

Your Partner in **Digital Transformation**

Half Year Ended June 30, 2022

AVANCEON
Group of Companies

AVANCEON III

OCTOPUS
MISMA

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Company Information

Directors

Khalid Hameed Wain	Director / Chairman
Bakhtiar Hameed Wain	Director / Chief Executive Officer
Tanveer Karamat	Director / President
Amir Waheed Wain	Director
Hanan Darwish	Director
Omer Iqbal Khan	Director
M. Shahid Mir	Director
Saeed Ullah Khan Niazi	Chief Financial Officer
Ahsan Khalil (ACA-FFPA)	Company Secretary

Audit Committee

M. Shahid Mir	Chairman
Amir Waheed Wain	Member
Khalid Hameed Wain	Member

Human Resource & Remuneration Committee

M. Shahid Mir	Chairman
Hanan Darwish	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
Signature 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
Dubai Islamic Bank Pakistan
Qatar International Islamic Bank QIIB,
Qatar Islamic Bank QIB, Qatar

Share Registrar

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8-F, Next to Hotel Faran,
Nursery, Block-6, P.E.C.H.S,
Shahra-e-Faisal, Karachi.
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www.famco.com.pk

Registered Office

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United States of America
Phone: +1 610 458 8700

Regional Headquarters - South Asia

Lahore, Punjab, Pakistan
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Karachi, Sindh, Pakistan

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Trade Mark

AVANCEON
Tomorrow's solutions, today.

Regional Headquarters - Middle East

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Jeddah, Saudia Arabia

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Interim Director's Report

Directors of Avanceon Limited (the "Company") are pleased to present the Directors' Report for the half year ended June 30, 2022.

(Rupees in '000)	For the six months ended June 30,	
	2022	2021
Operating results (consolidated)		
Revenues	2,309,210	2,380,603
Profit before tax	1,010,473	568,608
Provision for taxation	(91,163)	(82,095)
Profit after taxation	919,310	486,514
Operating results (standalone)		
Revenues	886,048	792,748
Profit before tax	783,361	538,159
Provision for taxation	(70,055)	(66,806)
Profit after taxation	713,306	471,353

Earnings per share (consolidated) for the half year ended June 30, 2022

The basic earnings per share after tax is Rs. 3.14 (2021: Rs. 1.75 - restated)

Earnings per share (standalone) for the half year ended June 30, 2022

The basic earnings per share after tax is Rs. 2.57 (2021: Rs. 1.83 - restated)

As per above operating financial results of the company for the half year ended June 30, 2022, revenues remained on positive side (but slightly at lower side) as per corporate plan and expectations with moderate increase in revenues at standalone and group level, which shows the results are in a positive trajectory direction to achieve corporate plan for FY 2022 for each business region and as a group moving towards Road to 100 business plan, the management is confident enough to achieve the targeted corporate plan for financial year 2022. We observed the abnormal increase in other income due to exchange gain at reporting date because of unexpected appreciation of USD to 206 as compared to PKR 178 in FY 2021. We are expecting recovery of earnings in remaining quarters of financial year 2022, historically, our revenues and profits remain on lower side in first quarter, get start momentum in 2nd quarter and major portion of revenue of orders start getting recognized in 3rd and 4th quarter of each financial year due to business cycle which is being observed from many financial years. Currently, we have strong portfolio of orders in hand and in the pipeline for Pakistan, UAE, Qatar, Saudi Arabia (KSA).

Communication

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

August 29, 2022
Lahore, Pakistan.

For and on behalf of the
BOARD OF DIRECTORS



Bakhtiar Hameed Wain
Chief Executive Officer



Tanveer Karamat
Director

Independent Auditor's Review Report

To the Members of Avanceon Limited
Report on Review of Unconsolidated Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Avanceon Limited (the Company) as at 30 June 2022 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim statement of cash flows and notes to the unconsolidated condensed interim financial statements for the six-month period then ended (here-in-after referred to as the 'unconsolidated condensed interim financial statements'). Management is responsible for the preparation and presentation of these unconsolidated condensed 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 condensed interim 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 condensed 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 unconsolidated condensed 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 matters

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the three-month period ended 30 June 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 30 June 2022.

The engagement partner on the review resulting in this independent auditor's report is Ahsan Shahzad.



EY Ford Rhodes
Chartered Accountants
Lahore: 5 September 2022
UDIN: RR202210079uUGYQJAmo

Avanceon Limited
**Condensed Standalone
Interim Financial Statements**
for the half year ended June 30, 2022

Unconsolidated Condensed Interim Statement of Financial Position

as at June 30, 2022

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
500,000,000 (2021: 500,000,000)			
ordinary shares of Rs. 10 each		5,000,000	5,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
324,700,631 (2021: 256,593,358)			
ordinary shares of Rs. 10 each	5	3,247,006	2,565,934
CAPITAL RESERVES			
Share premium		314,007	144,188
Employees' share compensation reserve	6	21,530	172,657
Surplus on revaluation of property and equipment		255,781	256,297
		591,318	573,142
REVENUE RESERVES			
Un-appropriated profits		1,887,697	2,083,036
		5,726,021	5,222,112
NON CURRENT LIABILITIES			
Lease liabilities		80,106	57,949
Long-term loan		-	-
Deferred taxation	7	55,522	8,100
		135,628	66,049
CURRENT LIABILITIES			
Current portion of lease liabilities		30,275	28,566
Current portion of long-term loan		12,863	23,551
Current portion of deferred grant		4	269
Finances under mark-up arrangements and other credit facilities	8	724,999	543,353
Creditors, accrued and other liabilities	9	997,597	747,478
Contract liabilities		189,691	157,987
Unclaimed dividend		222,608	132,968
		2,178,037	1,634,172
CONTINGENCIES AND COMMITMENTS			
	10		
		8,039,686	6,922,333



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

(Rupees in '000)		Un-audited June 30, 2022	Audited December 31, 2021
ASSETS			
NON CURRENT ASSETS			
Property and equipment	11	4,75,692	423,363
Long-term investments	12	4,315,370	3,913,589
Long-term loans, deposits and other receivables		3,555	4,284
		4,794,617	4,341,236
CURRENT ASSETS			
Stock-in-trade		87,380	54,663
Trade debts	13	1,560,682	1,076,211
Contract assets		167,281	182,197
Advances, deposits, prepayments and other receivables	14	1,417,149	1,156,454
Short-term investments		177	185
Cash and bank balances	15	12,400	111,387
		3,245,069	2,581,097
		8,039,686	6,922,333

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.


 Director
 Taveer Karamat

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

for the six months ended June 30, 2022

(Rupees in '000)	Note	Six months ended		Three months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue from contracts with customers - net	16	886,048	792,748	484,065	407,644
Cost of revenue		(592,319)	(511,626)	(329,844)	(276,735)
Gross Profit		293,729	281,122	154,221	130,909
Administrative and selling expenses		(346,535)	(136,646)	(301,528)	(95,057)
Other expenses		(2,972)	(56,150)	(1,871)	(101,476)
Other income	17	893,107	470,691	755,961	328,815
		543,600	277,895	452,562	132,282
Profit from operations		837,329	559,017	606,783	263,191
Finance costs		(53,968)	(20,858)	(33,902)	(13,369)
Profit before tax		783,361	538,159	572,881	249,822
Taxation		(70,055)	(66,806)	(61,842)	(57,990)
Profit for the period		713,306	471,353	511,039	191,832
			Restated		Restated
Earnings per share - basic (Rupees)		2.57	1.83	1.76	0.74
Earnings per share - diluted (Rupees)		2.57	1.81	1.70	0.73

The annexed notes from 1 to 21 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 six months ended June 30, 2022

(Rupees in '000)	Six months ended		Three months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Profit for the period	713,306	471,353	511,039	191,832
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	713,306	471,353	511,039	191,832

The annexed notes from 1 to 21 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 Changes in Equity (Un-audited)

for the six months ended June 30, 2022

	CAPITAL RESERVES				REVENUE RESERVES	Total
	Share Capital	Share Premium	Employees' share compensation reserve	Surplus on revaluation of property and equipment	Un-appropriated profit	
(Rupees in '000)						
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 @ Rs. 1 per share	-	-	-	-	(213,827)	(213,827)
Employee share option reserve	-	-	31,940	-	-	31,940
	448,034	47,491	(9,746)	-	(641,483)	(155,704)
Balance as on 30 June 2021 (un-audited)	2,565,934	185,875	64,524	241,609	2,616,499	5,674,441
Balance as on 01 January 2022 (audited)	2,565,934	144,188	172,657	256,297	2,083,036	5,222,112
Profit for the period	-	-	-	-	713,306	713,306
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	713,306	713,306
Transfer from revaluation surplus on account of incremental depreciation - net of tax	-	-	-	(516)	516	-
Issuance of shares against ESOS	31,671	169,819	(160,871)	-	-	40,619
25% bonus shares issued for the year ended 31 December 2021	649,401	-	-	-	(649,401)	-
10% final dividend for the year ended 31 December 2021 @ Rs. 1 per share	-	-	-	-	(259,760)	(259,760)
Employee share option reserve	-	-	9,744	-	-	9,744
	681,072	169,819	(151,127)	-	(909,161)	(209,397)
Balance as on 30 June 2022 (un-audited)	3,247,006	314,007	21,530	255,781	1,887,697	5,726,021

The annexed notes from 1 to 21 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 six months ended June 30, 2022

(Rupees in '000)	Six months ended	
	June 30, 2022	June 30, 2021
Cash flows from operating activities		
Profit before tax	783,361	538,159
Adjustments for:		
Depreciation on property, plant and equipment	9,387	8,172
Depreciation on right-of-use assets	17,692	10,632
Gain on sale of short-term investments	-	(315)
Revaluation loss on short-term investment	8	-
Trade debts written off - specific	-	2,384
Employees' share option expense	9,744	31,940
Unrealised exchange (gain) / loss	(877,798)	41,086
Gain on disposal of property and equipment	(7,926)	(3,074)
Finance cost	53,968	20,858
Provision for expected credit losses - long term interest free receivables	139,100	-
Provision for expected credit losses - contract asset	2,415	1,702
Provision for expected credit losses - trade debts	73,013	1,765
Provision for expected credit losses - advances	22,642	18,735
Amortization of deferred grant	(265)	(487)
Dividend income	-	(461,370)
Profit on bank deposits	(1,178)	(403)
	(559,198)	(328,375)
Profit before working capital changes	224,163	209,784
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stock-in-trade	(32,717)	(7,295)
- Trade debts	190,000	(296,151)
- Contract assets	12,501	6,502
- Advances, deposits, prepayments and other receivables	(283,337)	(25,127)
Decrease in current liabilities		
- Creditors, accrued and other liabilities	(163,722)	131,811
- Contract liabilities	31,704	55,781
	(245,571)	(134,480)
Cash generated from operations	(21,408)	75,306



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

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

for the six months ended June 30, 2022

(Rupees in '000)	Six months ended	
	June 30, 2022	June 30, 2021
Cash generated from operations	(21,408)	75,306
Finance costs paid	(36,068)	(21,883)
Income taxes paid	(28,267)	(10,561)
Net cash generated from operating activities	(85,743)	42,861
Cash flows from investing activities		
Purchase of property and equipment	(14,672)	(7,572)
Proceeds from sale of property and equipment	11,047	4,894
Proceeds from sale of short-term investment	-	2,870
Profit on bank deposits received	1,178	403
Decrease in long-term loans, advances, deposits and other receivables - net	729	46
Net cash generated from investing activities	(1,718)	641
Cash flows from financing activities		
Repayment of long-term loan	(10,688)	(12,955)
Repayment of short-term loan	-	(41,344)
Finances under mark-up arrangements and other credit facility obtained	476,901	-
Issuance of shares against ESOS	40,619	26,183
Dividend paid	(170,120)	(44,563)
Repayment of lease liabilities	(52,983)	(14,739)
Net cash used in financing activities	283,729	(87,418)
Net increase / (decrease) in cash and cash equivalents	196,268	(43,916)
Cash and cash equivalents at the beginning of period	(233,868)	(92,196)
Cash and cash equivalents at the end of period	(37,600)	(136,112)

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.


Director
Taveer Karamat

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

for the six months ended June 30, 2022

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

These are the (unconsolidated) separate condensed interim financial statements of the Company; consolidated interim 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 2021.

Comparative condensed interim statement of financial position is stated from annual audited financial statements as of 31 December 2021, 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 2022.

- 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.
- 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.

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

for the six months ended June 30, 2022

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 are the same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2021.

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 2021, except as mentioned in note 4.1.

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

The Company adopted following new amendments to the approved accounting standards which became effective during the period, however these are not considered to be relevant or have any significant effect on the financial statements:

New Standards, Interpretations and Amendments

IFRS 3	Reference to conceptual framework	(Amendments)
IAS 16	Property, plant and equipment: Proceeds before intended use	(Amendments)
IAS 37	Onerous contracts - costs of fulfilling a contract	(Amendments)
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards Subsidiary as a first-time adopter	
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	
AIP IAS 41	Agriculture Taxation in fair value measurements	

4.2 Standards, interpretation and amendments to published approved accounting standards that are not yet effective:

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)
IAS 1	Classification of liabilities as current or non-current (Amendments)	01 January 2023
IAS 8	Definition of accounting estimates (Amendments)	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies (Amendments)	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	01 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture (Amendments)	Not yet finalized

The Company expects that such improvements to the standards will not have any material impact on the Company's condensed interim 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		Effective date (annual periods Beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standard	01 July 2009
IFRS 17	Insurance Contracts	01 January 2023

The Company expects that above mentioned standards will not have any material impact on the Company's condensed interim financial statements in the period of initial application.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Un-audited June 30, 2022	Audited December 31, 2021		Un-audited June 30, 2022	Audited December 31, 2021
(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
256,446,099	191,505,973	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	2,564,461	1,915,060
4,530,343	4,399,629	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I	45,303	43,996
858,519	-	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - II	8,585	-
3,520,906	3,520,906	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - III	35,209	35,209
2,177,914	-	Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - IV	21,779	-
324,700,631	256,593,358		3,247,006	2,565,934

(Rupees in '000)		Un-audited June 30, 2022	Audited December 31, 2021
		(Number of shares)	
5.1	Movement during the year is as follows:		
	Opening balance	256,593,358	211,790,007
	Shares issued under Employees' Share Options Schemes during the period	3,167,147	2,037,791
	Bonus shares issued during the period	64,940,126	42,765,560
	Closing balance	324,700,631	256,593,358

5.2 Chief Executive Officer holds 61% (2021: 61%) share capital of the Company.

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

for the six months ended June 30, 2022

(Rupees in '000)	Un-audited June 30, 2022	Audited December 31, 2021
6. EMPLOYEES' SHARE COMPENSATION RESERVE		
Reserve in respect of employees' share option schemes	21,531	172,657

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 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. This scheme has been fully exercised and ended during the period ended 30 June 2022.

6.4 Share options scheme V

Employee Share Option Scheme, 2022 was approved by Securities and Exchange Commission of Pakistan (SECP) on 05 January 2022 which comprises of an entitlement pool of 10% of the paid-up capital of the Company as increased from time to time. As of 31 December 2021, the pool consisted of 25.659 million shares. Under the scheme, share options of the Company will be granted to permanent employees of all cadres based on the performance ranking process of the Company. The share options can be exercised within a period of maximum six months from the expiry of the minimum vesting period, The minimum vesting period is 12 months from the date of grant of options. Exercise Price of an option shall be determined from time to time by the Board of directors of the Company at the time of grant of option(s), which shall be calculated as the weighted average of the closing quoted market price of the share of the Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s). Provided further that options can be issued at a maximum discount of 90% of the weighted average of the closing market price of the share of the Company for last 90 consecutive calendar days immediately preceding the date of entitlement of option(s) as determined by the Board. The exercise price shall be not in any case less than face value of Rs. 10/- per share.

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
7. DEFERRED TAXATION			
The net asset for deferred taxation comprises temporary differences relating to:			
Provision for expected credit losses		(52,962)	(37,621)
Unused tax losses		(46,799)	(12,458)
Tax credit carried forward		(51,970)	-
Tax credit under Second Schedule		-	(116,182)
		(151,731)	(166,261)
The net liability for deferred taxation comprises temporary differences relating to:			
Deferred tax on incremental depreciation		3,481	3,593
Income taxable on receipt basis		192,695	167,600
Accelerated tax depreciation / amortization		11,077	3,168
		207,253	174,361
		55,522	8,100
8. FINANCING UNDER MARK UP ARRANGEMENTS AND OTHER CREDIT FACILITIES			
Running finance - secured	8.1	50,000	345,255
Inland bill purchased - secured	8.2	324,999	198,098
Short-term loan from Octopus Digital Limited -un-secured	8.3	350,000	-
		724,999	543,353

8.1 The Company has obtained running finance facility from one commercial bank (31 December 2021: one commercial banks), with a sanctioned limit of Rs. 50 million (31 December 2021: with a sanction limit of Rs. 300 million and Rs. 50 million respectively), bearing mark-up at the rates prescribed therein the facility offer letters that includes 1 month KIBOR plus Bank spread of 2.25% (31 December 2021: 1 month KIBOR plus Bank spread of 2.25% and 3 month KIBOR plus Bank spread of 1% respectively). The facilities are secured against first mortgage charges created through equitable mortgage with legal mortgage of notional value over fixed assets (land & building) of the Company, ranking hypothecation charge over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan, covering total security package.

8.2 The Company has obtained these facilities from Habib Bank Limited and Standard Chartered Bank and has a sanctioned limit of Rs. 125 million and 500 million, respectively (31 December 2021: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% and 2.25%, respectively (31 December 2021: Matching Tenor KIBOR plus 2%) per annum. The facilities are secured against invoices / bills receivable from customers (31 December 2021: 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.

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

for the six months ended June 30, 2022

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
8.3 Short-term loan from Octopus Digital Limited (un-secured)			
Opening		-	-
Loan obtained	8.3.1	350,000	-
Markup charged		11,362	-
		361,362	-
Markup transferred to accrued markup		(11,362)	-
Closing		350,000	-

8.3.1 The Company has obtained a short-term loan of Rs. 350 million from Octopus Digital Limited after the approval of the members of Octopus Digital Limited, granted in terms of Section 199 of the Companies Act, 2017. The Subsidiary is charging markup on loan amount as per Investment in Associated Undertakings Regulations, 2017 at the 1 Year KIBOR + 2%.

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
Trade creditors	9.1	454,359	340,103
Accrued expenses		58,487	57,053
Payable to Octopus Digital Limited	9.2	125,690	-
Payable to provident fund		9,756	3,958
Employee share portion - Vehicles		49,062	23,764
Tax payable:			
- Withholding tax		159,478	110,025
- Income tax		109,505	115,139
Accrued mark up		18,289	9,381
Loan from CEO	9.3	11,000	46,000
Other liabilities		1,971	42,055
		997,597	747,478

9.1 This includes payable to Octopus Digital Limited, a related party amounting to Rs. 281,259 (000) (31 December 2021: Rs. 216,669 (000)).

9.2 This relates to amount received from Octopus Digital Limited to acquire intellectual property on behalf of Octopus Digital Limited.

9.3 This represents interest free loan, payable on demand, obtained from CEO of the Company for working capital requirements.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There are no contingencies to report as at 30 June 2022 (31 December 2021: Nil).

10.2 Commitments

- Bank guarantees have been issued amounting to Rs. 25 million (31 December 2021: Rs. 52.173 million) against the performance of various contracts.
- Letters of credit outstanding amounting to Rs. 61.8 million (31 December 2021: Rs. 43.70 million) which relates to import acceptance bills.

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
11. PROPERTY AND EQUIPMENT			
Operating fixed assets - tangible	11.1	344,488	338,006
Right-of-use asset - leased vehicles	11.2	131,204	85,357
		475,692	423,363
11.1 Operating fixed assets - tangible			
Opening book value		338,006	320,863
Add: Additions during the period / year-cost	11.1.1	14,672	18,081
Add: Effect of revaluation		-	15,697
		352,678	354,641
Less: Deletions during the period / year-net book value	11.1.2	(3,121)	(5,767)
		349,557	348,874
Less: Depreciation during the period / year		(9,387)	(16,176)
Add: Adjustment for assets transferred from leased to owned assets		4,318	5,308
Book value at the end of the period / year		344,488	338,006
11.1.1 Additions / transfers during the period / year - cost			
Tools and equipment		-	106
Office equipment and appliances		704	2,893
Vehicles		-	74
Computers		13,968	15,008
		14,672	18,081
11.1.2 Deletions during the period / year - net book value			
Computers		9	5,767
Vehicles		3,112	-
		3,121	5,767
11.2 Right-of-use asset - leased vehicles			
Opening book value		85,357	58,418
Add: Additions during the period / year		67,857	55,423
		153,214	113,841
Less: Transfers to operating assets during the period / year - net book value		(4,318)	(5,308)
Less: Deletion during the period /year - net book value		-	(1,337)
		148,896	107,196
Less: Depreciation during the period / year		(17,692)	(21,839)
Book value at the end of the period / year		131,204	85,357
12. LONG TERM INVESTMENTS			
Investment in subsidiaries - at cost			
Avanceon FZE, Dubai			
- 26 (31 December 2021 : 26) fully paid ordinary shares of AED 1 million each	12.1	473,671	473,671
- Long term interest free receivables	12.1.1	2,287,624	1,975,352
Less: Allowance for expected credit losses		(80,308)	-
		2,207,316	1,975,352
		2,680,987	2,449,023

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

for the six months ended June 30, 2022

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
Avanceon Automation and Control W.L.L, Qatar			
- 98 (31 December 2021 : 98) fully paid ordinary shares of QAR 1,000 each	12.2	8,446	8,446
- Long term interest free receivables	12.2.1	1,185,994	1,024,100
Less: Allowance for expected credit losses		(41,635)	-
		1,144,359	1,024,100
		1,152,805	1,032,546
Octopus Digital Limited, Pakistan			
- 109,399,995 (31 December 2021:109,399,995) fully paid ordinary shares	12.3	10,000	10,000
Octopus Digital Inc.			
- Long term interest free receivable	12.4	488,735	422,020
Less: Allowance for expected credit losses		(17,157)	-
		471,578	422,020
		4,315,370	3,913,589

12.1 This represents 100% (31 December 2021: 100%) share in Company's subsidiary Avanceon FZE, a Company which 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 amended agreement between the Company and Avanceon FZE, the balances due from the subsidiary have been classified as interest free long term receivables, payable at the demand of the Company. The Company intends to convert this balance into share capital in the subsidiary after obtaining the applicable regulatory approvals.

12.2 This represents 49% (31 December 2021: 49%) share in Company's subsidiary Avanceon Automation and Control W.L.L (AVAC), 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 amended agreement between the Company and Avanceon Automation and Control WLL, the balances due from the subsidiary have been classified as interest free long term receivables, payable at the demand of the Company. The Company intends to convert this balance into share capital in the subsidiary after obtaining the applicable regulatory approvals.

12.3 This represents 80% (31 December 2021: 80%) share in Company's subsidiary (Octopus Digital Limited), 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. ODL was listed on PSX during year ended 31 December 2021. 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 Octopus Digital Inc. (ODI) 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% (2021: 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 ODI, the balances due from the subsidiary have been classified as interest free long term receivables, payable at the demand of the Company. The Company intends to convert this balance into share capital in the subsidiary after obtaining the applicable regulatory approvals.

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, 2022	Audited December 31, 2021
13. TRADE DEBTS			
Due from related parties	13.1	1,350,693	707,932
Due from others		341,864	427,141
		1,692,557	1,135,073
Less: Allowance for expected credit losses	13.2	(131,875)	(58,862)
		1,560,682	1,076,211
13.1 Due from related parties			
Avanceon Free Zone Establishment, UAE		805,170	398,730
Avanceon Automation & Control WLL, Qatar		528,881	272,645
Octopus Digital Limited		-	31,853
Avanceon Saudi Energy Company		16,642	4,704
		1,350,693	707,932
13.2 Allowance for expected credit losses			
Due from related parties	13.2.1	125,299	57,224
Due from others	13.2.2	6,576	1,638
		131,875	58,862
13.2.1 Allowance for expected credit losses - Related parties			
Opening balance		57,224	32,514
Add: Allowance for the period / year		68,075	24,710
Closing balance		125,299	57,224
13.2.2 Allowance for expected credit losses - Others			
Opening balance		1,638	1,649
Add: Allowance for the period / year		4,938	-
Less: Reversal during the year		-	(11)
Closing balance		6,576	1,638

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

for the six months ended June 30, 2022

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- To employees		73,680	42,886
- To suppliers		39,326	15,820
		113,006	58,706
Prepayments		26,972	44,709
Margin paid against bank guarantees / letters of credit		22,319	35,327
Tax refunds due from government - considered good - Sales tax		62,636	60,312
Earnest money - considered good		300	300
Due from subsidiaries - unsecured	14.1	1,189,650	952,319
Other receivables - considered good		2,266	4,781
		1,417,149	1,156,454

14.1 This represents receivable from Avanceon FZE and Avanceon Automation and Control WLL, wholly owned subsidiaries.

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
Dividend receivable			
Avanceon FZE		523,240	451,815
Avanceon Automation and Control WLL		739,540	638,589
		1,262,780	1,090,404
Other receivables			
Avanceon Saudi Energy Company		3,342	1,496
Avanceon FZE		85,751	-
	14.1.1	89,093	1,496
Less: Allowance for expected credit losses	14.1.2	(162,223)	(139,581)
		1,189,650	952,319

14.1.1 This represents amount due from following related parties in respect of expenses incurred by the Company on their behalf.

(Rupees in '000)		Un-audited June 30, 2022	Audited December 31, 2021
14.1.2	Allowance for expected credit losses		
	Opening balance	139,581	23,846
	Add: Allowance for the period / year	22,642	115,735
	Closing balance	162,223	139,581

15. CASH AND BANK BALANCES

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
Cash in hand		180	128
Cash with banks			
-Current accounts		8,026	94,269
-Savings accounts	15.1	4,194	16,990
		12,220	111,259
		12,400	111,387

15.1 Profit on balances in saving accounts ranges from 8.25% to 9.5% (31 December 2021: 7.25% to 8.75%) per annum.

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
15.2 Cash and cash equivalents			
Cash and bank balances	15	12,400	111,387
Running finance	8.1	(50,000)	(345,255)
		(37,600)	(233,868)

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		Un-audited June 30, 2022	Un-audited June 30, 2021	Un-audited June 30, 2022	Un-audited June 30, 2021
16. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET					
Local sales and services					
-Sale of goods		392,288	365,541	228,271	177,492
-Services rendered		122,331	86,362	72,145	50,293
-Management fee		30,000	-	30,000	-
Export sales and services					
-Agency commission		5,633	6,403	2,370	3,810
-Project revenue		95,188	58,865	49,694	36,748
-IT enabled back-office support		56,578	103,879	30,018	80,311
-IT enabled engineering		123,260	171,698	10,796	58,989
-Management fee		60,770	-	60,770	-
		886,048	792,748	484,064	407,643

(Rupees in '000)		Un-audited June 30, 2022	Un-audited June 30, 2021
16.1 Timing of revenue recognition			
At a point in time		397,921	371,944
Over the time		488,127	420,804
		886,048	792,748

(Rupees in '000)		Un-audited June 30, 2022	Un-audited June 30, 2021
17. OTHER INCOME			
Income from financial assets			
Exchange gain - net		877,798	-
Profit on bank deposits		1,178	403
Capital gain on short term investment		-	315
		878,976	718
Income from non-financial assets			
Gain on disposal of fixed assets		7,926	3,074
Dividend income		-	461,370
Amortization of deferred grant		265	487
Others		5,940	5,042
		14,131	469,973
		893,107	470,691

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

for the six months ended June 30, 2022

18. 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:

(Rupees in '000)		Six month period ended	
		Un-audited June 30, 2022	Un-audited June 30, 2021
	Name of related parties and relationship		
	Nature of transactions		
	i. Subsidiaries		
	Avanceon FZE - UAE (AFZE)		
	Agency commission charged	5,633	6,403
	Income against engineering / support services	11,288	51,939
	Fee for back office support	28,219	70,292
	Revenue recognized on the projects	28,714	18,567
	Payments to suppliers by AFZE	58,622	-
	Payment made during the period to AFZE	67,966	21,437
	Collection / adjustment from AFZE	15	46,286
	Payments to suppliers by AVL	232,310	14,374
	Management fee charged by AVL	30,385	-
	Payments to employees by AVL	39,561	7,322
	Avanceon Automation and Control W.L.L, Qatar (AVAC)		
	Income against engineering / support services	111,973	51,940
	Fee for technical services	28,359	101,405
	Revenue recognized on the project	56,261	40,298
	Dividend income	-	261,120
	Payments received during the period	43,323	78,713
	Payment to suppliers by AVL	9,491	2,509
	Payments to suppliers by AVAC	7,551	-
	Management fee charged by AVL	30,385	-
	Payment to employees by AVL	11,498	3,790
	Octopus Digital Limited (ODL)		
	Reimbursement of expenses	-	1,098
	Salaries payment to employees by AVL	44,088	23,314
	Subcontracting charges incurred	16,186	9,451
	Payments to suppliers by AVL	40,048	9,679
	Payments during the period	186,000	4,936
	Payments received during the period	186,000	18,400
	Building rent charged to ODL	180	180
	Installation charges	33,035	-
	Funds received to purchase intellectual property on behalf of ODL	125,689	-
	Short-term loan obtained	350,000	-
	Markup on short-term loan	11,362	-
	Back office Support	25,200	-
	Management fee charged by AVL	30,000	-
	Fee for technical services	12,000	12,000

Transactions with related parties (continued)

Name of related parties	Nature of transactions	Un-audited June 30, 2022	Un-audited June 30, 2021
		(Rupees in '000)	
Avanceon Saudi Energy Company - KSA (AVSEC)	Payment to suppliers by AVL	66	-
	Payment to employees by AVL	1,452	-
	Revenue recognized on the projects	10,213	-
ii) Employees' Provident Fund	Expense charged in respect of retirement benefit plan	8,775	6,996
iii) Key management personnel	Remuneration and other benefits	93,032	57,808
iv) Chief executive	Loan to AVL	-	45,914
	Repayment of loan to Director	35,000	-

19. FINANCIAL ASSETS AND LIABILITIES

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statement of the Company for the year ended December 31, 2021.

19.1 Financial instruments by categories

Set out below, is an overview of financial assets, held by the company as at 30 June 2022 and 31 December 2021:

(Rupees in '000)	Un-audited June 30, 2022	Audited December 31, 2021
Financial assets at amortized cost		
Long-term loans and deposits	3,965,908	3,425,756
Trade debts	1,560,682	1,076,211
Deposits and other receivables	1,214,535	992,727
Cash and bank balances	12,400	111,387
Equity instruments at fair value through profit / (loss)		
Short term investments	177	185
Total	6,753,702	5,606,266

Set out below, is an overview of financial liabilities held by the Company as at 30 June 2022 and 31 December 2021:

(Rupees in '000)	Un-audited June 30, 2022	Un-audited June 30, 2021
Financial liabilities at amortized cost		
Creditors, accrued and other liabilities	669,796	494,592
Unclaimed dividend	222,608	132,968
Interest bearing loans and borrowings		
Financing under mark-up arrangements	724,999	543,353
Long-term loan	12,863	23,551
Lease liabilities	110,381	86,515
Total	1,740,647	1,280,979

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

for the six months ended June 30, 2022

19.2 Fair value measurement of financial instruments

There is no change in nature and corresponding hierarchies of fair valuation levels of financial instruments from those disclosed in audited financial statements of the Company for the year ended December 31, 2021.

20. GENERAL

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

20.2 Corresponding figures have been rearranged/reclassified, wherever necessary, for the purpose of better presentation.

21. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized by the Board of Directors of the Company for issue on 29 August, 2022.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

Avanceon Limited

**Consolidated Condensed
Interim Financial Statements**
for the half year ended June 30, 2022

Consolidated Condensed Interim Statement of Financial Position

as at June 30, 2022

(Rupees in '000)	Note	Un-audited June 30, 2022	Audited December 31, 2021
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
500,000,000 (2021: 500,000,000)			
ordinary shares of Rs. 10 each		5,000,000	5,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
324,700,631 (2021: 256,593,358)			
ordinary shares of Rs. 10 each		3,247,006	2,565,934
CAPITAL RESERVES			
Share premium		314,007	144,189
Employees' share compensation reserve		21,531	172,658
Statutory reserve		3,002	3,002
Exchange revaluation reserve		1,167,327	754,971
Gain on dilution of interest		631,367	631,367
Surplus on revaluation of property & equipment		255,780	256,297
		2,393,016	1,962,484
REVENUE RESERVES			
Un-appropriated Profit		3,308,651	3,346,044
		8,948,673	7,874,463
NON-CONTROLLING INTEREST			
		506,969	458,911
		9,455,642	8,333,374
NON CURRENT LIABILITIES			
Long Term Loans			
Liabilities against assets subject to finance lease		83,035	69,627
Deferred Grant		160,615	119,342
Deferred liabilities		56,681	3,673
		300,331	192,642
CURRENT LIABILITIES			
Current portion of Long Term Loans		12,863	23,551
Current portion of lease liabilities		51,472	46,757
Current portion of deferred grant		4	269
Finances under mark up arrangements and other credit facilities - secured		500,378	713,748
Unclaimed Dividend		235,575	153,095
Creditors, accrued and other liabilities		2,368,863	3,296,491
Contract Liabilities		2,041,362	883,074
Taxation-Net		11,630	36,343
		5,222,146	5,153,328
CONTINGENCIES AND COMMITMENTS			
	5		
		14,978,119	13,679,344



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

(Rupees in '000)	Un-audited June 30, 2022	Audited December 31, 2021
ASSETS		
NON CURRENT ASSETS		
Property and equipment	516,162	467,762
Intangible Assets	-	-
Capital Work in Progress	77,752	51,722
Long term investment	1,300,923	967,659
Long term deposits	43,580	38,393
	1,938,417	1,525,536
CURRENT ASSETS		
Stock in trade	252,682	72,813
Trade debts	5,233,795	5,551,439
Contract Assets	5,473,958	4,120,355
Advances, deposits, prepayments and other receivables	1,132,429	786,209
Short term investment	12,378	310,656
Cash and bank balances	934,460	1,312,336
	13,039,702	12,153,808
	14,978,119	13,679,344

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


Director
Taveer Karamat

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

for the six months ended June 30, 2022

(Rupees in '000)	Note	Six month period ended		Three month period ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues		2,309,210	2,380,603	979,574	1,101,521
Cost of revenue		(1,575,656)	(1,648,826)	(709,757)	(832,638)
Gross profit / (Loss)		733,554	731,776	269,816	268,883
Administrative and selling expenses		(621,976)	(385,437)	(400,924)	(231,593)
Other expenses	3	(2,972)	(3,524)	(1,871)	75,972
Other income	4	984,842	280,246	804,370	228,978
		359,894	(108,715)	401,576	73,357
Profit / (Loss) from operations		1,093,448	623,062	671,392	342,240
Finance costs		(82,976)	(54,453)	(36,727)	(33,414)
Profit / (Loss) before tax		1,010,472	568,608	634,665	308,826
Taxation		(91,163)	(82,095)	(75,818)	(67,144)
Income for the period from operations		919,310	486,514	558,847	241,683
Attributable to:					
Equity holders of the Holding Company		871,252	486,514	531,753	241,683
Non-Controlling Interest		48,058	-	27,094	-
		919,310	486,514	558,847	241,683
Combined earnings per share			Restated		Restated
Basic		3.14	1.75	1.91	0.87
Diluted		3.10	1.73	1.89	0.86

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

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

for the six months ended June 30, 2022

(Rupees in '000)	Six month period ended		Three month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Profit / (Loss) for the period	919,310	486,514	558,847	241,683
Other comprehensive income				
Exchange difference on translating foreign operations	412,356	(63,591)	190,052	(2,592)
- Surplus on revaluation of property and equipment realised through incremental depreciation charged on related assets for the period-net of tax				
Total comprehensive income for the period	1,331,666	422,923	748,898	239,090

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

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

for the six months ended June 30, 2022

	CAPITAL RESERVES						REVENUE RESERVES		Non-Controlling Interest	TOTAL
	Share Capital	Share Premium reserve	Gain on dilution of interest	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, 2021	2,117,900	138,384	-	74,270	3,002	632,410	241,827	2,409,500	4,506	5,621,799
Profit for the period	-	-	-	-	-	-	-	1,577,030	23,063	1,600,093
Other comprehensive income	-	-	-	-	-	122,562	15,469	-	-	138,031
	-	-	-	-	-	122,562	15,469	1,577,030	23,063	1,738,123
Issuance of bonus shares	20,378	5,805	-	-	-	-	-	-	431,342	457,525
Gain on dilution of interest	-	-	631,367	-	-	-	-	-	-	631,367
Transfer from revaluation surplus on account of incremental Dep.	-	-	-	-	-	-	(999)	999	-	-
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 @ Rs. 1 per share	-	-	-	-	-	-	-	(213,828)	-	(213,828)
Employee share option reserve	-	-	-	98,388	-	-	-	-	-	98,388
	448,034	5,805	631,367	98,388	-	-	(999)	(640,485)	431,342	973,452
Balance as on December 31, 2021	2,565,934	144,189	631,367	172,658	3,002	754,971	256,297	3,346,044	458,911	8,333,374
Profit for the period	-	-	-	-	-	-	-	871,252	48,058	919,310
Other comprehensive income	-	-	-	-	-	412,356	(516)	516	-	412,356
	-	-	-	-	-	412,356	(516)	871,768	48,058	1,331,666
Issuance of bonus shares	31,671	169,818	-	(160,871)	-	-	-	-	-	40,619
10% final dividend for the period ended December 31, 2021 @ Rs. 1 per share	-	-	-	-	-	-	-	(259,761)	-	(259,761)
25% bonus share issue for the period ended December 31, 2021	649,401	-	-	-	-	-	-	(649,401)	-	-
Employee share option reserve	-	-	-	9,744	-	-	-	-	-	9,744
	681,073	169,818	-	(151,126)	-	-	-	(909,162)	-	(209,398)
Balance as on June 30, 2022	3,247,006	314,007	631,367	21,531	3,002	1,167,327	255,780	3,308,651	506,969	9,455,642

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

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

for the six months ended June 30, 2022

(Rupees in '000)	Six months ended	
	June 30, 2022	June 30, 2021
Cash flow from operating activities		
Profit / (loss) before tax	1,010,473	568,608
Adjustments for:		
Depreciation on property and equipment	38,657	28,055
Exchange gain	(964,210)	(204,391)
Exchange revaluation reserve	(412,356)	(53,274)
Unrealised (gain)/loss on short term investment	8	(315)
Finance cost	82,976	54,453
Employee share option exp.	9,744	31,941
Reversal of ECL	-	(41,046)
Gain on disposal of fixed Assets	(7,926)	(3,074)
Amortization of deferred grant	(265)	(487)
Income on bank deposits	(5,928)	(407)
	(1,259,300)	(188,545)
Profit before working capital changes	(248,828)	380,064
(Increase) / decrease in current assets		
- Stock in trade	(179,869)	(26,682)
- Trade debts	1,086,539	526,235
- Advances, deposits, prepayments and other receivables	(357,895)	(101,691)
(Decrease) / Increase in current liabilities		
- Creditors, accrued and other liabilities	(444,760)	(762,700)
	104,015	(364,838)
Cash (used in) / generated from operations	(144,813)	15,226



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

(Rupees in '000)	Six months ended	
	June 30, 2022	June 30, 2021
Cash generated from continuing operations	(144,813)	15,226
Finance costs paid	(88,763)	(57,172)
Taxes paid	(26,479)	(39,730)
Net cash (used in) / generated from operating activities	(260,056)	(81,676)
Cash flows from investing activities		
Purchase of property and equipment	(56,275)	(24,524)
Proceed from Term deposits with banks	304,198	64,819
Proceed from investment in stocks	-	2,870
Net change in long term advances and deposits	(5,187)	(2,626)
Net cash (used in) / generated from investing activities	242,736	40,540
Cash flows from financing activities		
Dividend paid	(177,281)	(53,850)
Proceed from issuance of Share Capital	31,671	20,378
Net change in Long term loans	(10,689)	(12,955)
Net change in deferred liabilities	36,136	(17,489)
Net change in finance lease liabilities	(27,026)	(21,956)
Net cash (used in) / generated from financing activities	(147,187)	(85,873)
Net (decrease) / increase in cash and cash equivalents	(164,507)	(127,009)
Cash and cash equivalents at the beginning of year	598,588	39,943
Cash and cash equivalents at the end of period	434,081	(87,067)

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

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

for the six months ended June 30, 2022

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%
- Octopus Digital Inc. USA (ODI)	100%
- Avanceon Automation and Control W.L.L (AVAC)	49%
- Avanceon Saudi Energy Company (AVSEC)	100%
- Octopus Digital Limited (ODL)	80%

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.

Octopus Digital Inc. registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Group holds 26.11% (2021: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

The Avanceon Automation and Control W.L.L (AVAC) is a limited liability formed pursuant to Commercial

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

for the six months ended June 30, 2022

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.

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.

This represents the investment made during the year in Avanceon Saudi Energy Company a single member company with Limited Liability registered in Riyadh, Saudi Arabia. The Establishment holds 100% capital of Avanceon Saudi energy company. The principal activity of the entity is repair and maintenance of power and control stations, installation of control equipment and management of energy efficiency projects.

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 31 December 2020, ODL entered into a Business Arrangement Contract dated 08 December 2020 with 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.

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 (IFRS) 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 IFRS, 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 Standards, amendments or interpretations 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:

Standard		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2023
IAS 1 and IFRS Practice Statement 2	<p>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. 	January 01, 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	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)	January 01, 2023

The Company expects that the adoption of the amendments will have no material effect on the Company'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:

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

for the six months ended June 30, 2022

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 1	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. 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.
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 Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

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	01 January 2009
IFRS 17	Insurance Contracts	01 January 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.

2.2.2 Changes in accounting policies and disclosures resulting from amendments in standards during the year

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

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

(Rupees in '000)	Un-audited June 30, 2022	Un-audited June 30, 2021
3. OTHER EXPENSES		
Donations	2,964	1,965
Capital Loss	8	-
Exchange loss	-	1,558
	2,972	3,524
4. OTHER INCOME		
Income on bank deposits	5,928	407
Gain on disposal of property, plant and equipment	7,926	3,074
Amortization of deferred grant	265	487
Exchange gain	964,210	205,949
Capital Gain	-	315
Reversal of provisions for ECL	-	42,748
Other Income	6,512	27,266
	984,842	280,246

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

- (i) There are no contingencies to report as at June 30, 2022 (2021: Nil)

5.2 Commitments

- (i) Bank guarantees issued amounting to Rs.38.00 million (2021: Rs. 52.173 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs. 61.8 million (2021: 43.70) which relates to import acceptance bills.

6. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees in '000)	Chief Executive Officer		Director		Others Executives	
	2022	2021	2022	2021	2022	2021
Managerial remuneration	36,015	28,991	6,568	3,882	161,819	112,815
House rent	9,830	8,210	1,920	1,040	54,615	39,264
Utilities	5,530	4,618	480	260	13,809	10,396
Contribution to provident fund	6,703	2,416	736	367	17,693	11,004
Others	922	770	601	4	10,426	8,679
	59,000	45,005	10,304	5,553	258,363	182,158
Number of persons	1	1	4	1	75	43

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

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

for the six months ended June 30, 2022

7. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim consolidated financial information was authorised for issue on 29 August 2022 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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