

CONTENTS

Company Information	1
Directors' Review – English	2
Directors' Review – Urdu	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit & Loss Account	5
Condensed Interim Statement of Comprehensive Income	6
Condensed Interim Cash Flow Statement	7
Condensed Interim Statement of Changes in Equity	8
Notes to the Condensed Interim Financial Information	9 - 15

COMPANY INFORMATION

Board of Directors

Mr. Tariq Moinuddin Khan – Chairman
Mr. Mohammad Arif Mian
Mr. Naved Abid Khan
Mr. Kamran Nishat
Mr. Mahmud Yar Hiraj
Ms. Nusrat Munshi – Chief Executive Officer
Mr. Muhammad Arsalan Batla

Chief Financial Officer

Mr. Junaid Aslam

Company Secretary

Mr. Umair Mukhtar

Auditors

EY Ford Rhodes – Chartered Accountants

Legal Advisors

Sattar and Sattar – Legal Counsels

Bankers

Faysal Bank Limited
United Bank Limited
MCB Islamic Bank Limited
JS Bank Limited
Dubai Islamic Bank Limited
The Bank of Punjab

Audit Committee

Mr. Naved Abid Khan – Chairman
Mr. Mohammad Arif Mian
Mr. Muhammad Arsalan Batla
Mr. Mahmud Yar Hiraj

Human Resource & Remuneration Committee

Mr. Kamran Nishat – Chairman
Mr. Mahmud Yar Hiraj
Mr. Mohammad Arif Mian
Ms Nusrat Munshi

Share Registrar

Central Depository Company of Pakistan Limited

Registered Office and Plants

Registered Office / Plant - I
B-23-C, SITE, Area, Karachi
Tel: +9221 111 247 247
Fax: +9221 32570678

Plant - II

D-109, SITE Area, Karachi
Tel: +9221 32572695 & 32563598
Fax: +9221 32564670

Website and email

www.agp.com.pk
Email: info@agp.com.pk

DIRECTORS' REVIEW TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present the unaudited condensed interim financial information of the Company for the period ended March 31, 2018. These condensed interim financial information have been prepared in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, and the provisions and directives issued under the Companies Act, 2017 (Act). In case where requirements of IAS 34 differ with the Act, the provisions and directives issued under the Act have been followed.

The sales revenue at Rs. 1,554 million registered a growth of 33.5% in comparison to the sale revenue of Rs. 1,164 million in the corresponding period last year. The robust increase in sales was mainly on the back of a large government institutional order for the hepatitis C products MyHep and MyDekla. The general performance of the remaining portfolio was also encouraging and the Company launched two new products during the first quarter in the anti-infective therapeutic class.

The marketing and selling expenses increased by 16% in line with the increase field force strength to support the sales growth targets along with inflationary impact and higher expenses associated with new product launches. The administrative expenses of the Company were contained and reflected a modest decrease of 2% when compared to the corresponding period in 2017. The Company converted its syndicate financing in to Sukuk certificates in June 2017. The lower markup spreads on the Sukuk along with reduction in the principal debt amount have reduced the financial cost of the Company by 30.4% during the period.

As a product of sales growth and controlled expenses, the Company has attained a profit before tax of Rs. 452 million over Rs. 374 million corresponding period last year, representing an increase of 21%. These impressive results yielded earnings per share of Rs. 1.40 for the first quarter ending March 31 2018, as opposed to Rs.1.19 in the corresponding period in 2017. Keeping in view the encouraging results, the Board is pleased to announce its first interim cash dividend of Rs. 1.25 per share i.e. 12.5% for the quarter ended March 31, 2018.

The sharp depreciation of PKR against USD in the month of March 2018 and anticipation of further devaluation in the future pose a challenge for the pharmaceutical industry, in general, where approximately 95% of the active pharmaceutical ingredients used in manufacturing of the drug are imported. The impact is partially mitigated by the fact that the Drug Regulatory Authority of Pakistan allows an annual inflationary increase in drugs as per the drug pricing policy. Despite the challenges posed by the currency risk, the company remains optimistic about the future outlook of the business given its internal economies of scale, strength of product mix, robust growth of the market and strong new product pipeline. The Company remains committed to the objective of maximizing the shareholders' value by optimum utilization of available resources and achieve profitable progression along with operational excellence with strong focus on quality and compliance.

We would like to extend our gratitude to all the shareholders for their trust and confidence in the Company. We would like to thank our customers and other stakeholders for their continued support and patronage. We would also like to thank all our employees for their sincere commitment and efforts to help the Company in achieving its objectives for the period under review.



Nusrat Munshi
Chief Executive Officer



Tariq Moinuddin Khan
Chairman

جائزہ از ڈائریکٹرز برائے ممبران

ڈائریکٹروں کی جانب سے انتہائی مسرت کے ساتھ ہم آپکی خدمت میں کمپنی کی غیر آڈٹ شدہ مرتکز عبوری مالیاتی دستاویزات برائے روانمالی سال بابت سہ ماہی اختتامیہ 31 مارچ 2018 پیش کر رہے ہیں۔ پیش کی جانے والی مرتکز عبوری مالیاتی معلومات کی تیاری میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ (ائی اے ایس) 34، انٹرنیم فنانشل رپورٹنگ اور کمپنیز ایکٹ 2017 (ایکٹ) کے ضوابط اور اس کے تحت جاری کی جانے والی ہدایات کی مکمل پاسداری کی گئی ہے۔ تاہم اگر کسی مقام پر ایکٹ اور آئی اے ایس اسٹینڈرڈ 34 کے ضوابط میں کسی بھی قسم کا کوئی اختلاف پایا گیا ہے تو اس صورت میں ایکٹ کے ضوابط اور اس کے تحت جاری کی جانے والی ہدایات پر عمل کیا گیا ہے۔

زیر نظر دورانیہ کے دوران فروختگی سے حاصل ہونے والی آمدن 1,554 ملین روپے رہی جبکہ گزشتہ سال اسی عرصے کے دوران فروختگی کی مد میں حاصل ہونے والی آمدن 1,164 ملین روپے تھی، اس طرح زیر نظر عرصے کے دوران آمدن از فروختگی میں 33.5% کا اضافہ ریکارڈ کیا گیا۔ آمدن از فروختگی کی مد میں ریکارڈ کئے جانے والے اس زبردست اضافے کی بنیادی وجہ حکومتی ادارے کی جانب سے بیپاٹائٹس سی سے متعلق ادویات مانی بیپ اور مانی ڈیکلا کے بڑے پیمانے پر آرڈر تھے۔ اس کے علاوہ عمومی طور پر کمپنی کی باقی ماندہ مصنوعات کی کارکردگی بھی حوصلہ افزاء رہی اور کمپنی کی جانب سے مالی سال کی پہلی سہ ماہی کے دوران دو نئی مصنوعات متعارف کر وائی گئیں جن کا تعلق اینٹی- انفیکٹیو تھراپیوٹک کلاس سے تھا۔

مارکنگ اور فروختگی کی مد میں کئے جانے والے اخراجات میں 16% فیصد اضافہ ریکارڈ کیا گیا جو کہ آمدن از فروختگی کی شرح نمو میں اضافے کے عین مطابق ہے جس کے تحت فیلڈ فورس کی قوت میں اضافہ کیا جانا ضروری تھا، اس کے علاوہ ان اخراجات کے اضافے میں افراط زر اور نئی مصنوعات کو متعارف کروانے کے ضمن میں آنے والے بھاری اخراجات بھی شامل ہیں۔ جہاں تک کمپنی کے انتظامی امور سے متعلق اخراجات کا تعلق ہے انہیں از حد کنٹرول میں رکھا گیا اور ان اخراجات میں اس سال کی زیر نظر سہ ماہی میں گزشتہ سال کی سہ ماہی مقابلے میں 2% کی معمولی سی کمی واقع ہوئی ہے۔ کمپنی نے اپنی سنڈیکٹ فنانشنگ کو جون 2017 میں سکوک سرٹیفیکیشن میں تبدیل کر لیا ہے۔ سکوک پر شرح سود کی تحدید کم ہونے اور اصل قرضوں کے حجم میں کمی آنے کی وجہ سے زیر نظر دورانیہ کے دوران کمپنی کی تمویلی لاگت میں 30.4% کی کمی واقع ہوئی ہے۔

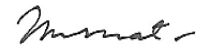
کمپنی کی مصنوعات کی فروختگی میں اضافے اور اخراجات پر کنٹرول رکھے جانے کی وجہ سے کمپنی نے زیر نظر دورانیہ کے دوران 452 ملین روپے قبل از ٹیکس کا منافع کمایا جبکہ گزشتہ سال اسی عرصے کے دوران یہ منافع 374 ملین روپے تھا جس سے ظاہر ہوتا ہے کہ پچھلے سال کے مقابلے میں اس عرصے کے دوران کمپنی کے منافع میں 21% اضافہ ہوا ہے۔ ان زبردست نتائج کی وجہ سے پہلی سہ ماہی 31 مارچ 2018 کے اختتام پر آمدن فی حصص 1.40 روپے رہی جبکہ گزشتہ سال یعنی 2017 کے اسی عرصے کے دوران آمدن فی حصص 1.19 روپے تھی۔ حوصلہ افزاء نتائج کو مد نظر رکھتے ہوئے 31 مارچ 2018 کو ختم ہونے والی سہ ماہی کیلئے انتہائی مسرت کے ساتھ بورڈ کی جانب سے پہلے عبوری نقد تقسیم منافع (ڈیویڈنڈ) بقدر 1.25 روپے فی حصص کا اعلان کیا جاتا ہے جو کہ 12.5% بنتا ہے۔

مالی سال 2018 میں مارچ کے مہینے کے دوران امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں واضح کمی اور مستقبل میں پاکستانی روپے کی قدر میں مزید کمی کے اشاروں نے ادویات سازی کی صنعت کیلئے بڑے مسائل کھڑے کر دیئے ہیں۔ کیونکہ عمومی طور پر دوا سازی کے عمل میں استعمال ہونے والے تقریباً 95% متحرک اجزاء کو بیرون ملک سے درآمد کیا جاتا ہے۔ تاہم ڈرگ ریگولٹری اتھارٹی آف پاکستان کی جانب سے سالانہ افراط زر کے مقابلے میں ڈرگ پرائسنگ پالیسی کے تحت دوا ساز کمپنیوں کو ادویات کی قیمت میں اضافے کی اجازت کی وجہ سے ان منفی اثرات پر جزوی طور پر قابو پانے میں مدد ملتی ہے۔ کرنسی رسک کی وجہ سے پیش آنے والے مسائل کے باوجود کمپنی مستقبل میں اپنے کاروباری امور سے متعلق پر امید ہے جس کی وجہ اندرونی طور پر پیداواری حجم کی وجہ سے پیداواری لاگت میں آنے والی کمی، مصنوعات کا بہترین امتزاج، مارکیٹ میں زبردست اضافہ اور آنے والے دنوں میں اہم مصنوعات کا متعارف کروایا جانا ہے۔ کمپنی اپنے اس مقصد سے مستقل وابستگی کا اظہار کرتی ہے کہ دستیاب وسائل کو بہترین انداز سے بروئے کار لاتے ہوئے اور کمپنی کے کاروباری افعال کو منافع بخش انداز سے چلاتے ہوئے حصص داران کی سرمایہ کاری کی قدر میں اس انداز سے اضافہ کیا جائے کہ کاروباری افعال میں معیار پر کوئی سمجھوتہ نا ہو اور ضوابط کی مکمل پاسداری کو بھی ملحوظ خاطر رکھا جائے۔

ہم اس موقع پر اپنے تمام حصص داران کے دل کی گہرائیوں سے ممنون و مشکور ہیں کہ انہوں نے کمپنی پر مکمل اعتماد اور بھروسے کا اظہار کیا۔ ہم اپنے تمام صارفین اور دیگر شراکت داروں کے بھی بے حد مشکور ہیں کہ انکی حمایت اور سرپرستی ہمارے شامل حال رہی۔ ہم انتہیک محنت اور اخلاص نیت کے ساتھ کام کرنے کیلئے اپنے تمام ملازمین کے بھی تہ دل سے مشکور ہیں جن کی کوششوں کی بدولت زیر نظر دورانیہ کے دوران کمپنی اپنے طے شدہ اہداف اور مقاصد کو حاصل کرنے میں کامیاب رہی۔



طارق معین الدین خان
چئیرمین



نصرت منشی
چیف ایگزیکٹو آفیسر

**First Quarterly Report
March 2018**


CONDENSED INTERIM BALANCE SHEET
AS AT 31 MARCH, 2018

	Note	March 31 2018 Rupees	December 31 2017 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,538,381,210	1,478,640,526
Intangible assets	4	5,385,255,782	5,385,439,685
Long-term loans and deposits		11,761,806	10,852,332
		6,935,398,798	6,874,932,543
CURRENT ASSETS			
Stores, spares and loose tools		6,662,817	6,722,750
Stock-in-trade	5	585,360,347	669,648,797
Trade debts	6	729,538,620	466,503,269
Loans and advances		67,997,704	48,196,130
Trade deposits and other receivables		7,317,568	7,148,088
Taxation – net		432,071,146	423,380,485
Cash and bank balances		-	30,304,370
		1,828,948,202	1,651,903,889
TOTAL ASSETS		8,764,347,000	8,526,836,432
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
350,000,000 Ordinary shares of Rs.10/- each		3,500,000,000	3,500,000,000
Issued, subscribed and paid-up capital			
280,000,000 Ordinary shares of Rs.10/- each fully paid in cash		2,800,000,000	2,800,000,000
Unappropriated profit		3,102,814,767	2,710,935,227
		5,902,814,767	5,510,935,227
NON-CURRENT LIABILITIES			
Deferred taxation		44,497,397	41,052,938
Long term financing	7	1,552,640,029	1,672,773,277
		1,597,137,426	1,713,826,215
CURRENT LIABILITIES			
Trade and other payables		637,784,736	800,698,613
Accrued interest		13,210,240	11,776,377
Short-term borrowings		123,799,831	-
Current maturity of long-term financing		489,600,000	489,600,000
		1,264,394,807	1,302,074,990
CONTINGENCIES AND COMMITMENTS			
	8		
TOTAL EQUITY AND LIABILITIES		8,764,347,000	8,526,836,432

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

First Quarterly Report March 2018

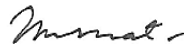
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Note	March 31 2018 Rupees	March 31 2017 Rupees
Sales	9	1,554,149,248	1,164,335,879
Cost of sales	10	(751,014,593)	(458,235,397)
Gross profit		803,134,655	706,100,482
Administrative expenses		(21,730,686)	(22,266,189)
Marketing and selling expenses		(253,840,124)	(218,951,430)
Other expenses		(30,478,844)	(28,383,227)
Other income		3,856,645	7,313,328
Operating profit		500,941,646	443,812,964
Finance costs		(48,542,902)	(69,726,522)
Profit before taxation		452,398,744	374,086,442
Taxation		(60,519,204)	(41,821,253)
Net profit for the period		391,879,540	332,265,189
Earnings per share - basic		1.40	1.19

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

**First Quarterly Report
March 2018**

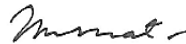
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	March 31 2018 Rupees	March 31 2017 Rupees
Net profit for the period	391,879,540	332,265,189
Other comprehensive income	-	-
Total comprehensive income for the period	<u>391,879,540</u>	<u>332,265,189</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

**First Quarterly Report
March 2018**

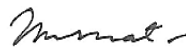
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Note	March 31 2018 Rupees	March 31 2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	155,299,179	355,863,621
Finance costs paid		(41,149,436)	(151,937,280)
Income tax paid		(65,765,405)	(53,677,985)
Workers' welfare fund paid		-	(23,047,561)
Long-term loans and deposits		(909,474)	(1,233,913)
Net cash generated from operating activities		47,474,864	125,966,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(86,444,689)	(60,621,350)
Sale proceeds of fixed assets		4,998,872	3,968,200
Net cash used in investing activities		(81,445,817)	(56,653,150)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		(120,133,248)	(563,277,036)
Net decrease in cash and cash equivalents		(154,104,201)	(493,963,304)
Cash and cash equivalents at the beginning of the period		30,304,370	480,093,541
Cash and cash equivalents at the end of the period		(123,799,831)	(13,869,763)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

**First Quarterly Report
March 2018**

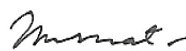
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	----- Rupees -----		
Balance as at 01 January, 2017	2,800,000,000	1,477,031,074	4,277,031,074
Total comprehensive income for the period	-	332,265,189	332,265,189
Balance as at 31 March 2017	<u>2,800,000,000</u>	<u>1,809,296,263</u>	<u>4,609,296,263</u>
Balance as at January 01, 2018	2,800,000,000	2,710,935,227	5,510,935,227
Total comprehensive income for the period	-	391,879,540	391,879,540
Balance as at 31 March 2018	<u>2,800,000,000</u>	<u>3,102,814,767</u>	<u>5,902,814,767</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

1. THE COMPANY AND ITS OPERATIONS

AGP Limited (the Company) is a public company incorporated in Pakistan under the Companies Ordinance, 1984, (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange with effect from March 5, 2017. The Company is a subsidiary of OBS Pakistan (Private) Limited (the Holding Company) which holds 50.53% of the share capital of the Company. The registered office of the Company is situated at B-23-C, SITE Area, Karachi. The principal activity of the Company is manufacturing, marketing and sales of pharmaceuticals and healthcare products in the domestic and export market.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Company for the period ended March 31, 2018 has been prepared in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, and the provisions and directives issued under the Companies Act, 2017 (Act). In case where requirements of IAS 34 differ with the Act, the provisions and directives issued under the Act have been followed.

The Act has been enacted on May 30, 2017 and is followed in terms of circular 23 dated October 4, 2017 issued by Securities and Exchange Commission of Pakistan.

The disclosures in this condensed interim financial information do not include the information reported for annual financial statements and should therefore be read in conjunction with the financial statements of the Company for the year ended December 31, 2017.

This condensed interim financial information is un-audited and is being submitted to the members as required under Section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

2.2 Summary of significant accounting policies

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management policy are the same as those applied in preparation of financial statements of the Company for the year ended December 31, 2017, except for additional disclosures required under the Act.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency.

2.4 Accounting estimates, judgements and financial risk management.

The preparation of the condensed interim financial information in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

First Quarterly Report March 2018

The estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Any revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key source of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2017. The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2017.

	Note	March 31 2018 Rupees	December 31 2017 Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	1,396,766,424	1,414,806,918
Capital work-in-progress		141,614,786	63,833,608
		<u>1,538,381,210</u>	<u>1,478,640,526</u>

3.1 Following are the additions and disposals during the period from January 01, 2018 to March 31, 2018:

	Additions	Disposals	
		Cost	Accumulated Depreciation
Factory Building	1,259,000	-	-
Plant & Machinery	380,250	-	-
Furniture & Fixtures	768,000	-	-
Motor Vehicles	772,000	7,496,684	4,562,848
Office Equipment	572,600	52,437	52,233
Laboratory Equipment	2,808,000	-	-
Computers & related accessories	2,188,500	638,025	634,405
	8,748,350	8,187,146	5,249,486

	March 31 2018 Rupees	December 31 2017 Rupees
4. INTANGIBLE ASSETS		
Goodwill	743,226,130	743,226,130
Computer softwares	683,416	867,319
Trademark – indefinite	4,641,346,236	4,641,346,236
	<u>5,385,255,782</u>	<u>5,385,439,685</u>

5. STOCK IN TRADE		
Raw and packing materials		
- In hand	316,571,723	274,852,614
- In transit	31,576,706	89,768,681
	348,148,429	364,621,295
Work - in - Process	54,376,264	48,782,930
Finished goods	182,835,654	256,244,572
	<u>585,360,347</u>	<u>669,648,797</u>

First Quarterly Report March 2018

	Note	March 31 2018 Rupees	December 31 2017 Rupees
6. TRADE DEBTS – considered good			
Related parties			
- Holding Company		2,068,996	1,420,740
- Muller and Phipps (Private) Limited		430,285,063	398,414,869
		432,354,059	399,835,609
Others		297,184,561	66,667,660
		729,538,620	466,503,269
7. LONG-TERM FINANCING – secured			
Sukuk	7.1	2,080,800,000	2,203,200,000
Transaction cost		(38,559,971)	(40,826,723)
		2,042,240,029	2,162,373,277
Less: current maturity		(489,600,000)	(489,600,000)
		1,552,640,029	1,672,773,277

7.1 The Company has obtained long term finance amounting to Rs. 2,448 million through the issue of Sukuk certificates repayable in quarterly instalments commencing from September 2017, over the term of 5 years. These carry profit rate of 3 months KIBOR + 1.30% per annum and are secured against the present and future property, plant and equipment of the Company and an associated company to the extent of Rs. 3,060 million.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 During the year ended 31 December 2014, the Company imported an active pharmaceutical material namely Ossein Mineral Complex (OMC) which is exempt from sales tax. Customs duty and advance income tax paid at applicable rates by the Company on the import. No discrepancy and irregularity was made out against the Company at the time of release of its consignments of OMC. However, after the release of its consignments the tax authorities made demand of short-paid duties and taxes which includes 30% custom duty, 17% sales tax and 5% advance income tax on the imported value, amounting to Rs.2.56 million, without issuing any show cause notice. The Company has filed a petition before High Court of Sindh (the Court) which is pending adjudication. No provision has been made by the Company in this respect as the Company, in view of a tax advice, expects a favourable outcome of the above matter.

8.1.2 During the year ended 31 December 2008, the Company imported consignments of Medicines (Multivitamin) against which, it filed goods declaration through their authorized clearing agent. The Company declared the description of goods as medicines and claimed assessment under relevant PCT Code. The Custom Authorities rejected these assessments and issued demand notices to the Company indicating short levy of duty / taxes. The Deputy Collector of Customs, Air Freight Unit/Jinnah International Airport, Karachi, passed an order against the Company according to which the Company was liable to pay the short paid amount of Rs.1.17 million against the respective consignments / demand notices. The Company filed appeal before the Collectors of Customs, Sales Tax & Federal Excise (Appeals) which was decided in favour of the Company vide order dated 30 October 2009. The Deputy Collector of Customs, Air Freight Unit approached the learned Tribunal, Customs, Central Excise & Sales Tax, Bench, and filed appeal against the said order which was also dismissed and decided in favour of the Company vide order dated 23 December 2010. Thereafter, the Collector of Customs (Preventive) filed the title reference before the Court which is pending adjudication. No provision has been made by the Company in this respect as the Company, in view of a legal advice, expects a favourable outcome of the above matter.

First Quarterly Report March 2018

- 8.1.3 During the year ended 30 June 2004, a lawsuit of Rs.10 million was filed by various companies against the Company in the District Court, Sindh, to stop the Company from marketing a brand, which was decided against the Company. However, the Company has filed an appeal in the Court against the decision which is still pending. No provision has been made by the Company in this respect as the Company, in view of a legal advice, expects a favorable outcome of the above matter.
- 8.1.4 During the year ended 30 June 2002, a claim amounting to Rs.1.80 million was filed against the Company by the K-Electric Limited on account of low billing carried out by the K-Electric Limited in prior years (i.e. from 1992 to 2000). The Company, thereafter, filed a request with the K-Electric Limited, disputing the above-referred claim, which is currently pending with the K-Electric Limited. The management is confident that as a result of its request, the total claim will not exceed Rs. 0.5 million and, hence, provision to this extent was made in the financial statements for the year ended June 30, 2002. Pending finalisation of this matter, no provision has been made in the financial statements for the remaining sum of Rs.1.302 million or for any other liability that may arise as a result thereof.
- 8.1.5 The Finance Acts, 2015, 2016 and 2017 applied super tax at the rate of 3% of the taxable income for the tax years 2015, 2016 and 2017, i.e. financial years ended December 31, 2014, 2015 and 2016. The Company is not subject to super tax for the tax year 2016. However, the Company filed a suit with the Court challenging the above tax, with respect to the financial year ended December 31, 2014 and 2016, which is currently pending adjudication. The Company based on a legal advice, is confident of a favorable outcome. Hence no provision for the financial year ended 2014 and 2016 for the above tax aggregating to Rs. 38.38 million has been made in these condensed interim financial information.

8.2 Commitments

	March 31 2018 (Rupees)	December 31 2017 (Rupees)
Outstanding letter of credits	108,259,019	203,947,722
Capital commitments	98,040,030	92,579,933

9. SALES

	March 31 2018 (Rupees)	March 31 2017 (Rupees)
Local		
- Manufacturing	1,177,560,127	1,055,849,113
- Trading	903,645,080	142,642,289
	2,081,205,207	1,198,491,402
Exports	16,407,679	5,041,504
Sales return and discounts	(543,463,638)	(39,197,027)
	1,554,149,248	1,164,335,879

**First Quarterly Report
March 2018**

	Note	March 31 2018 Rupees	March 31 2017 Rupees
10. COST OF SALES			
Cost of sales – manufacturing			
Raw and packing materials consumed			
Opening stock		274,852,614	224,673,882
Purchases		370,673,251	291,118,084
		645,525,865	515,791,966
Closing Stock		(348,148,429)	(251,537,095)
		297,377,436	264,254,871
Manufacturing cost			
Salaries, wages and other benefits	10.1	60,785,745	51,103,660
Contractual labour		23,473,747	20,908,627
Processing charges		2,777,722	2,323,029
Freight and octroi		347,604	163,111
Fuel and power		13,011,262	13,127,697
Repairs and maintenance		9,612,936	9,515,873
Travelling and conveyance		2,810,014	1,900,653
Stores and spares consumed		4,365,461	3,602,542
Insurance		397,496	967,536
Laboratory expenses		7,225,020	2,886,697
Rent, rates and taxes		217,798	140,661
Depreciation		16,300,149	15,008,632
Amortization on intangible assets		8,102	-
Communication		339,663	476,711
Printing and stationery		514,307	326,918
		142,187,026	122,452,347
		439,564,462	386,707,218
Work-in-process			
Opening stock		48,782,929	54,123,528
Closing stock		(54,376,264)	(49,643,400)
		(5,593,335)	4,480,128
Cost of goods manufactured			
		433,971,127	391,187,346
Finished goods			
Opening stock		152,127,189	121,627,540
Closing stock		(134,992,493)	(119,493,523)
		17,134,696	2,134,017
		451,105,823	393,321,363
Stock adjustment account			
		(14,729,307)	(11,890,915)
Cost of sales – trading			
Opening stock		104,117,383	58,343,534
Purchases		258,363,855	140,506,398
Closing stock		(47,843,160)	(122,044,983)
		314,638,077	76,804,949
		751,014,593	458,235,397

10.1 Included herein is a sum of Rs. 1.6 Million (March 31, 2017: RS. 1.3 million) in respect of staff retirement benefits.

First Quarterly Report March 2018

	March 31 2018 Rupees	March 31 2017 Rupees
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	452,398,744	374,086,442
Adjustments for:		
Depreciation	23,766,345	22,057,083
Amortisation	183,903	4,482,902
Finance costs	42,583,299	68,833,770
(Gain) / loss on sale of fixed assets	(2,061,212)	(1,344,973)
Provision for workers' profit participation fund	22,397,318	19,964,990
Provision for workers' welfare fund	4,221,780	4,633,374
Provision for central research fund	4,524,711	3,784,863
	95,616,144	122,412,009
Operating profit before working capital changes	548,014,888	496,498,451
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	59,933	218,292
Stock-in-trade	84,288,450	(40,124,003)
Trade debts	(263,035,351)	(28,150,525)
Loans and advances	(19,801,574)	(119,293,471)
Trade deposits and other receivables	(169,480)	(5,920,406)
	(198,658,022)	(193,270,113)
Increase / (decrease) in current liabilities		
Trade and other payables	(194,057,687)	59,545,058
Due to the Holding Company	-	(6,909,775)
	(194,057,687)	52,635,283
	155,299,179	355,863,621

12. TRANSACTIONS WITH RELATED PARTIES

The related parties include the Holding Company, associated companies, entities having directors in common with the Company, staff retirement fund, directors and other key management personnel. Details of transactions, other than those which have been specifically disclosed elsewhere in the condensed interim financial information, with related parties as mentioned below are entered under normal commercial terms;

Related party	Nature of relationship	Nature of transaction	March 31 2018 Rupees	March 31 2017 Rupees
OBS Pakistan (Private) Limited	Holding Company	Sale of goods	6,994,229	7,646,293
		Expenses charged to	11,697,140	87,813
		Expenses charged by	29,117,516	18,217
Aspin Pharma (Private) Limited	Associate Company	Expenses charged to	601,173	8,020
		Expenses charged by	714,276	323,528
Muller and Phipps (Private) Limited	Associate Company	Sale of goods	1,075,892,555	915,440,087
		Expenses charged to	4,270,238	212,619
		Expenses charged by	12,211,154	8,797,936
Staff Provident Fund	Staff retirement benefit	Contributions made	4,769,891	3,558,773

**First Quarterly Report
March 2018**

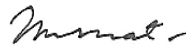
Period / year end balances are as follows:	March 31 2018 Rupees	December 31 2017 Rupees
Receivables from related parties		
Trade debts	432,354,059	400,568,132
Payable to related parties		
OBS Pakistan (Private) Limited	-	732,523
Muller and Phipps Pakistan (Private) Limited	21,685,479	17,394,373

13. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on April 26, 2018 by the Board of Directors of the Company.



Chairman



Chief Executive Officer



Chief Financial Officer