

AVANCEON
Tomorrow's solutions, today.

MISSION 2020
Double it

for the nine months ended
September 30, 2019



**YOUR PARTNER IN DIGITAL
TRANSFORMATION**

Table of Contents

Corporate Profile

Company Information	02
Interim Director's Report	04

Standalone Financial Statements

Condensed Interim Statement of Financial Position.....	08
Condensed Interim Statement of Profit or Loss.....	10
Condensed Interim Statement of Comprehensive Income	11
Condensed Interim Statement of Cash Flow.....	12
Condensed Interim Statement of Changes in Equity.....	14
Notes to the Condensed Interim Financial Information	15

Consolidated Financial Statements

Consolidated Condensed Interim Statement of Financial Position.	20
Consolidated Condensed Interim Statement of Profit or Loss	22
Consolidated Condensed Interim Statement of Comprehensive Income	23
Consolidated Condensed Interim Statement of Cash Flo	24
Consolidated Condensed Interim Statement of Changes in Equity.....	26
Notes to the Consolidated Condensed Interim Financial Information	27

Company Information

Directors

Mr. Khalid Hameed Wain	Director/Chairman
Mr. Bakhtiar Hameed Wain	Director/Chief Executive Officer
Mr. Tanveer Karamat	Director/Chief Operating Officer
Mr. Amir Waheed Wain	Director
Mr. Naveed Ali Baig	Director
Mr. Tajammal Hussain	Director
Mr. Umar Ahsan Khan	Director
Mr. Saeed Ullah Khan Niazi	Chief Financial Officer
Mr. Ahsan Khalil	Company Secretary

Audit Committee

Mr. Tajammal Hussain	Chairman
Mr. Amir Waheed Wain	Member
Mr. Naveed Ali Baig	Member

Human Resource & Remuneration Committee

Mr. Umar Ahsan Khan	Chairman
Mr. Bakhtiar Hameed Wain	Member
Mr. Khalid Hameed Wain	Member

Auditors

EY Ford Rhodes
Chartered Accountants.

Legal Advisor

Chima & Ibrahim advocates and Corporate Council

Web Presence

www.avanceon.ae

www.avanceon.qa

Bankers

Faysal Bank Limited, Pakistan
Habib Bank Limited, Pakistan & United Arab Emirates
National Bank of Fujairah, United Arab Emirates
Habib Bank AG, Zurich, United Arab Emirates
National Penn Bank, United States of America
MCB Bank Limited, Pakistan
United Bank Limited, Pakistan, U.A.E. & Qatar
National Bank of Pakistan Limited, Pakistan
Standard Chartered Bank Limited, Pakistan
JS Bank Limited, Pakistan & Bahrain
Qatar International Islamic Bank, Qatar
Mashreq Bank, Qatar
Qatar Islamic Bank, QIB, Qatar
Doha Bank, Qatar
Bank of Singapore, U.A.E. & Singapore

Share Registrar

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

Registered office

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

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

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

Regional Headquarters South East Asia

Lahore, Punjab, Pakistan

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

SE Asia Technical Support: 0800 11194

Karachi, Sindh, Pakistan

First Floor, MA Tabba Foundation Building,
Gizri Road Block 9 Clifton
Karachi, Sindh 75600.
Pakistan.

Phone: +92 21 111 940 940

Islamabad Capital City

First Floor Manzoor Plaza, (The Hive Building)
Plot 14-E Fazal-e-Haq Road, G-6/2, Blue Area
Islamabad, Pakistan.
Phone: +92 51 280 5196

Trade Mark

AVANCEON

Tomorrow's solutions, today.

Regional Headquarters Middle East and Asia

Avanceon FZE - Dubai, UAE

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

Abu Dhabi, UAE

In Partnership with Ali & Sons
Ali & Sons Bldg., Zayed 2nd Street
Abu Dhabi, U.A.E. P.O. Box 915
P: +971 4 88 60 277
Email: support.mea@avanceon.ae

Doha, Qatar

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

Jeddah, Saudia Arabia

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

Dammam, Saudia Arabia

In Partnership with ATCO LLC
ATCO Building, King Khalid Street.
Dammam, KSA. PO Box 718
Phone: +966-12-6912204 x 127
Email: support.mea@avanceon.ae

Interim Director's Report

The Directors of the company take pleasure in presenting the interim nine months period report together with the Company's unaudited interim condensed standalone and consolidated financial statements for the nine months period ended September 30, 2019.

(Rupees in '000)	For the nine months period ended September 30,	
	2019	2018
Operating results (consolidated)		
Revenues	2,946,717	2,007,138
Profit before tax	526,390	483,897
Provision for taxation	(52,781)	(43,688)
Profit after taxation	473,609	440,209
Operating results (standalone)		
Revenues	897,290	943,881
Profit before tax	325,173	397,397
Provision for taxation	(39,079)	(43,688)
Profit after taxation	286,094	353,710

Earnings per share (consolidated) for the nine months ended September 30, 2019

The basic earnings per share after tax is Rs. 2.46 (2018: Rs. 2.29, restated)

Earnings per share (standalone) for the nine months ended September 30, 2019

The basic earnings per share after tax is Rs. 1.49 (2018: Rs. 1.84 restated)

As per above operating financial results of the company for the nine months ended September 30, 2019 remained on positive side and as per expectations in terms of revenues 47% increased on group level, standalone revenues decreased due to timing of revenue recognition after implementation of IFRS 15, the net profits of the company decreased in Q3 mainly due to exchange gain reversal of PKR 139m on translation of inter-company balances due to recovery of PKR on USD, management is confident to achieve the targeted corporate plan for revenues and net profit after tax for the financial year 2019, we observed low gross margins on standalone financials due to huge devaluation of PKR which disturbed our margins on few orders, we are trying to recover the PKR escalation from our customers as agreed under contract clauses. We observed inflated increased figures in cost of goods sold and administration expense at consolidation accounts level only due to increased dollar value from PKR 117.27 to PKR 148.69 (USD average rate for the current and corresponding periods), which showed the inflated figures in Q3-2019 as compared to Q3-2018, we are expecting more recovery of earnings in remaining last quarter of financial

year 2019, historically, our revenues and profits remain on lower side in first quarter, get start momentum in 2nd quarter and major portion of revenue of orders start getting recognized in 3rd and 4th quarter of each financial year due to business cycle which is being observed from many financials years, currently, we have strong portfolio of orders in hand and in the pipeline for Pakistan, UAE, Qatar, Saudi Arabia (KSA).

Communication

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

For and on behalf of the
BOARD OF DIRECTORS



Bakhtiar Hameed Wain
Chief Executive Officer

October 29, 2019
Lahore, Pakistan.

Avanceon
**Standalone Condensed
Interim Financial Statements**
for the nine months ended September 30, 2019

Condensed Interim Statement of Financial Position (Un-audited)

as at September 30, 2019

(Rupees in '000)	Note	Un-audited September 30, 2019	Audited December 31, 2018
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
250,000,000 (2018: 200,000,000)			
ordinary shares of Rs. 10 each		2,500,000	2,500,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
192,336,370 (2018: 136,323,754)			
ordinary shares of Rs. 10 each		1,923,363	1,363,237
CAPITAL RESERVES			
Share premium		132,147	61,905
Employees' share compensation reserve		71,136	39,949
Surplus on revaluation of property, plant & equipment		167,485	167,915
		370,768	269,768
REVENUE RESERVES			
Un-appropriated profit		724,432	1,192,700
		3,018,563	2,825,706
NON CURRENT LIABILITIES			
Long Term Loan		-	1,515
Deferred Tax - net		39,226	24,427
Liabilities against assets subject to finance lease		52,527	59,275
		91,752	85,217
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease		25,464	24,546
Current portion of long term loan		6,061	18,182
Finances under mark up arrangements and other credit facilities - secured		459,806	248,866
Contract Liabilities		33,516	34,761
Unclaimed / Unpaid Dividend		269,968	283,075
Creditors, accrued and other liabilities		278,518	204,913
		1,073,332	814,342
CONTINGENCIES AND COMMITMENTS			
	3		
		4,183,648	3,725,266

The annexed notes from 1 to 6 form an integral part of these condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

(Rupees in '000)	Note	Un-audited September 30, 2019	Audited December 31, 2018
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		327,635	325,903
Intangible Assets		-	31
Long term investments		492,117	482,117
Long term loans and deposits		16,777	19,103
		836,530	827,154
CURRENT ASSETS			
Stock in trade		56,874	48,871
Trade debts		2,098,362	1,707,398
Advances, deposits, prepayments and other receivables		1,102,118	1,036,452
Contract Assets		77,531	86,742
Short term Investments		1,256	1,257
Cash and bank balances		10,976	17,391
		3,347,118	2,898,111
		4,183,648	3,725,266


 Director
 Taveer Karamat

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

for the nine months ended September 30, 2019

(Rupees in '000)	for the nine months ended		for the quarter ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue from contracts with customers	897,290	943,881	352,743	240,411
Cost of sales	(581,914)	(608,993)	(232,733)	(148,685)
Gross profit / (Loss)	315,376	334,889	120,010	91,726
Administrative and selling expenses	(249,343)	(127,152)	(46,684)	(34,372)
Other operating charges	(3,811)	(3,101)	(1,046)	(823)
Other operating income	298,122	216,724	(139,117)	42,765
	44,967	86,471	(186,847)	7,569
Profit / (Loss) from operations	360,343	421,360	(66,837)	99,295
Finance costs	(35,170)	(23,962)	(9,195)	(8,628)
Profit / (Loss) before tax	325,173	397,397	(76,032)	90,666
Taxation	(39,079)	(43,688)	(15,085)	(22,900)
Profit / (Loss) for the period	286,094	353,710	(91,117)	67,767
		Restated		Restated
Earnings/(Loss) per share - basic (Rupees)	1.49	1.84	(0.47)	0.35
Earnings/(Loss) per share - diluted (Rupees)	1.43	1.77	(0.46)	0.34

The annexed notes from 1 to 6 form an integral part of these condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

Condensed Interim Statement of Comprehensive Income (Un-audited)

for the nine months ended september 30, 2019

(Rupees in '000)	for the nine months ended		for the quarter ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit /(loss) for the period	286,094	353,710	(91,117)	67,767
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	430	613	-	(265)
Deferred tax on revaluation surplus due to reduction in tax rate	(58)	327	-	409
Total comprehensive income / (loss) for the period	286,466	354,650	(91,117)	67,911

The annexed notes from 1 to 6 form an integral part of these condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi



Director
Taveer Karamat

Condensed Interim Statement of Cash Flow (Un-audited)

for the nine months ended september 30, 2019

(Rupees in '000)	for the nine months ended	
	Un-audited September 30, 2019	Un-audited September 30, 2018
Cash flows from operating activities		
Profit/(loss) before tax	325,173	397,397
Adjustments for:		
Depreciation on property, plant and equipment	29,973	22,943
Amortization on intangible asset	31	35
Exchange (gain) / loss	(295,028)	(213,717)
Gain on disposal of property and equipment	(2,643)	(900)
Finance cost	35,170	23,962
Income on bank deposits	(198)	(175)
	(232,695)	(167,852)
Profit before working capital changes	92,478	229,545
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
-Stock in trade	(8,003)	(4,797)
-Trade debts	(87,971)	288,945
-Advances, deposits, prepayments and other receivables	(57,940)	(19,641)
Increase / (decrease) in current liabilities		
-Creditors, accrued and other liabilities	189,129	(322,898)
	35,215	(58,391)
Cash generated from operations	127,693	171,155



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

Condensed Interim Statement of Cash Flow (Un-audited)

for the nine months ended september 30, 2019

(Rupees in '000)	for the nine months ended	
	Un-audited September 30, 2019	Un-audited September 30, 2018
Cash generated from operations	127,693	171,155
Finance cost paid	(32,989)	(24,212)
Taxes paid	(32,007)	(41,300)
Net cash from operating activities	62,696	105,642
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,854)	(7,549)
Proceeds from sale of property, plant and equipment	7,026	8,754
Short term investments	1	-
Long term investments	(10,000)	-
Profit on bank deposit	198	1,960
Net change in long term advances and deposits	2,326	(603)
Net cash generated from / (used in) investing activities	(16,302)	2,562
Cash flows from financing activities		
Net cash received against share issued	-	4,200
Long term loan	(13,636)	(13,636)
Dividend	(13,107)	(103,927)
Repayment of finance lease liabilities	(26,065)	10,690
Net cash used in financing activities	(52,809)	(102,674)
Net increase/(decrease) in cash and cash equivalents	(6,414)	5,530
Cash and cash equivalents at the beginning of period	17,391	54,846
Cash and cash equivalents at the end of period	10,976	60,376

The annexed notes from 1 to 6 form an integral part of these condensed financial statements.


Director
Taveer Karamat

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

for the nine months ended september 30, 2019

(Rupees in '000)	CAPITAL RESERVES				REVENUE RESERVES	Total
	Share Capital	Share Premium	Employees' share compensation reserve	Surplus on revaluation of property and equipment	Un-appropriated profit / (loss)	
Balance as on January 01, 2018	1,321,211	61,894	69,825	146,115	920,870	2,519,914
Profit for the period	-	-	-	-	353,710	353,710
Other comprehensive income	-	-	-	(613)	940	327
	-	-	-	(613)	354,650	354,036
Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share	-	-	-	-	(306,728)	(306,728)
ESOS-I issued, 4,199,629 shares @ Rs. 10	41,996	-	(37,796)	-	-	4,200
Post ballot shares issued 2997 @ Rs. 14	30	12	-	-	-	42
Employee share option	-	-	3,960	-	-	3,960
	42,026	12	(33,836)	-	(306,728)	(298,526)
Balance as on September 30, 2018	1,363,238	61,906	35,989	145,501	968,791	2,575,425
Profit for the period	-	-	-	-	224,052	224,052
Other comprehensive income	-	-	-	(182)	(145)	(327)
	-	-	-	(182)	223,906	223,725
Revaluation Surplus arising during the year - net of tax	-	-	-	22,596	-	22,596
Final dividend for the year ended 31 December 2017	-	-	3,960	-	-	3,960
Balance as on December 31, 2018	1,363,237	61,905	39,949	167,915	1,192,700	2,825,705
Effect of restatement of Employees' Share Option	-	-	75,103	-	(75,103)	-
Effect of adoption of IFRS-9	-	-	-	-	(134,336)	(134,336)
	-	-	75,103	-	(209,438)	(134,336)
Profit for the period	-	-	-	-	286,094	286,094
Other comprehensive income	-	-	-	(430)	372	(58)
	-	-	-	(430)	286,466	286,036
40% share issue for the year ended 31 December 2018 40 shares on every 100 shares	545,295	-	-	-	(545,295)	-
ESOS-I issued, 1,483,115 shares @ Rs. 10	14,831	70,241	(70,241)	-	-	14,831
Employee share option reserve	-	-	26,327	-	-	26,327
	560,126	70,241	(43,915)	-	(545,295)	41,158
Balance as on September 30, 2019	1,923,363	132,147	71,136	167,485	724,432	3,018,563

The annexed notes from 1 to 6 form an integral part of these condensed financial statements.

Chief Executive Officer
Bakhtiar Hameed Wain

Chief Financial Officer
Saeed Ullah Khan Niazi

Director
Taveer Karamat

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

for the nine months ended september 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Company) was incorporated in Pakistan on March 26, 2003 as a private limited company which was converted to a public company on March 31, 2008 under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on Lahore and Karachi Stock Exchanges (now Pakistan Stock Exchange Limited) on 10 February 2014.

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

Business Unit	Location
Head Office	The Avanceon Building, 19 KM Main Multan Road, Lahore.
Regional Offices	
Karachi	First Floor, MA Tabba Foundation Building, Gizri Road Block 9 Clifton Karachi, Sindh 75600.
Islamabad	1st Floor, Manzoor Plaza (The-Hive Building), Plot 14E, Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Provisions of and directives issued under the Companies Act, 2017

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

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

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 New and amended standards and interpretations

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

IAS 7 Statement of Cash Flows – Disclosure Initiative (Amendments)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 1 & IAS 8 - Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 - Revenue from Contract with Customers	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 16 - Leases	01 January 2019
IAS 28 - Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)	01 January 2020
IAS 19 - Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 - Financial Instruments*	30-June-19

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

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

for the nine months ended september 30, 2019

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 except for IFRS 9 – Financial Instruments, IFRS 15 - Revenue from Contract with Customers and IFRS 16 - Leases for which management is in process of calculating the impact on Company's financial statements.

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

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

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

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

3. CONTINGENCIES AND COMMITMENTS

3.1 Contingencies

- (i) The Company has received an order dated 1 January 2017 under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.
- (ii) The Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result, office of the Commissioner Inland Revenue (Appeals), Lahore disposed of both appeals partially in favor of the Company. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) decision for both of the years, which is pending for hearing.

- (iii) The Company has been selected for Income Tax Audit for the tax year 2017 under clause 94 of Part IV of Second Schedule. The proceedings have been finalized at a demand of Rs. 12,410,375 vide order dated 17 January 2019. The Company has adjusted the above demand against the available refunds while filing income tax return. The Company is in the process of filing appeal before CIR Appeals. In view of tax advisor's opinion, management is confident of favorable outcome of the case.

3.2. Commitments

- (i) Bank guarantees issued amounting to Rs.14.3 million (2018: Rs. 47 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs.11.17 million (2018: 23.08) which relates to import acceptance bills.

4. Remuneration of chief executive, directors and executives

The aggregate amount charged in the financial statements for the nine 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 Operating Officer / Director		Others Executives	
	2019	2018	2019	2018
Managerial remuneration	3,348	3,464	44,840	45,274
House rent	1,339	1,385	17,936	18,109
Utilities	335	346	4,484	4,527
Provident Fund / Gratuity	335	346	4,484	4,527
Others	32	85	2,028	2,159
	5,389	5,626	73,772	74,596
Number of persons	1	1	29	41

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

5. Date of authorization for issue

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

6. 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

Avanceon
Consolidated Condensed
Interim Financial Statements
for the nine months ended September 30, 2019

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

as at September 30, 2019

(Rupees in '000)	Note	Un-audited September 30, 2019	Audited December 31, 2018
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital 250,000,000 (2018: 200,000,000) ordinary shares of Rs. 10 each		2,500,000	2,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
192,336,370 (2018: 136,323,754) ordinary shares of Rs. 10 each		1,923,364	1,363,238
CAPITAL RESERVES			
Share premium		132,148	61,906
Employees' share compensation reserve		71,136	115,051
Surplus On Revaluation Of Property, Plant & Equipment		167,485	167,915
Exchange revaluation reserve		606,616	445,769
		977,386	790,641
REVENUE RESERVES			
Un-appropriated Profit		1,208,663	1,279,978
		4,109,413	3,433,857
NON CURRENT LIABILITIES			
Long Term Loans		-	1,515
Liabilities against assets subject to finance lease		56,396	63,959
Deferred taxation		39,226	24,427
Deferred liabilities		81,066	63,749
		176,688	153,650
CURRENT LIABILITIES			
Current portion of Long Term Loans		6,061	18,182
Current portion of lease liabilities		27,575	26,420
Finances under mark up arrangements and other credit facilities - secured		598,220	312,078
Unclaimed / Unpaid Dividend		269,968	283,075
Creditors, accrued and other liabilities		1,199,068	1,145,317
Contract Liabilities		1,170,435	620,915
		3,271,326	2,405,987
CONTINGENCIES AND COMMITMENTS			
	3	7,557,427	5,993,493

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

(Rupees in '000)	Un-audited September 30, 2019	Audited December 31, 2018
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	342,759	337,141
Intangible Assets	-	31
Long term investment	850,116	746,059
Long term deposits	51,031	37,907
	1,243,905	1,121,138
CURRENT ASSETS		
Stock in trade	174,475	85,341
Trade debts	1,967,771	1,952,348
Contract Assets	3,339,880	2,029,538
Advances, deposits, prepayments and other receivables	583,110	562,253
Term deposits with banks	198,537	188,857
Investments in Stocks	1,256	1,256
Cash and bank balances	48,492	52,763
	6,313,522	4,872,356
	7,557,427	5,993,493


Director
Taveer Karamat

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

for the nine months ended September 30, 2019

(Rupees in '000)	for the nine months ended		for the quarter ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue from contracts with customers	2,946,717	2,007,138	1,261,745	558,607
Cost of sales	(2,193,969)	(1,388,525)	(965,883)	(388,177)
Gross Profit / (Loss)	752,748	618,612	295,862	170,429
Administrative and selling expenses	(463,755)	(307,147)	(162,574)	(83,846)
Other operating expenses	(3,811)	(3,101)	(1,046)	(823)
Other operating income	312,059	218,879	(128,140)	43,234
	(155,507)	(91,369)	(291,760)	(41,436)
Profit / (Loss) from operations	597,241	527,243	4,102	128,994
Finance costs	(70,851)	(43,347)	(19,257)	(12,595)
Profit / (Loss) before tax	526,390	483,897	(15,154)	116,399
Taxation	(52,781)	(43,688)	(27,336)	(22,900)
Profit / (Loss) for the period from operations	473,609	440,209	(42,490)	93,499
		Restated		Restated
Combined earnings per share - basic	2.46	2.29	(0.22)	0.49
Earnings per share - diluted	2.37	2.21	(0.21)	0.47

The annexed notes 1 to 6 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 Comprehensive Income (Un-audited)

for the nine months ended September 30, 2019

(Rupees in '000)	Nine months ended		Quarter ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit / (Loss) for the period	473,609	440,209	(42,490)	93,499
Other comprehensive income				
-Exchange difference on translating foreign operations	160,848	80,710	399	14,081
-Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period-net of tax	430	613	-	209
-Items to be reclassified to profit and loss in subsequent period				
Deferred tax on revaluation surplus due to reduction in tax rate	(58)	327	-	-
Total comprehensive income for the period	634,828	521,859	(42,091)	107,789

The annexed notes 1 to 6 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 Flow (Un-audited)

for the nine months ended september 30, 2019

(Rupees in '000)	for the nine months ended	
	Un-audited September 30, 2019	Un-audited September 30, 2018
Cash flows from operating activities		
Profit/ (loss) before tax	526,390	483,897
Adjustments for:		
Depreciation on property, plant and equipment	33,586	24,387
Amortization of intangible asset	31	35
Exchange (gain) / loss	(286,640)	(209,553)
Exchange revaluation reserve	110,998	27,028
Provision for doubtful debts and advances		
Finance cost	70,851	43,347
(Gain)/loss on fixed assets	(2,643)	(945)
Income on bank deposits	(9,245)	(6,269)
	(83,062)	(121,969)
Profit before working capital changes	443,327	361,927
(Increase) / decrease in current assets		
-Stock in trade	(89,134)	1,623
-Trade debts	(489,605)	247,021
-Advances, deposits, prepayments and other receivables	(20,018)	(315,673)
Increase / (decrease) in current liabilities		
-Creditors, accrued and other liabilities	341,922	(100,900)
	(256,836)	(167,930)
Cash generated from continuing operations	186,492	193,998



Chief Executive Officer
Bakhtiar Hameed Wain



Chief Financial Officer
Saeed Ullah Khan Niazi

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

for the nine months ended september 30, 2019

(Rupees in '000)	for the nine months ended	
	Un-audited September 30, 2019	Un-audited September 30, 2018
Cash generated from continuing operations	186,492	193,998
Finance costs paid	(68,670)	(43,597)
Taxes paid	(38,821)	(40,799)
Net cash (used in) / generated from operating activities	79,000	109,602
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,357)	(10,340)
Proceeds from disposal of property, plant and equipment and intangible assets	7,026	9,569
Profit on bank deposit	9,245	6,269
Term deposits with banks	(9,680)	25,652
Net change in long term advances and deposits	(13,124)	(2,256)
Net cash (used in) / generated from investing activities	(30,890)	28,894
Cash flows from financing activities		
Share issued	-	4,200
Dividend paid	(13,107)	(103,928)
Long term loan	(13,636)	(13,637)
Repayment of finance lease liabilities	(25,637)	10,294
Net cash (used in) / generated from financing activities	(52,380)	(103,071)
Net (decrease) / increase in cash and cash equivalents	(4,271)	35,426
Cash and cash equivalents at the beginning of year	52,763	169,330
Cash and cash equivalents at the end of period	48,492	204,755

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.


Director
Taveer Karamat

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

for the nine months ended September 30, 2019

(Rupees in '000)	CAPITAL RESERVES					REVENUE RESERVES	Total
	Share Capital	Share Premium reserve	Employees' share compensation reserve	Exchange revaluation reserve	Surplus on revaluation of property, plant and equipment	Un-appropriated profit / (loss)	
Balance as on January 01, 2018	1,321,211	61,894	69,825	244,839	146,115	894,266	2,738,149
Profit for the period	-	-	-	-	-	440,209	440,209
Other comprehensive income	-	-	-	80,710	(613)	940	81,037
	-	-	-	80,710	(613)	441,149	521,246
Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share	-	-	-	-	-	(306,728)	(306,728)
ESOS-I issued, 4,199,629 shares @ Rs. 10	41,996	-	(37,797)	-	-	-	4,200
Post ballot shares issued 2,997 @ Rs. 14	30	12	-	-	-	-	42
Adjustment of ESOS 2nd Issue	-	-	3,960	-	-	-	3,960
	42,026	12	(33,836)	-	-	(306,728)	(298,527)
Balance as on September 30, 2018	1,363,238	61,906	35,988	325,549	145,501	1,028,686	2,960,869
Profit for the period	-	-	-	-	-	326,539	326,539
Other comprehensive income	-	-	-	120,220	22,414	(145)	142,488
	-	-	-	120,220	22,414	326,394	469,028
Adjustment of ESOS 2nd Issue	-	-	3,960	-	-	-	3,960
Balance as on December 31, 2018	1,363,238	61,906	39,949	445,769	167,915	1,355,080	3,433,857
Effect of restatement of Employees' Share Option	-	-	75,103	-	-	(75,103)	-
Profit for the period	-	-	-	-	-	473,609	473,609
Other comprehensive income	-	-	-	160,848	(430)	372	160,790
	-	-	-	160,848	(430)	473,981	634,398
40% (40 shares on every 100 shares) bonus shares issued for the year ended 31 December 2018	545,295	-	-	-	-	(545,295)	-
ESOS-III issued, 1,483,115 shares @ Rs. 10	14,831	70,241	(70,241)	-	-	-	14,831
Employee share option reserve	-	-	26,327	-	-	-	26,327
	560,126	70,241	(43,915)	-	-	(545,295)	41,158
Balance as on September 30, 2019	1,923,364	132,148	71,136	606,616	167,485	1,208,663	4,109,413

The annexed notes 1 to 6 form an integral part of these consolidated condensed financial statements.


Chief Executive Officer
Bakhtiar Hameed Wain


Chief Financial Officer
Saeed Ullah Khan Niazi


Director
Taveer Karamat

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

for the nine months ended September 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Holding Company), was incorporated in Pakistan on 26 March 2003 as a private limited company which was converted to a public limited company on 31 March 2008 under the Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company was listed on Lahore and Karachi Stock Exchanges (now Pakistan Stock Exchange Limited) on 10 February 2014.

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

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

Business Unit	Location
Head Office	The Avanceon Building, 19 KM Main Multan Road, Lahore.
Regional Offices	
Karachi	First Floor, MA Tabba Foundation Building, Gizri Road Block 9, Clifton Karachi, Sindh 75600.
Islamabad	1st Floor, Manzoor Plaza (The-Hive Building), Plot 14E, Fazal-e-Haq Road, G-6/2, Blue Area, Islamabad.

1.1 The "Group" consists of:

Holding Company

Avanceon Limited (AVL)

Subsidiary companies

% age of holding

- Avanceon Free Zone Establishment, UAE (AFZE)	100%
- Innovative Automation Inc. USA (IA)	100%
- Avanceon Automation and Control W.L.L Doha, Qatar (AVAC)	49%
- Octopus Digital (Pvt) Ltd. (ODL)	100%

Avanceon FZE is a Free Zone Establishment with limited liability formed pursuant to Law No.9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued thereunder by the Jebel Ali Free Zone Authority and was registered with the Jebel Ali Free Zone Authority under Registration No. 816 on 28 February 2004, and its registered office is situated in the Jebel Ali Free Zone, Dubai, United Arab Emirates. The principal activities of the Establishment are to trade in products of automation and control equipment and provide related technical support. The Establishment is wholly owned subsidiary of the Holding Company.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 New and amended standards and interpretations

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

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

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

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

for the nine months ended September 30, 2019

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 1 and IAS 8 Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 Revenue from Contract with Customers	01 July 2018
IFRS 9 Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 16 Leases	01 January 2019
IAS 28 Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)	01 January 2020
IAS 19 Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	01 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 Financial Instruments*	30 June 2019

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

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

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

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

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

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

3. CONTINGENCIES AND COMMITMENTS

3.1 Contingencies

- (i) The Company has received an order dated 1 January 2017 under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.
- (ii) The Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result, office of the Commissioner Inland Revenue (Appeals), Lahore disposed of both appeals partially in favor of the Company. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) decision for both of the years, which is pending for hearing.
- (iii) The Company has been selected for Income Tax Audit for the tax year 2017 under clause 94 of Part IV of Second Schedule. The proceedings have been finalized at a demand of Rs. 12,410,375 vide order dated 17 January 2019. The Company has adjusted the above demand against the available refunds while filing income tax return. The Company is in the process of filing appeal before CIR Appeals. In view of tax advisor's opinion, management is confident of favorable outcome of the case.

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

for the nine months ended September 30, 2019

3.2 Commitments

- (i) Bank guarantees issued amounting to Rs.14.3 million (2018: Rs. 47 million) against the performance of various contracts.
- (ii) Letters of credit includes Rs.11.17 million (2018: 23.08) which relates to import acceptance bills.

4. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the nine 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		Director		Other Executives	
	2019	2018	2019	2018	2019	2018
Managerial remuneration	41,138	29,795	5,168	4,900	125,345	103,918
House rent	11,650	9,193	1,339	1,386	46,006	40,419
Utilities	6,553	5,172	335	346	11,422	10,198
Provident Fund / Gratuity	2,266	7,233	455	346	10,329	10,558
Others	1,092	862	32	85	8,160	6,662
	62,698	52,255	7,330	7,063	201,262	171,755
Number of persons	1	1	1	1	42	52

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

5. Date of authorization for issue

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

6. 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



AVANCEON
Tomorrow's solutions, today.

Avanceon Building,
19 – KM, Main Multan Road,
Lahore 54660, Pakistan.
Phone: +92 42 – 111 940 940
Fax: +92 42 – 35456957

