 159.63 million).

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
9. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		206,309	180,058
Accrued expenses		68,559	52,773
Payable to related parties		261,594	236,493
Payable to provident fund		32,998	28,600
Employee share portion - Vehicles		22,024	17,767
Tax payable	9.1	179,243	169,528
Accrued mark up		10,960	13,680
Other liabilities	9.2	71,239	15,220
		852,926	714,119
9.1 Tax payable			
- Withholding tax		66,510	64,016
- Income tax		112,733	105,512
		179,243	169,528

9.2 This includes interest free loan from Chief Executive of Rs. 45.9 million (31 December 2020: Nil).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There are no contingencies to report as at 30 June 2021 (31 December 2020: Nil).

10.2 Commitments

- (i) Bank guarantees have been issued amounting to Rs. 13.2 million (31 December 2020: Rs. 23.168 million) against the performance of various contracts.
- (ii) Letters of credit outstanding at year end amount to Rs. 31.66 million (31 December 2020: Rs. 47.76 million) which relates to import acceptance bills.

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2021
11. PROPERTY AND EQUIPMENT			
Operating fixed assets - tangible	11.1	319,703	320,863
Right of use asset - leased vehicles	11.2	46,525	58,418
		366,228	379,281
11.1 Operating fixed assets - tangible			
Opening book value		320,863	287,251
Add: Additions during the period / year -cost	11.1.1	7,477	7,032
Add: Effect of revaluation		-	34,895
		328,340	329,178
Less: Deletions during the period / year	11.1.2	(465)	(278)
		327,875	328,900
Less: Depreciation during the period / year		(8,172)	(10,920)
Add: Adjustment for assets transferred from leased to owned assets		-	2,884
Book value at the end of the period / year		319,703	320,863
11.1.1 Additions/transfers during the period / year - cost			
Buildings		-	308
Tools and equipment		106	787
Furniture and fixtures		-	38
Office equipment and appliances		1,681	1,012
Vehicles		74	-
Computers		5,616	4,887
		7,477	7,032
11.1.2 Deletions during the period / year - net book value			
Computers		-	25
Vehicles		465	253
		465	278
11.2 Right of use asset - leased vehicles			
Opening book value		58,418	77,369
Add: Additions during the period / year		95	10,029
		58,513	87,398
Less: Transfers to operating assets during the period / year - net book value		-	(2,884)
Less: Deletion during the period /year - net book value		(1,356)	(590)
		57,157	83,924
Less: Depreciation during the period / year		(10,632)	(25,506)
Book value at the end of the period / year		46,525	58,418

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

for the half year ended June 30, 2021

Note	Un-Audited 30 June 2021		Audited 31 December 2020	
	Equity % held	Investment at FV through OCI	Equity % held	Investment at FV through OCI
	Percentage%	(Rupees in '000)	Percentage%	(Rupees in '000)
12. LONG TERM INVESTMENTS				
Investment in subsidiaries - at cost				
Avanceon FZE, Dubai				
26 (31 December 2020 : 26) fully paid ordinary shares of AED				
1 million each	11.1	100	100	473,671
Long term interest free receivables	11.1.1	-	-	1,785,679
		-	-	2,231,588
Avanceon Automation and Control W.L.L, Qatar				
98 (31 December 2020 : 98) fully paid ordinary shares of QAR 1,000 each	11.2	49	49	8,446
Long term interest free receivables	11.2.1	-	-	475,526
		-	-	476,579
Octopus Digital Limited, Pakistan	11.3	100	100	1,094,000
109,400,000 (31 December 2020: 109,400,000) fully paid ordinary shares of Rs.10 each				
Innovative Automation and Engineering Inc	11.4	100	100	-
Long term interest free receivable		-	-	375,567
		-	-	4,177,734

12.1 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 provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services. The Establishment is wholly owned subsidiary of the Company.

12.1.1 Under the agreement between the Company and Avanceon FZE, following amounts due from the subsidiary have been classified as interest free long term receivables, payable at discretion of the subsidiary. The Company intends to make further equity investment in the subsidiary after obtaining the applicable regulatory approvals which would then enable the subsidiary to repatriate these amounts.

12.2 Avanceon Automation and Control W.L.L (AVAC) is a Company with limited liability registered under the Ministry of Economy and Commerce, state of Qatar on 22 May 2017 with Registration No. is 99027. Its registered office is situated in Al Jaber Engg. HO Building, PO Box: 15976, Fox Hills, Lusail, Doha - Qatar. The principal activities of the Company are to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services. It is a subsidiary of the Company, as the Company has control over its financial and operating decision making under an agreement between Avanceon FZE and AVAC.

12.2.1 Under the agreement between the Company and Avanceon Automation and Control WLL,

amount due from the subsidiary in respect of trade debts has been classified as interest free long term receivable, payable at discretion of the subsidiary. The Company intends to make further equity investment in the subsidiary after obtaining the applicable regulatory approvals which would then enable the subsidiary to repatriate this amount.

- 12.3 Octopus Digital Limited (the Company), was incorporated in Pakistan on 29 December 2017 as a private limited company which was converted to public Company on 11 November 2020 under the Companies Act, 2017. Its registered office is situated at 19 KM Main Multan Road, Lahore. The prime business of the Company is to carry out Information Technology enabled services which includes but are not limited to online data/information storage, online monitoring and review of employees efficiency, online monitoring of cost and production efficiency, online monitoring and maintenance of plant and machinery, sale and trade of related software and equipment etc.
- 12.4 Innovative Automation & Engineering Inc.(IAEI) was incorporated in the state of Pennsylvania on 26 October 2006. It is a wholly owned subsidiary of Avanceon FZE. Its registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. It holds 26.11% (2020: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner and has no operations. Under the agreement between the Company and IAEI, amount due from the subsidiary in respect of other receivables has been classified as interest free long term receivable, payable at discretion of the sub-subsidiary.

Investment in associated companies have been made in accordance with the requirements under the Companies Act, 2017.

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
13. TRADE DEBTS			
Due from related parties		904,992	699,075
Due from others		390,581	302,898
		1,295,573	1,001,973
Less: Provision for expected credit loss	13.1	(35,761)	(34,163)
		1,259,812	967,810
13.1 Provision for expected credit loss			
Due from related parties		32,347	32,514
Due from others		3,414	1,649
		35,761	34,163
13.1.1 Provision for expected credit loss - Related parties			
Opening balance		32,514	-
Add: Allowance for the year		-	32,514
Less: Reversal during the year		(167)	-
Closing balance		32,347	32,514
13.1.2 Provision for expected credit loss - Others			
Opening balance		1,649	7,919
Add: Allowance for the year		1,765	1,649
Less: Reversal during the year		-	(7,919)
Less: Write off during the year		-	-
Closing balance		3,414	1,649

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

for the half year ended June 30, 2021

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
These include following amounts receivable from the subsidiaries:			
Advances - considered good			
- To employees		29,430	9,673
- To suppliers		23,543	40,961
		52,973	50,634
Prepayments		12,543	3,394
Margin paid against bank guarantees / letters of credit		39,607	23,396
Tax refunds due from government - considered good - Sales tax		42,734	50,285
Retention money - considered good		1,277	1,277
Earnest money - considered good		408	408
Due from subsidiaries - unsecured			
- Dividend receivable	14.1	928,338	487,016
- Others	14.2	70,913	98,173
		999,251	585,189
Octopus Digital Limited		51,432	26,805
Other receivables - considered good		2,644	1,270
		1,202,869	742,658
14.1 This represents dividend receivable from Avanceon FZE and Avanceon Automation and Control WLL, wholly owned subsidiaries.			
(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
Avanceon FZE		402,082	205,020
Avanceon Automation and Control WLL		568,297	303,912
Total dividend receivable		970,379	508,932
Less: Provision for expected credit loss	14.1.1	(42,041)	(21,916)
		928,338	487,016
14.1.1 Provision for expected credit loss			
Opening balance		21,916	13,094
Add: Allowance for the year		20,125	8,822
Less: Write off during the year		-	-
Closing balance		42,041	21,916
14.2 This represents amount due from following related parties in respect of expenses incurred by the Company on their behalf:			
(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
Avanceon FZE		65,059	67,956
Avanceon Automation and Control W.L.L		6,561	32,147
Less: Provision for expected credit loss	14.2.1	(707)	(1,930)
		70,913	98,173

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
14.2.1 Provision for expected credit loss			
Opening balance		1,930	17,139
Add: Allowance for the year		-	1,930
Less: Reversal off during the year		(1,223)	(17,139)
Closing balance		707	1,930
15. CASH AND BANK BALANCES			
Cash in hand		52	144
Cash with banks			
-Current accounts	15.1	10,993	54,321
-Savings accounts		21,473	11,973
		32,466	66,294
		32,518	66,438

15.1 Profit on balances in saving accounts ranges from 5.50% to 7.38% (31 December 2020: 6.58% to 7.48%) per annum

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		Un-audited June 30, 2021	Un-audited June 30, 2020	Un-audited June 30, 2021	Un-audited June 30, 2020
16. REVENUE FROM CONTRACTS WITH CUSTOMERS					
Core business		203,696	166,010	128,251	70,577
Specialized business		110,078	35,100	40,817	15,719
Engineering		58,865	79,766	22,117	48,112
Building maintenance solutions		44,625	13,006	31,255	-
Retail		93,505	84,027	23,794	23,975
Others	16.1	281,979	129,040	161,409	66,418
		792,748	506,949	407,644	224,801

16.1 These represent agency commission, business process outsourcing and fee for technical services provided to Octopus Digital Limited, Avanceon FZE and Avanceon Automation and Control W.L.L, the subsidiaries.

(Rupees in '000)		Un-audited June 30, 2021	Un-audited June 30, 2020
16.2 Disaggregation of revenue			
Local sales and services		451,904	298,142
Export sales and services		340,844	208,806
		792,748	506,949
16.2.1 Timing of revenue recognition			
At a point in time		417,264	208,878
Over the time		375,484	298,071
		792,748	506,949

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

for the half year ended June 30, 2021

17. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, subsidiaries, post employment benefit plans 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, 2021	Un-audited June 30, 2020
(Rupees in '000)			
Name of related parties and relationship	Nature of transactions		
i. Subsidiaries			
Avanceon FZE, Dubai	Agency commission	6,403	3,305
	Business process outsourcing	51,939	25,313
	Fee for technical services	70,292	10,125
	Revenue recognized on the project	18,567	30,384
	Payments to suppliers by AVFZE	21,437	-
	Collection / adjustment from AVFZE	46,286	-
	Payments to suppliers by AVL	14,374	-
	Payments to employees by AVL	7,322	-
Avanceon Automation and Control W.L.L, Qatar	Business process outsourcing	51,940	23,048
	Fee for technical services	101,405	67,251
	Revenue recognized on the project	40,298	49,381
	Dividend income	261,120	-
	Cash received from AVAC	78,713	-
	Payment to suppliers by AVL	2,509	-
	Payment to employees by AVL	3,790	-
Octopus Digital Limited	Agency commission expense	-	2,645
	Reimbursement of expenses	1,098	-
	Salaries payment to employees by AVL	23,314	-
	Subcontracting charges incurred	9,451	-
	Payments to Suppliers by AVL	9,679	-
	Payments to ODL	8,936	-
	Cash received from ODL	18,400	-
	Fee for technical services	12,000	12,000
ii. Associates			
Innovative Travels (Private) Limited	Reimbursement of expenses	-	703
iii. Employees' Provident Fund	Expense charged in respect of retirement benefit plan	6,996	6,062
iv. Key management personnel	Remuneration and other benefits	57,808	57,270
v. Chief executive	Loan to AVL	45,914	-

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

18. 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 2021 and 31 December 2020:

(Rupees in '000)	Un-audited June 30, 2021	Audited December 31, 2020
Debt instruments at amortized cost		
Long term loans and deposits	2,026	2,072
Trade debts	1,259,812	967,810
Contract assets	179,727	187,931
Deposits and other receivables	1,094,619	611,540
Equity instruments at fair value through profit / (loss)		
Short term investments	400	2,955
Total	2,536,584	1,772,308
Total current	2,534,558	1,770,236
Total non current	2,026	2,072

Set out below, is an overview of financial liabilities held by the Company as at 30 June 2021 and 31 December 2020:

(Rupees in '000)	Un-audited June 30, 2021	Audited December 31, 2020
Financial liabilities at amortized cost		
Creditors, accrued and other liabilities	651,659	526,824
Interest bearing loans and borrowings		
Short term borrowings	387,658	419,006
Secured bank loan	36,507	49,462
Lease liabilities	25,398	38,443
Unclaimed dividend	170,929	1,665
Total	1,272,151	1,035,400
Total current	1,245,833	994,389
Total non current	26,318	41,011

19. GENERAL

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

The figures of unconsolidated condensed interim profit or loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2021 and 30 June 2020 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures for the six months ended 30 June 2021 and 30 June 2020.

20. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized by the Board of Directors of the Company for issue on 30 Aug 2021.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

Avanceon

**Consolidated Condensed
Interim Financial Statements**
for the half year ended June 30, 2021

Consolidated Condensed Interim Statement of Financial Position

as at June 30, 2021

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
500,000,000 (2020: 250,000,000)			
ordinary shares of Rs. 10 each		5,000,000	2,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
256,593,349 (2020: 211,790,006)			
ordinary shares of Rs. 10 each		2,565,934	2,117,900
CAPITAL RESERVES			
Share premium		185,875	138,384
Employees' share compensation reserve		64,524	74,270
Statutory reserve		3,002	3,002
Exchange revaluation reserve		562,626	626,218
Surplus on revaluation of property & equipment		241,609	241,827
		1,057,637	1,083,701
REVENUE RESERVES			
Un-appropriated Profit		2,260,939	2,415,691
		5,884,510	5,617,292
NON-CONTROLLING INTEREST			
		4,506	4,506
		5,889,016	5,621,798
NON CURRENT LIABILITIES			
Long Term Loans		10,596	23,551
Liabilities against assets subject to finance lease		30,997	42,300
Deferred Grant		1,244	517
Deferred liabilities		99,808	100,787
		142,645	167,155
CURRENT LIABILITIES			
Current portion of Long Term Loans		25,911	25,911
Current portion of lease liabilities		27,506	38,159
Current portion of deferred grant		4	1,218
Finances under mark up arrangements and other credit facilities - secured		403,519	487,386
Unclaimed Dividend		170,929	10,951
Creditors, accrued and other liabilities		1,946,863	2,739,492
Contract Liabilities		787,733	902,093
Income tax payable		3,362,465	4,205,210
CONTINGENCIES AND COMMITMENTS			
	5		
		9,394,126	9,994,164

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

(Rupees in '000)	Note	Un-audited June 30, 2021	Audited December 31, 2020
ASSETS			
NON CURRENT ASSETS			
Property and equipment		411,686	431,326
Intangible Assets			
Capital Work in Progress		34,317	20,029
Long term investment		863,706	874,023
Deferred Tax		19,852	58,853
Long term deposits		35,475	32,849
		1,365,035	1,417,080
CURRENT ASSETS			
Stock in trade		150,465	123,783
Trade debts		2,953,631	3,586,027
Contract Assets		3,998,202	3,760,963
Advances, deposits, prepayments and other receivables		600,566	502,239
Term deposits with banks		9,376	73,788
Investments in Stocks		400	2,955
Cash and bank balances		316,453	527,329
		8,029,092	8,577,084
		9,394,127	9,994,164


 Director
 Taveer Karamat

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

for the half year ended June 30, 2021

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues		2,380,603	1,999,482	1,101,521	1,031,076
Cost of revenue		(1,648,826)	(1,441,032)	(832,638)	(810,712)
Gross profit / (Loss)		731,776	558,450	268,883	220,365
Administrative and selling expenses		(385,437)	(365,383)	(231,593)	(213,339)
Other operating expenses	3	(3,524)	(2,504)	75,972	(1,581)
Other operating income	4	280,246	283,945	228,978	56,795
		(108,715)	(83,942)	73,357	(158,125)
Profit / (Loss) from operations		623,062	474,508	342,240	62,240
Finance costs		(54,453)	(54,840)	(33,414)	(29,683)
Profit / (Loss) before tax		568,608	419,668	308,826	32,557
Taxation		(82,095)	7,438	(67,144)	9,584
Income for the period from operations		486,514	427,106	241,683	42,141
Combined earnings per share			Restated		Restated
Basic		1.91	1.66	0.95	0.16
Diluted		1.89	1.63	0.94	0.16

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
for the half year ended June 30, 2021

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Profit / (Loss) for the period		486,514	427,106	241,683	42,141
Other comprehensive income					
- Exchange difference on translating foreign operations		(63,591)	36,815	(2,592)	(9,380)
- Surplus on revaluation of property and equipment realised through incremental depreciation charged on related assets for the period-net of tax		-	-	-	(430)
- Items to be re-classified to profit and loss in subsequent period					
Total comprehensive income for the period		422,923	463,921	239,090	32,331

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

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

for the half year ended June 30, 2021

	CAPITAL RESERVES						REVENUE RESERVES	Non-Controlling Interest	TOTAL
	Share Capital	Share Premium reserve	Employees' share compensation reserve	Statutory Reserve	Exchange revaluation reserve	Surplus on revaluation of property and equipment	Un-appropriated profit / (loss)		
(Rupees in '000)									
Balance as on January 01, 2020	1,925,364	138,384	53,862	3,002	610,100	209,721	1,562,534	4,346	4,507,313
Profit for the period	-	-	-	-	-	-	384,965	-	384,965
Other comprehensive income	-	-	-	-	46,195	-	-	-	46,195
	-	-	-	-	46,195	-	384,965	-	431,160
Balance as on June 30, 2020	1,925,364	138,384	53,862	3,002	656,295	209,721	1,947,499	4,346	4,938,473
Profit for the period	-	-	-	-	-	-	660,014	-	660,014
Other comprehensive income	-	-	-	-	(30,077)	32,821	-	160	2,904
Transfer from revaluation surplus on account of incremental depreciation	-	-	-	-	-	(715)	715	-	-
	-	-	-	-	(30,077)	32,106	660,729	160	662,918
Bonus Share Issue @ 10%	192,536	-	-	-	-	-	(192,536)	-	-
Employee share option reserve	-	-	20,408	-	-	-	-	-	20,408
	192,536	-	20,408	-	-	-	(192,536)	-	20,408
Balance as on December 31, 2020	2,117,900	138,384	74,270	3,002	626,218	241,827	2,415,691	4,506	5,621,798
Profit for the period	-	-	-	-	-	-	486,514	-	486,514
Other comprehensive income	-	-	-	-	(63,591)	-	-	-	(63,591)
	-	-	-	-	(63,591)	-	486,514	-	422,923
Issuance of bonus shares	20,378	47,491	(41,686)	-	-	-	-	-	26,183
Transfer from revaluation surplus on account of incremental Dep.	-	-	-	-	-	(218)	218	-	-
20% bonus share issue for the period ended December 31, 2020	427,656	-	-	-	-	-	(427,656)	-	-
10% final dividend for the period ended December 31, 2020 @ Re. 1 per share	-	-	-	-	-	-	(213,828)	-	(213,828)
Employee share option reserve	-	-	31,940	-	-	-	-	-	31,940
	448,034	47,491	(9,746)	-	-	(218)	(641,266)	-	(155,705)
Balance as on June 30, 2021	2,565,934	185,875	64,524	3,002	562,626	241,609	2,260,939	4,506	5,889,016

The annexed notes 1 to 8 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat



Notes to the consolidated condensed Interim financial Statements (Un-audited)

for the half year ended June 30, 2021

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 Company on 31 March 2008 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited.

The principal activity of the Holding Company is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and 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 54500.
Regional Offices	
Karachi	MA Tabba Foundation Building, First Floor, Gizri Road Block 9 Clifton Karachi, Sindh 75600.
Islamabad	Manzoor Plaza (The Hive Building), First Floor, Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad 44000.

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 Limited	100%

The Avanceon FZE is a Free Zone Establishment which was incorporated in Jebel Ali Free Zone of Dubai as a private limited company under the Jebel Ali Free Zone Companies under Implementation Regulations 2016. The principal activity of the Establishment is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services. The registered office and business unit of FZE is located at FZS 1BD04 Jebel Ali Free Zone.

The Avanceon Automation and Control W.L.L (AVAC) is a limited liability formed pursuant to Commercial Companies Law No. (11) 2015 and was registered with the Ministry of Economy and Commerce under Registration No. 99027 on May 22, 2017, and its registered office and business unit is situated in the Office No. 12, M Floor, Al Jabber, Engg. HO Building, PO Box 15976, Fox Hills, Lusail, Doha, Qatar. The principal activity of the Company is to provide industrial automation, process control and systems integration solutions, to trade in products of automation and control equipment and provide related technical services.

Notes to the consolidated condensed Interim financial Statements (Un-audited)

for the half year ended June 30, 2021

The other shareholder in AVAC, Arkan Integrated Development LLC holds 51% of the share capital but has no interest in the Establishment as per the shareholder's Agreement, except 3% share of any dividends, when announced by Avanceon FZE.

Octopus Digital Limited (ODL) is a public limited company registered under the Companies Act, 2017 and having registered office and business unit at 19 km, Multan Road, Lahore. The Company is engaged in providing after sale and related technical services. The Company is wholly owned subsidiary of the Holding Company. During the year, ODL entered into a Business Arrangement Contract dated 08 December 2020 with the the Holding Company. Under the contract, entire business of AMS segment was transferred to ODL along-with the existing customer contracts. ODL acquired the rights to carry on AMS business with effect from 01 January 2020 against consideration of Rs. 1,084 million settled through issuance of 108,400,000 shares of ODL at face value of Rs. 10 each.

Impact of COVID-19 on the consolidated financial statements

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Group's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Group's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

The management has assessed the impact of the COVID-19 on the consolidated financial statements and concluded that, as the Group is operating in the technology sector its financial performance was not adversely impacted during COVID-19. There is no material financial impact of COVID-19 on the carrying amounts of assets, liabilities, income or expenses which required specific disclosures.

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

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 New and amended standards and interpretations, and improvements

During the year certain amendments to standards became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Group.

Standard	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations - Definition of a Business (amendments)	January 01, 2020
IFRS 7 & IFRS 9 Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)	January 01, 2020
IAS 1 & 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)	January 01, 2020
IFRS 16 Covid-19-Related Rent Concessions (Amendment to IFRS 16)	June 01, 2020
IFRS 14 Regulatory Deferral Accounts - Original issue	July 01, 2019

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the consolidated 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 01 January 2020 for preparers of consolidated 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.

2.2.2 Amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations 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:

Notes to the consolidated condensed Interim financial Statements (Un-audited)

for the half year ended June 30, 2021

Standard and IFRIC		Effective date (annual periods beginning on or after)
IFRS 7 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 01, 2021
IFRS 3	Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Group expects that the adoption of the above standards and amendments will have no material effect on the Group's financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 1	First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter – The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
IFRS 16	Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
IAS 41	Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Group expects that the adoption of the above standards will have no material effect on the Group's financial statements, in the period of initial application.

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

Standard		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

The Group expects that the adoption of the above standards will have no material effect on the Group's financial statements, in the period of initial application.

Notes to the consolidated condensed Interim financial Statements (Un-audited)

for the half year ended June 30, 2021

(Rupees in '000)	Un-audited June 30, 2021	Un-audited June 30, 2020
3. OTHER OPERATING EXPENSES		
Donations	1,965	2,490
Impairment of Investment	-	14
Exchange Loss	1,558	-
	3,524	2,504
4. OTHER OPERATING INCOME		
Income on bank deposits	407	4,697
Gain on disposal of property, plant and equipment	3,074	522
Amortization of deferred grant	487	
Exchange gain	205,949	267,917
Capital Gain	315	-
Reversal of provisions for ECL	42,748	-
Other Income	27,266	10,809
	280,246	283,945

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

- (i) There are no contingencies to report as at June 30, 2021 (2020: Nil)

5.2 Commitments

- (i) Bank guarantees issued amounting to Rs.13.20 million (2020: Rs. 23.168 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs. 31.66 million (2020: 47.76) which relates to import acceptance bills.

6. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees in '000)	Chief Executive Officer		Director		Others Executives	
	2021	2020	2021	2020	2021	2020
Managerial remuneration	28,991	30,768	3,882	3,631	112,815	110,631
House rent	8,210	8,713	1,040	908	39,264	36,580
Utilities	4,618	4,901	260	227	10,396	9,659
Provident Fund / Gratuity	2,416	2,558	367	340	11,004	7,139
Others	770	817	4	4	8,679	8,198
	45,005	47,757	5,553	5,110	182,158	172,207
Number of persons	1	1	1	1	42	42

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

7. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim consolidated financial information was authorised for issue on 30 August 2021 by the Board of Directors of the Holding Company.

8. 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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