

AVANCEON

Tomorrow's solutions, today.



Quarterly Report Q1, **2016**

Seamless Engineering

The background features a light blue and white color scheme. On the left, there are large, faint gear outlines. In the center and right, there are various icons: a hexagon, a circle with an upward arrow, a hexagon with an upward arrow, and a cluster of three hexagonal portraits. At the bottom, there is a stylized city skyline with several skyscrapers and a train on tracks in the foreground.



Seamless Engineering

Over the past twenty-five years, Avanceon has continually provided cutting-edge automation solutions to all of its customers. As a 360 degree solution provider, the Company has paved the way towards seamless engineering and flawless execution. Moving ahead, Avanceon aims to remain steadfast in its quest for excellence, delivering enhanced value to its customers and stakeholders alike.

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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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants.

Legal Advisor

Chima & Ibrahim advocates and Corporate Council

Web Presence

www.avanceon.ae

www.avanceon.com

Bankers

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

Share Registrar

THK Associated Private Limited
2nd floor, State life Building-3, Dr. Ziauddin Ahmed Road, Karachi,
75530, Sindh, Pakistan.
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Fax : +92 (21) 356 555 95
Email : secretariat@thk.com.pk

Registered office

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JAFZA

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In Partnership with Irinatech

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Dammam, Saudia Arabia

In Partnership with ATCO LLC

ATCO Building.

King Khalid Street.

Dammam, KSA. PO Box 718

Phone: +966-12-6912204 x 127

Trade Mark

AVANCEON
Tomorrow's solutions, today.

Interim Director's Report

The directors of the company take pleasure in presenting their report together with the Company's unaudited interim condensed standalone and consolidated financial statements for the first quarter ended March 31, 2016. The Director's report, prepared under section 236 of the Companies Ordinance, 1984.

(Rupees 000')	For the first quarter ended March 31	
	2016	2015
Operating results (standalone)		
Profit before tax	59,866	58,255
Provision for taxation	(1,342)	(2,805)
Profit after taxation	58,524	55,450
Operating results (consolidated)		
Profit before tax	72,881	83,404
Provision for taxation	(1,342)	(2,806)
Profit after taxation	71,539	80,598

Earnings per share (standalone) for the first quarter ended March 31, 2016

The basic earnings per share after tax is Rs. 0.55 (2015: Rs.0.52)

Earnings per share (consolidated) for the first quarter ended March 31, 2016

The basic earnings per share after tax is Rs. 0.68 (2015: Rs. 0.76)

The operating financial results of the company for the first quarter ended March 31, 2016 are as per expectation and according to approved business plan, historically, our revenues and profits remain lower in first, 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).

Management is very much confident to achieve corporate plan in remaining period of financial year 2016.

Communication

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

For and on behalf of the



BOARD OF DIRECTORS
April 27, 2016, Lahore, Pakistan.

Condensed Balance Sheet

as at March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Audited December 31, 2015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2015: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
105,696,804 (2015: 105,696,804) ordinary shares of Rs 10 each		1,056,968	1,056,968
Share Premium		61,894	61,894
Employees' share compensation reserve-ESOS-1st issue		45,000	45,000
Un-appropriated profit		784,301	725,670
		1,948,163	1,889,532
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		110,226	110,384
NON CURRENT LIABILITIES			
Differed Tax Liabilities		20,812	20,762
Liabilities against assets subject to finance lease		28,587	34,015
		49,399	54,777
CURRENT LIABILITIES			
Current portion of liabilities against asset subject to finance lease		16,309	15,416
Finances under mark up arrangements and other credit facilities - secured		99,663	110,771
Creditors, accrued and other liabilities		453,296	533,477
		569,268	659,664
CONTINGENCIES AND COMMITMENTS	3		
		2,677,056	2,714,356

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



Chief Executive Officer

(Rupees in '000)	Note	Un-audited March 31, 2016	Audited December 31, 2015
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		221,375	225,282
Long term investments		473,671	473,671
Long term deposits		8,889	15,297
		703,935	714,250
CURRENT ASSETS			
Stock in trade		56,183	55,454
Trade debts		857,066	924,406
Advances, deposits, prepayments and other receivables		1,026,831	971,170
Short term investment		5,000	5,000
Cash and bank balances		28,041	44,076
		1,973,121	2,000,106
		2,677,056	2,714,356


Director

Condensed Interim Profit and Loss Account (Un-audited)

for the first quarter ended March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
Sales		138,056	204,924
Cost of sales		(83,999)	(127,974)
Gross profit / (Loss)		54,057	76,950
Administrative and selling expenses		(31,915)	(30,660)
Other operating expenses		(821)	(515)
Other operating income		42,446	13,905
		9,710	(17,270)
Profit / (Loss) from operations		63,767	59,680
Finance costs		(3,901)	(1,425)
Profit / (Loss) before tax		59,866	58,255
Taxation		(1,342)	(2,805)
Profit / (Loss) for the period		58,524	55,450
Earnings/(Loss) per share - basic		0.55	0.52
Earnings/(Loss) per share - diluted		0.53	0.50

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



Chief Executive Officer



Director

Statement of Condensed Interim Comprehensive Income (Un-audited)

for the first quarter ended March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
Profit /(loss) for the period		58,524	55,450
Other comprehensive income			
- Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets for the period- net of tax		108	201
Total comprehensive income / (loss) for the period		58,632	55,651

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



Chief Executive Officer



Director

Condensed Interim Cash Flow Statement (Un-audited)

for the first quarter ended March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
Cash flows from operating activities			
Cash (used in)/generated from operations	4	(5,260)	72,431
Finance cost paid		(4,212)	(1,425)
Taxes paid		(6,746)	(6,074)
Net cash (used in)/generated from operating activities		(16,218)	64,932
Cash flows from investing activities			
Purchase of property, plant and equipment		(502)	(2,213)
Proceeds from sale of property, plant and equipment		13	2,027
Profit on bank deposit		114	2,397
Term deposit with banks		-	6,003
Net change in long term advances and deposits		6,409	215
Net cash (used in)/generated from investing activities		6,033	8,430
Cash flows from financing activities			
Net cash received against share issued		-	1
Repayment of finance lease liabilities		(5,851)	(4,921)
Net cash used in financing activities		(5,851)	(4,920)
Net increase/(decrease) in cash and cash equivalents		(16,035)	68,442
Cash and cash equivalents at the beginning of period		44,076	11,851
Cash and cash equivalents at the end of period		28,041	80,293

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



Chief Executive Officer



Director

Statement of Condensed Changes in Equity (Un-audited)

for the first quarter ended March 31, 2016

(Rupees in '000)	Share capital	Share Premium	Employees' share compensation reserve	Un-appropriated profit / (loss)	Total
Balance as on January 1, 2015	1,056,965	61,893	45,000	681,661	1,845,519
Profit for the period	-	-	-	55,450	55,450
Other comprehensive income	-	-	-	201	201
	-	-	-	55,651	55,651
Issue of 88 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	1	-	-	-	1
	1	-	-	-	1
Balance as on March 31, 2015	1,056,966	61,893	45,000	737,312	1,901,171
Profit for the period	-	-	-	225,488	225,488
Other comprehensive income	-	-	-	693	693
				226,181	226,181
Cash dividend paid at Rs. 2.25 per share	-	-	-	(237,823)	(237,823)
Issue of 182 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	2	1	-	-	3
	2	1		(237,823)	(237,820)
Balance as on December 31, 2015	1,056,968	61,894	45,000	725,670	1,889,532
Profit for the period	-	-	-	58,524	58,524
Other comprehensive income	-	-	-	108	108
	-	-	-	58,632	58,632
Balance as on March 31, 2016	1,056,968	61,894	45,000	784,301	1,948,163

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



Chief Executive Officer



Director

Notes to and forming part of the Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2016:

New and amended standards and interpretations

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01-Jan-16
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)	01-Jan-16

IFRS 11	- Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01-Jan-16
IAS 1	- Presentation of Financial Statements - Disclosure Initiative (Amendment)	01-Jan-16
IAS 16	- Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01-Jan-16
IAS 16	- Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01-Jan-16
IAS 27	- Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01-Jan-16

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9	- Financial Instruments: Classification and Measurement	01-Jan-18
IFRS 14	- Regulatory Deffered Accounts	01-Jan-16
IFRS 15	- Revenue from contracts with costumers	01-Jan-18
IFRS 16	- Leases	01-Jan-19

Notes to and forming part of the Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 2016

3. CONTINGENCIES AND COMMITMENTS

3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 35 million (31 December 2015: Rs. 31.35 million) against the performance of various contracts.
- (ii) Post dated cheques issued to IGI Insurance Company Limited amounting to Rs.1.8 million for United Energy Pak Limited and Orix Leasing Company amounting to Rs.1.2 million as security against vehicles obtained on lease.
- (iv) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the Company has not made any provision for Workers' Welfare Fund (WWF) in the financial statements in the light of the order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WWF amounting to Rs. 22,978,426 (2014: Rs. 18,445,062) if the Supreme Court's decision is unfavorable. This amount has been calculated based on accounting profits excluding dividend income. The amount of WWF on dividend is Rs. 11,533,250 as at 31st Dec 2015 (2014: Rs. 9,927,731).

3.2 Commitments

Nil

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
4 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		59,866	58,255
Adjustments for:			
Depreciation on property, plant and equipment		5,724	5,028
Exchange (gain)/loss		75	(9,300)
Gain on disposal of property, plant and equipment		(13)	(198)
Finance cost		3,901	1,425
Profit on bank deposit		(144)	(2,391)
		9,543	(5,436)
Profit before working capital changes		69,409	52,819
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets			
- Stock in trade		(729)	(8,860)
- Trade debts		67,265	19,680
- Advances, deposits, prepayments and other receivables		(50,177)	(17,397)
- Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		(91,028)	26,189
		(74,669)	19,612
Cash generated from operations		(5,260)	72,431

Notes to and forming part of the Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 2016

5 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees in '000)	Chief Operating Officer / Director		Other Executives	
	2016	2015	2016	2015
Managerial remuneration	964	915	7,029	6,042
House rent	386	366	2,811	2,417
Utilities	96	92	703	604
Contribution to provident fund	96	92	703	604
Others	14	30	200	148
	1,556	1,494	11,446	9,815
Number of persons	1	1	15	14

The Company also provides Directors and certain executives with Company maintained cars.

6 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on 27 April 2016 by the Board of Directors of the Company.

7. GENERAL

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



Chief Executive Officer



Director

Consolidated Condensed Balance Sheet

as at March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Audited December 31, 2015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 150,000,000 (2015: 150,000,000)			
ordinary shares of Rs 10 each		1,500,000	1,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
105,696,804 (2015: 105,696,804) ordinary shares of Rs 10 each		1,056,968	1,056,968
Share premium		61,894	61,894
Employees' share compensation reserve		45,000	45,000
Exchange revaluation reserve		209,369	210,010
Un-appropriated Profit		650,320	578,674
		2,023,551	1,952,546
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
		110,226	110,384
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		29,434	35,433
Deferred taxation		20,812	20,762
Deferred liabilities		20,247	18,783
		70,493	74,978
CURRENT LIABILITIES			
Current portion of long-term liabilities		18,757	17,938
Finances under mark up arrangements and other credit facilities - secured		183,027	190,544
Creditors, accrued and other liabilities liabilities directly associated with assets		490,698	517,633
		692,482	726,115
CONTINGENCIES AND COMMITMENTS	3		
		2,896,752	2,864,023

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



Chief Executive Officer

(Rupees in '000)	Note	Un-audited March 31, 2016	Audited December 31, 2015
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		226,611	231,196
Long term investment		568,347	568,547
Long term deposits		20,913	27,333
		815,871	827,076
CURRENT ASSETS			
Stock in trade		64,697	59,475
Trade debts		1,474,810	1,499,063
Advances, deposits, prepayments and other receivables		216,397	163,191
Short term investments		180,874	180,936
Cash and bank balances		144,103	134,281
		2,080,881	2,036,946
		2,896,752	2,864,022



Director

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

for the first quarter ended March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
Sales		412,426	364,852
Cost of sales		(259,770)	(226,750)
Gross Profit/(Loss)		152,656	138,102
Administrative and selling expenses		(66,653)	(63,074)
Other operating expenses		(1,929)	(1,084)
Other operating income		6,548	15,598
		(62,034)	(48,560)
Profit/(Loss) from operations		90,622	89,542
Finance costs		(17,741)	(6,138)
Profit/(Loss) before tax		72,881	83,404
Taxation		(1,342)	(2,806)
Profit / (Loss) for the period		71,539	80,598
Combined earnings per share			
Basic		0.68	0.76
Diluted		0.65	0.73

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



Chief Executive Officer



Director

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

for the first quarter ended March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
Profit/(Loss) for the period		71,539	80,598
Other comprehensive income			
- Exchange difference on translating foreign operations		(641)	7,255
- Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax		108	201
Total comprehensive income for the period		71,006	88,054

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



Chief Executive Officer



Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

for the first quarter ended March 31, 2016

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
Cash flows from operating activities			
Cash generated from continuing operations	4	31,898	203,282
Finance costs paid		(18,053)	(6,138)
Taxes paid		(6,746)	(6,178)
Net cash (used in) / generated from operating activities		7,099	190,966
Cash flows from investing activities			
Purchase of property, plant and equipment		(536)	(2,307)
Proceeds from disposal of property, plant and equipment and intangible assets		13	2,027
Profit on bank deposit		3,258	4,081
Short term investments		63	45,440
Net change in long term advances and deposits		6,419	(82)
Net cash (used in) / generated from investing activities		9,217	49,159
Cash flows from financing activities			
Share issued		-	1
Repayment of finance lease liabilities		(6,494)	(5,564)
Net cash (used in) / generated from financing activities		(6,494)	(5,563)
Net (decrease) / increase in cash and cash equivalents		9,822	234,562
Cash and cash equivalents at the beginning of year		134,281	826
Cash and cash equivalents at the end of period		144,103	235,388

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



Chief Executive Officer



Director

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

for the first quarter ended March 31, 2016

(Rupees in '000)	Share capital	Share premium reserve	Employee share compensation reserve	Exchange revaluation reserve	Un-appropriated (loss) / profit	Total
Balance as on January 01, 2015	1,056,965	61,893	45,000	184,641	573,689	1,922,188
Profit for the period	-	-	-	-	80,598	80,598
Other comprehensive income	-	-	-	7,255	201	7,456
				7,255	80,799	88,054
Issue of 88 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	1	-	-	-	-	1
	1	-	-	-	-	1
Balance as on March 31, 2015	1,056,966	61,893	45,000	191,895	654,489	2,010,244
Profit for the period	-	-	-	-	161,315	161,315
Other comprehensive income	-	-	-	18,114	693	18,807
				18,114	162,008	180,123
Final dividend for the year ended 31 December 2014 at the rate of Rs. 2.25 per share	-	-	-	-	(237,823)	(237,823)
Issue of 182 shares of Rs. 10 each fully paid in cash @ premium of Rs. 4 each	2	1	-	-	-	3
	2	1	-	-	(237,823)	(237,821)
Balance as on December 31, 2015	1,056,968	61,894	45,000	210,010	578,674	1,952,546
Profit for the period	-	-	-	-	71,539	71,539
Other comprehensive income	-	-	-	(641)	108	(533)
				(641)	71,646	71,006
Balance as on March 31, 2016	1,056,968	61,894	45,000	209,369	650,320	2,023,551

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



Chief Executive Officer



Director

Notes to and from part of the Consolidated Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

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

1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVL)

Subsidiary companies;

	% age of holding
- Avanceon, Free Zone Establishment, UAE (AFZE);	100%
- Innovative Automation Inc. USA (IA) (formerly Engro Innovative Inc.)	100%

AFZE is a Free Zone Establishment with limited liability formed pursuant to Law No.9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued thereunder by the Jebel Ali Free Zone Authority and was registered with the Jebel Ali Free Zone Authority under Registration No. 816 on 28 February 2004, and its registered office is situated in the Jebel Ali Free Zone, Dubai, United Arab Emirates.

The principal activities of the Establishment are to trade in products of automation and control equipment and provide related technical support.

IA's registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Company holds 26.13% (2015: 26.13%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

2 BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, Interpretations and amendments to published approved accounting standards effective in 2016:

New and amended standards and interpretations

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01-Jan-16
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)	01-Jan-16
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01-Jan-16
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	01-Jan-16
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01-Jan-16
IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01-Jan-16
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01-Jan-16

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Notes to and from part of the Consolidated Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 2016

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01-Jan-16
IFRS 14 – Regulatory Deferred Accounts	01-Jan-16
IFRS 15 – Revenue from contracts with costumers	01-Jan-16
IFRS 16 – Leases	01-Jan-16

3 CONTINGENCIES AND COMMITMENTS

3.1 Contingencies

- (i) Bank guarantees issued amounting to Rs. 35 million (31 December 2015: Rs. 31.35 million) against the performance of various contracts.
- (ii) Post dated cheques issued to IGI Insurance Company Limited amounting to Rs.1.8 million for United Energy Pak Limited and Orix Leasing Company amounting to Rs.1.2 million as security against vehicles obtained on lease, whereas post dated cheques issued to JAFZA and Emirates Islamic Bank amounting to Rs. 4.77 million
- (iv) The Honorable Lahore High Court, Lahore in its order dated 03 June 2011 declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the Company has not made any provision for Workers' Welfare Fund (WWF) in the financial statements in the light of the order of the Honorable Lahore High Court. The said order has been challenged in the Honorable Supreme Court. The Company may be liable to pay WWF amounting to Rs. 22,978,426 (2014: Rs. 18,445,062) if the Supreme Court's decision is unfavorable. This amount has been calculated based on accounting profits excluding dividend income. The amount of WWF on dividend is Rs. 11,533,250 as at 31st Dec 2015 (2014: Rs. 9,927,731).

3.2 Commitments

Nil

(Rupees in '000)	Note	Un-audited March 31, 2016	Un-audited March 31, 2015
4 CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ (loss) before tax		72,881	83,404
Adjustments for:			
- Depreciation on property, plant and equipment		6,436	5,828
- Exchange revaluation reserve		307	1,162
- Exchange (gain) / loss		1,183	(8,731)
- Finance cost		17,742	6,138
- (Gain)/loss on fixed assets		(13)	(199)
- Income on bank deposits		(3,288)	(4,075)
		22,367	123
Profit before working capital changes		95,248	83,527
- Increase in stock in trade		(5,221)	(16,913)
- Decrease trade debts		23,070	313,123
- Decrease / (Increase) in advances, deposits, prepayments and other receivables		(47,722)	(118,567)
- Decrease in creditors, accrued and other liabilities		(33,477)	(57,888)
		(63,350)	119,755
Cash (used in) / generated from operations		31,898	203,282

Notes to and from part of the Consolidated Condensed Interim Financial Information (Un-audited)

for the first quarter ended March 31, 2016

5 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees in '000)	CEO & COO / Director		Other Executives	
	2016	2015	2016	2015
Managerial remuneration	8,454	7,941	15,804	14,364
House rent	3,120	3,003	5,788	5,287
Utilities	96	92	703	604
Contribution to provident fund	513	459	1,302	1,149
Others	270	278	1,363	1,057
	12,453	11,772	24,960	22,461
Number of persons	2	2	19	17

The Company also provides Directors and certain executives with Company maintained cars.

6 DATE OF AUTHORIZATION FOR ISSUE

The condensed interim consolidated financial information was authorised for issue on 27 April, 2016 by the Board of Directors of the Holding Company.

7 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Director

