

GOING FURTHER DOING MORE!

THIRD
QUARTERLY
REPORT
30 SEPTEMBER
2020



Contents >>

02

Company
Information

04

Directors'
Review to the
Members

07

Directors'
Review to the
Members
(Urdu)

08

Condensed
Interim
Statement of
Financial
Position

09

Condensed
Interim
Statement of
Profit or Loss

10

Condensed
Interim
Statement of
Comprehensive
Income

11

Condensed
Interim
Statement of
Changes In
Equity

12

Condensed
Interim
Statement of
Cash Flows

13

Notes to the
Condensed
Interim
Financial
Statements

Company Information >>

Board of Directors

Mr. Tariq Moinuddin Khan	Chairman
Mr. Naved Abid Khan	Independent Director
Mr. Zafar Iqbal Sobani	Independent Director
Mr. Kamran Nishat	Non-Executive Director
Ms. Nusrat Munshi	Managing Director & Chief Executive Officer
Mr. Mahmud Yar Hiraj	Non-Executive Director
Mr. Muhammad Kamran Mirza	Non-Executive Director

Audit Committee

Mr. Zafar Iqbal Sobani	Chairman
Mr. Kamran Nishat	Member
Mr. Mahmud Yar Hiraj	Member
Mr. Muhammad Kamran Mirza	Member

Human Resource and Remuneration Committee

Mr. Naved Abid Khan	Chairman
Ms. Nusrat Munshi	Member
Mr. Mahmud Yar Hiraj	Member
Mr. Muhammad Kamran Mirza	Member

Chief Financial Officer

Mr. Junaid Aslam

Company Secretary

Mr. Umair Mukhtar

Head of Internal Audit

Mr. Shahzaib Tariq

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisors

Sattar & Sattar

Share Registrar

CDC Share Registrar Services Limited

Bankers

Allied Bank Limited
Dubai Islamic bank
Faysal Bank Limited
JS Bank Limited
MCB Islamic Bank Limited
MCB Limited
Meezan Bank limited
The Bank of Punjab
United Bank Limited

Registered Office and Plant-I

B-23-C, S.I.T.E., Karachi
Tel.: +9221 111-247-247
Fax: +9221 32570678

Plant-II

D-109, S.I.T.E., Karachi
Tel.: +9221 32572695 & 32563598
Fax: +9221 32564670

Plant-III

F/46, S.I.T.E., Super
Highway Phase II, Karachi

Website

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 nine months ended September 30, 2020.

FINANCIAL HIGHLIGHTS

PARTICULARS	September 30 (PKR in Million)					
	Nine Months Ended			Three Months Ended		
	2020	2019	Variation (%)	2020	2019	Variation (%)
Net Sales	4,991	4,561	9.4	1,818	1,402	29.7
Cost of Sales	2,299	1,926	19.4	870	603	44.3
Gross Profit	2,692	2,635	2.2	948	799	18.6
Net Profit	1,169	1,064	9.9	414	321	28.9
Earnings Per Share (PKR)	4.17	3.80	9.9	1.48	1.15	28.9

OPERATING RESULTS OF THE COMPANY

With the resumption of regular healthcare services, owing to slowdown in Covid-19 cases, Sales in the third quarter delivered an impressive performance with a QoQ growth of 28.3% and a 3Q YoY growth of 29.7%. Overall, sales grew by 9.4% during the nine months period driven primarily by strong volumetric growth in local sales as well as exports.

Despite the healthy sales growth, margins remained under pressure due to devaluation of Pakistani Rupee and a one-off provisioning of Covid-19 antibody testing kits as the same became redundant due to rapidly evolving testing technology.

During the nine months period, the Company restricted marketing and selling expenses to contain the potential negative impact of the pandemic, which resulted in savings of around PKR 30 Million. Administrative expenses witnessed an increase of PKR 26.6 Million, on account of higher personnel costs associated with a growth in operations and Covid-19 related safety measures.

Improved sales performance along with contained marketing and selling expenses and lower finance cost has resulted in achieving a net profit of PKR 1,169 Million, which translated into earnings per share of PKR 4.17, signifying a growth of 9.9% over the same period last year. Keeping in view the encouraging results, the Board is pleased to recommend an interim cash dividend for the period ended September 30, 2020 at PKR 1 per share i.e. 10%.

FUTURE OUTLOOK

In an effort to curtail the negative economic impact caused by Covid-19, the government has taken several measures that include favorable refinancing policies, low interest rates, short-term tax reliefs and subsidies. These measures are aimed at reviving the manufacturing sector, stimulating economic growth, instilling confidence in investors and provide a boost to the stock market.

AGP has benefitted from these initiatives and has been successful in overcoming the challenges posed by Covid-19. The Company is now looking forward to continue its commitment towards delivering excellence by capitalizing on its core competencies, expanding production capacity, launching new products and pursuing inorganic growth opportunities, which would enable the Company to reach new horizons.

ACKNOWLEDGMENTS

We would like to record our appreciation for the stakeholders of the Company including our shareholders, valued customers, and esteemed business partners for placing utmost faith in our abilities. We would also like to recognize the sincere efforts of our employees in enabling the Company to meet its objectives and playing a pivotal role in achieving business growth despite the difficult times.



Nusrat Munshi
Chief Executive Officer



Muhammad Kamran Mirza
Non-Executive Director

ڈائریکٹران کا جائزہ برائے ممبران

ڈائریکٹران کی جانب سے ہم کمپنی کے غیر آڈٹ شدہ اختصاری عبوری مالیاتی گوشوارے برائے نوامی مدت تختہ 30 ستمبر 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں:

مالیاتی جھلکیاں

تفصیل	30 ستمبر (روپے ملین میں)				
	نوامی مدت تختہ		سہ ماہی مدت تختہ		فرق (فیصد)
	2020	2019	فرق (فیصد)	2020	2019
خالص فروخت	4,991	4,561	9.4	1,818	1,402
لاگت فروخت	2,299	1,926	19.4	870	603
خام منافع	2,692	2,635	2.2	948	799
خالص منافع	1,169	1,064	9.9	414	321
فی حصص آمدن (روپے)	4.17	3.80	9.9	1.48	1.15

کمپنی کے مالیاتی نتائج

Covid-19 کے کیسوں میں کمی کے نتیجے میں باقاعدہ طبی سہولیات کے آغاز کے ساتھ گزشتہ سہ ماہی کی بہ نسبت فروخت کی کارکردگی میں 28.3 فیصد کی شاندار نمو دیکھی گئی اور گزشتہ سال اسی سہ ماہی کی بہ نسبت 29.7 فیصد نمو دیکھی گئی۔ مجموعی طور پر فروخت میں نوامی مدت کے دوران 9.4 فیصد اضافہ ہوا جس کی بنیادی وجہ مقامی فروخت کے ساتھ برآمدات کے حجم کی مستحکم نمو تھی۔

فروخت میں صحت مند نمو کے باوجود پاکستانی روپے کی قدر میں کمی اور COVID 19 اینٹی باڈی ٹیسٹنگ کٹس کے ایک دفعہ پرویزن، کے باعث منافع دباؤ کا شکار رہا اور تیز ترین ٹیسٹنگ ٹیکنالوجی میں بدلاؤ کی وجہ سے وہ بیکار ہو گئیں۔

نوامی مدت کے دوران کمپنی نے وباء کے منفی امکانی اثرات کو قابو کرنے کے لئے مارکیٹنگ اور فروخت کے اخراجات کو محدود رکھا جس کے نتیجے میں 30 ملین روپے کی بچت ہوئی۔ انتظامی اخراجات میں 26.6 ملین روپے کا اضافہ دیکھا گیا جس کی وجہ آپریشنز میں نمو اور Covid-19 سے ملحقہ حفاظتی اقدامات کے نتیجے میں بلند عملہ جاتی لاگت تھی۔

فروخت کی بہتر کارکردگی کے ساتھ محدود مارکیٹنگ اور فروخت کے اخراجات اور زیریں مالیاتی لاگت کے نتیجے میں خالص منافع 1,169 ملین روپے رہا جس سے فی حصص آمدن 4.17 روپے کی عکاسی ہوتی ہے جو کہ گزشتہ سال اسی مدت کی بہ نسبت 9.9 فیصد زیادہ ہے۔ حوصلہ افزاء نتائج کو مد نظر رکھتے ہوئے بورڈ مدت تختہ 30 ستمبر 2020 کے لئے نقد منافع منقسمہ 1 روپے یعنی 10 فیصد کے حساب سے سفارش کرتے ہوئے اظہار مسرت کرتا ہے۔

مستقبل کی پیش بینی

Covid-19 کے منفی معاشی اثرات میں کمی کی کوششوں کے طور پر حکومت نے کچھ اقدامات کئے ہیں جس میں سازگار قرضہ جاتی پالیسیاں، کم شرح سود، قلیل مدتی ٹیکس ریلیف اور سبسڈیاں شامل ہیں۔ ان اقدامات کا مقصد پیداواری شعبہ کی بحالی، معاشی نمو میں ترقی، سرمایہ کاروں کے اعتماد کی بحالی اور اسٹاک مارکیٹ کو ابھارنا ہے۔

AGP نے ان اقدامات سے فائدہ اٹھایا اور Covid-19 کی وجہ سے پیدا ہونے والی دشواریوں پر قابو پانے میں کامیاب رہی۔ کمپنی اب اپنی بنیادی صلاحیتوں میں سرمایہ کاری کر کے، پیداواری سہولیات کو وسعت دے کر، نئی مصنوعات متعارف کر کے شاندار کارکردگی فراہم کرنے اور اور غیر نامیاتی نمو کے مواقعوں سے استفادہ کرتے ہوئے کمپنی کو نئے افق تک پہنچانے کے لئے پرعزم ہے۔

اعتراف

ہم کمپنی کے تمام مستفیدان بشمول ہمارے حصص یافتگان، قابل قدر گاہکوں اور معزز کاروباری شراکت داروں کے ہم پر انتہائی اعتماد کے لئے ستائش ریکارڈ پر لانا چاہتے ہیں۔ کمپنی کے مقاصد کے حصول اور کاروباری نمو میں ہم اپنے ملازمین کے بنیادی کردار اور ان مشکل اوقات میں ان کی مخلصانہ کوششوں کو تسلیم کرتے ہیں۔



محمد کامران مرزا

نان ایگزیکٹو ڈائریکٹر



نصرت نشی

چیف ایگزیکٹو آفیسر

Condensed Interim Statement of Financial Position

As At 30 September 2020

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,089,385	1,976,564
Intangible assets	5	5,394,330	5,395,055
Long-term loans, deposits and receivables		14,874	13,514
		7,498,589	7,385,133
CURRENT ASSETS			
Stores, spares and loose tools		6,476	6,785
Stock-in-trade	6	1,190,688	1,013,401
Trade debts	7	705,138	522,535
Loans and advances		67,768	36,340
Trade deposits, prepayments and other receivables		81,081	85,463
Taxation – net		380,820	434,809
Cash and bank balances	8	142,818	117,154
		2,574,789	2,216,487
TOTAL ASSETS		10,073,378	9,601,620
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 350,000,000 (2019: 350,000,000) ordinary shares of Rs.10 each		3,500,000	3,500,000
Issued, subscribed and paid-up capital		2,800,000	2,800,000
Share capital		5,271,845	4,662,899
Revenue reserve - unappropriated profits		8,071,845	7,462,899
NON-CURRENT LIABILITIES			
Deferred liabilities	9	85,183	70,920
Long-term financings	10	559,325	717,065
		644,508	787,985
CURRENT LIABILITIES			
Trade and other payables		752,461	845,557
Unclaimed dividend		1,653	969
Accrued interest		4,485	13,249
Current maturity of long-term financings		598,426	490,961
		1,357,025	1,350,736
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		10,073,378	9,601,620

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Condensed Interim Statement of Profit or Loss

For The Nine Months Ended 30 September 2020 (Un-Audited)

		Nine months ended		Quarter ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
	Note	----- (Rupees in '000) -----			
Revenue from contracts with customers - net	12	4,991,309	4,561,176	1,817,638	1,401,849
Cost of sales	13	(2,299,053)	(1,925,982)	(869,768)	(603,354)
Gross profit		2,692,256	2,635,194	947,870	798,495
Administrative expenses	14	(137,908)	(111,347)	(43,125)	(36,610)
Marketing and selling expenses	15	(889,622)	(919,392)	(356,294)	(274,982)
Other expenses		(148,096)	(126,979)	(34,781)	(27,359)
Other income		19,487	7,068	8,593	2,971
Finance costs		(121,664)	(166,396)	(32,011)	(59,205)
		(1,277,803)	(1,317,046)	(457,618)	(395,185)
Profit before taxation		1,414,453	1,318,148	490,252	403,310
Taxation		(245,507)	(254,318)	(76,070)	(82,576)
Net profit for the period		1,168,946	1,063,830	414,182	320,734
Earnings per share - basic and diluted		Rs. 4.17	Rs. 3.80	Rs. 1.48	Rs. 1.15

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Condensed Interim Statement of Comprehensive Income

For The Nine Months Ended 30 September 2020 (Un-Audited)

	Nine months ended		Quarter ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	----- (Rupees in '000) -----			
Net profit for the period	1,168,946	1,063,830	414,182	320,735
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	1,168,946	1,063,830	414,182	320,735

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity

For The Nine Months Ended 30 September 2020 (Un-Audited)

	Share capital	Revenue reserve - Unappropriated profit	Total
	----- Rupees in ' 000 -----		
Balance as at 31 December 2018	2,800,000	3,567,625	6,367,625
Impact of initial application of IFRS 9, net of tax	-	(1,114)	(1,114)
Balance as at 31 December 2018 - Restated	2,800,000	3,566,511	6,366,511
Profit for the period	-	1,063,830	1,063,830
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	1,063,830	1,063,830
Final dividend for the year ended 31 December 2018 @ Rs. 1.25 per share		(350,000)	(350,000)
Balance as at 30 September 2019	2,800,000	4,280,341	7,080,341
Balance as at 31 December 2019	2,800,000	4,662,899	7,462,899
Profit for the period	-	1,168,946	1,168,946
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	1,168,946	1,168,946
Final dividend for the year ended 31 December 2019 @ Rs. 2 per share	-	(560,000)	(560,000)
Balance as at 30 September 2020	2,800,000	5,271,845	8,071,845

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Chief Financial Officer

Chief Executive Officer

Director

Condensed Interim Statement of Cash Flows

For The Nine Months Ended 30 September 2020 (Un-Audited)

		30 September 2020	30 September 2019
Note		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	1,172,729	1,459,366
Finance costs paid		(130,426)	(173,173)
Income tax paid		(177,252)	(222,200)
Workers' Welfare Fund paid		-	(14,836)
Central Research Fund paid		(19,664)	(15,346)
Net cash flows generated from operating activities		845,387	1,033,811
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure	4.2	(220,812)	(394,728)
Proceeds from disposal of operating fixed assets		3,549	11,966
Long-term loans, deposits and other receivables		(1,360)	(105)
Interest income received		8,491	-
Net cash flows used in investing activities		(210,132)	(382,867)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(559,316)	(349,840)
Long-term financing repaid - net		(50,275)	(360,324)
Net cashflows used in financing activities		(609,591)	(710,164)
Net increase / (decrease) in cash and cash equivalents		25,664	(59,220)
Cash and cash equivalents at the beginning of the period		117,154	(120,554)
Cash and cash equivalents at the end of the period	17	142,818	(179,774)

No non-cash item is included in investing and financing activities

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

1. THE COMPANY AND ITS OPERATIONS

1.1 AGP Limited (the Company) was incorporated as a public limited company in May 2014 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company got listed on Pakistan Stock Exchange Limited on 05 March 2018. The registered office of the Company is situated at B-23C, S.I.T.E, Karachi. The principal activities of the Company include import, marketing, export, dealership, distribution, wholesale and manufacturing of all kinds of pharmaceutical products. As of reporting date, Aitkenstuart Pakistan (Private) Limited (parent company) holds 52.98% (31 December 2019: 52.98%) of the share capital of the Company and West End 16 Pte Limited, Singapore is the ultimate parent company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the nine months ended 30 September 2020 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 requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of preparation

2.2.1 These condensed interim financial statements are un-audited, and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2019.

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

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and areas where assumptions and estimates are significant are same as those applied to the annual financial statements of the Company as at and for the year ended 31 December 2019. The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended 31 December 2019.

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

2.2.3 These condensed interim financial statements are presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand rupees, otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2019, except for the adoption of the new and amended standards, interpretations and improvements to IFRSs by the Company, which became effective for the current period:

New / amended standards and improvements

IFRS 3	Definition of a Business (Amendments)
IFRS 14	Regulatory Deferral Accounting
IAS 1 / IAS 8	Definition of a Material (Amendments)
IFRS9 / IAS39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)

Conceptual Framework for Financial Reporting.

The adoption of the above new / amended standards and improvements to accounting standards did not have any material effect on the Company's condensed interim financial statements.

3.2 Government Grant

During the period, the company obtained refinance scheme at below market interest rate which is recognised and measured as follows:

Government grants are assistance by Government in the form of transfers of resources to an entity in return for compliance with certain past or future conditions relating to the entity's operating activities. The benefit of below market interest is recognised and measured as Government grant under IAS 20 — Accounting for Government Grants and Disclosure of Government Assistance, as the difference between the initial carrying value of the loan (i.e. fair value of the loan) and the proceeds received, which is presented in the statement of financial position as 'deferred grant'. In subsequent periods, the grant is recognised in statement of financial position, in line with the recognition of interest expenses the grant is compensating.

The financing facility is recognised and measured in accordance with IFRS 9 — Financial Instruments, which requires the facility obtained at below market interest rates to be recognised at its fair value which would be the present value of loan proceeds received, discounted using the prevailing market rates of interest for a similar instrument. In subsequent periods, the loan amount would be accreted using the effective interest method.

3.3 The following disclosures have been presented by the Company to explain the effect of global outbreak of COVID-19 on these condensed interim financial statements.

3.3.1 COVID-19 impact on the Company's financial position and performance

On March 11, 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. The outbreak of COVID-19 continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

Though, COVID-19 pandemic has caused slowdown of the overall economy and has caused disruptions amongst the Company's supply chain partners, workforce, facilities and operations. The Company however, being covered under essential services of providing pharmaceutical products is in better position with less being impacted in terms of the financial performance. The Company continues to monitor the rapidly evolving situation closely, including the potential impacts on revenue, supply chain continuity, employees and operations. The Company has taken effective measures for proactive inventory management to develop alternate and reliable vendor sources and build inventory levels to ensure supplies of goods in the short to medium term.

Further, the Company deployed effective measures to maintain sufficient liquidity and funds which includes deferment of expenditures and availing the temporary refinance scheme for payment of wages and salaries introduced by State Bank of Pakistan (SBP) at subsidized rates to support businesses in the aftermath of COVID-19 outbreak. Necessary precautions and procedures were also deployed by the Company to address workforce safety, promote labour mobility and sustain remote working capability to ensure uninterrupted production and hence availability of our medicines for patients.

3.3.2 Property, plant and equipment

Due to COVID-19 pandemic, we do not foresee any change in usage and / or retention strategy of the Company's assets or any adverse effect as the Company's operational activities continues without any disruption during the period. Therefore, the significant judgements, estimates and the methods of consumption adopted in determining recoverable and residual values, depreciation method and useful lives of these assets are the same as those applied in preparation of financial statements of the Company for the year ended 31 December 2019.

3.3.3 Intangible assets

The carrying value of goodwill and intangible assets having indefinite useful lives has been allocated to AGP Limited, (i.e. a single cash generating unit (CGU)), which is also the operating and reportable segment for impairment testing. The Company performed its impairment test annually at year end (i.e. 31 December 2019). However, given the current situation because of COVID-19, the Company performed its impairment testing as at 30 September 2020 and considers the relationship between its market capitalisation, using the Level 1 input of the fair value hierarchy - quoted prices of the Company, and its book value, among other factors. As a result of this assessment, the management did not identify any impairment for the cash generating unit to which goodwill of Rs. 743.23 million and intangible assets with indefinite useful lives of Rs. 4,641.09 million are allocated.

3.3.4 Allowance for expected Credit loss

The Company has established a provision matrix that is based on the Company's historical credit loss experience. The matrix has been adjusted for forward-looking factors specific to the debtors and the economic environment including the macroeconomic effects resulting from COVID-19 outbreak. Management also considered the impact of COVID-19 on the probability of default, exposure at default and loss given default and concluded that there is no material impact on these condensed interim financial statements.

3.3.5 Revenue from contract with customers

Given the current economic condition and overall domestic and international lockdown due to COVID-19 outbreak, the Company budgeted revenue for FY 2020 from ongoing and future contracts with customers falling within the scope of "IFRS 15 - Revenue from Contracts with Customers" was affected in the first six months of the year. However, there was significant improvement in the third quarter of this year in domestic sales on back of uplifting of lock-down and improving economic conditions. Export sales also improved after opening of Pak-Afghan border.

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

The company continues being cautious and adhering to the strict SOPs including Government recommended precautions to keep the work environment safe for the employees and ensure business continuity for the company. As the businesses and the economy have opened up, we remain cautiously optimistic about the future growth prospects.

	Note	30 September 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,844,040	1,846,072
Capital work-in-progress	4.2	245,345	130,492
		2,089,385	1,976,564

4.1 The following is the movement in operating fixed assets during the period / year:

Opening net book value		1,846,072	1,605,590
Additions during the period / year	4.1.1	102,102	379,749
Disposal (at net book value)	4.1.1	(2,065)	(13,330)
Depreciation		(102,069)	(125,937)
Closing net book value		1,844,040	1,846,072

4.1.1 Details of additions and disposals are as follows:

	Additions (at cost)		Disposals (NBV)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	------(Rupees in '000)-----			
Leasehold land	-	70,112	-	-
Factory building on leasehold land	42,651	77,826	-	141
Office building on leasehold land	-	-	-	42
Plant and machinery	27,048	84,022	-	4,762
Furniture and fixtures	1,659	8,195	-	-
Motor vehicles	45	45,967	2,065	6,688
Office equipment	6,862	10,797	-	160
Gas and electrical fittings	3,591	1,524	-	-
Refrigerator and air conditioner	5,485	27,038	-	216
Laboratory equipment	329	37,895	-	1,198
Computers and related accessories	14,433	16,373	-	123
	102,102	379,749	2,065	13,330

4.2 The following is the movement in capital work-in-progress during the period / year:

	Note	30 September 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
Opening balance		130,492	79,444
Additions during the period / year	4.2.1	220,812	433,088
Transferred during the period / year to:			
- operating fixed assets	4.1.1	(102,102)	(379,749)
- intangible assets		(3,857)	(2,291)
Closing balance	4.2.1	245,345	130,492

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

4.2.1 Capital work-in-progress comprise of:

	Additions (at cost)		Closing Balances	
	30 September 2020 (Un-audited)	31 December 2019 (Audited)	30 September 2020 (Un-audited)	31 December 2019 (Audited)
	------(Rupees in '000)-----			
Leasehold land	-	70,112	-	-
Factory building on leasehold land	34,945	135,861	328	-
Office building on leasehold land	59,738	-	135,209	83,504
Plant and machinery	52,015	79,570	65,095	40,129
Furniture and fixtures	2,841	7,723	1,183	-
Motor vehicles	25,687	43,998	25,642	-
Office equipment	7,569	10,660	707	-
Gas and electrical fittings	3,591	1,524	-	-
Refrigerator and air conditioner	10,773	26,734	10,346	5,059
Laboratory equipment	473	36,499	146	-
Computers and related accessories	13,136	18,116	504	1,800
Softwares	10,044	2,291	6,185	-
	220,812	433,088	245,345	130,492

5. INTANGIBLE ASSETS

Goodwill	743,226	743,226
Trademarks - indefinite	4,641,087	4,641,087
Computer software	10,017	10,742
	5,394,330	5,395,055

6. STOCK-IN-TRADE

Raw and packing materials

In hand	6.1	696,510	521,864
In transit		153,214	35,005

Work-in-process

Finished goods

- Manufacturing		106,677	217,846
- Trading		273,036	201,774

Provision for obsolescence and slow moving stock

	6.2	379,713	419,620
		(103,872)	(21,110)
		1,190,688	1,013,401

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

6.1 Included herein items having value of Rs. 14.99 million (31 December 2019: Rs. 21.51 million) held with third parties.

		30 September 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
	Note		
6.2	Provision for obsolescence and slow moving stock is as follows:		
Opening balance		21,110	17,229
Provision for the period / year - net	6.2.1	89,884	11,900
Written off during the year		(7,122)	(8,019)
		<u>103,872</u>	<u>21,110</u>

6.2.1 Included herein provision for expiry of SARS Covid Antibody Kits of Rs. 90.29 million (31 December 2019 : Nil) as the testing was not executed as per the initially anticipated volumes and the testing kits were therefore not utilized

		30 September 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
	Note		
7.	TRADE DEBTS - unsecured Related parties		
- OBS Pakistan (Private) Limited		1,245	625
- Aspin Pharma (Private) Limited		7,973	1,054
- Muller & Phipps Pakistan (Private) Limited		603,231	491,824
		<u>612,449</u>	<u>493,503</u>
Others than related parties		95,943	30,256
		<u>708,392</u>	<u>523,759</u>
Less: Allowances for expected credit losses	7.1	(3,254)	(1,224)
		<u>705,138</u>	<u>522,535</u>

7.1 **The movement in allowance for expected credit losses is as follows:**

Opening balance	1,224	-
Adjustment due to initial application of IFRS 9	-	1,114
Allowance for expected credit losses for the period / year	2,030	110
Closing balance	<u>3,254</u>	<u>1,224</u>

8. CASH AND BANK BALANCES

Cash at banks:		
Current accounts		
- local currency	22,367	4,448
- foreign currency	346	346
Deposit accounts	<u>119,258</u>	<u>111,716</u>
	<u>141,971</u>	<u>116,510</u>
Cash in hand	847	644
	<u>142,818</u>	<u>117,154</u>

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

		30 September 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
	Note		
9.	DEFERRED LIABILITIES		
Deferred grant	10.1.2	33,212	-
Deferred taxation - net		<u>51,971</u>	<u>70,920</u>
		<u>85,183</u>	<u>70,920</u>
10.	LONG-TERM FINANCINGS		
Running musharikah under SBP Refinance Scheme	10.1	311,046	-
Diminishing musharikah	10.2	5,445	6,467
Sukuk [net of transaction cost of Rs. 15.54 million (2019:22.44 million)]	10.3	841,260	1,201,559
		<u>1,157,751</u>	<u>1,208,026</u>
Less: current maturity		(598,426)	(490,961)
		<u>559,325</u>	<u>717,065</u>
10.1	Running musharikah under SBP Refinance Scheme	344,258	-
Less: deferred grant	10.1.2	(33,212)	-
		<u>311,046</u>	<u>-</u>

10.1.1 With a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath of COVID-19 outbreak, State Bank of Pakistan (SBP) has introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the workers and employees of business concerns for three (3) months (i.e. April 2020 to June 2020) at a subsidized mark-up rate. However, since the impact of pandemic continues, subsequently the facility has been extended to the Company for a further period of three (3) months (i.e. from July 2020 to September 2020).

The Company has availed and entered into an arrangement of said refinancing scheme with the Faysal Bank Limited (FBL) up to Rs.350 million for a period of 2.5 years including 6 months grace period. The repayment will be made in 8 equal instalments after the grace period. It carries profit rate of SBP rate + 1% (SBP Rate: NIL). The facility is secured against first pari passu hypothecation charge of Rs. 334 million and ranking charge of Rs. 133 million over current assets of the company. The security is common for funded facilities.

10.1.2	The movement in deferred grant is as follows:	30 September 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
	Grant recognized during the period	38,633	-
	Amortisation of grant during the period	(5,421)	-
	Deferred grant	<u>33,212</u>	<u>-</u>

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

10.2 The Company has obtained diminishing musharakah (DM) facility of Rs. 25 million from Bank Islami Pakistan Limited for purchase of private and commercial vehicles. The facility limit utilised is repayable in equal monthly instalments of Rs.0.11 million in arrears. The maximum period of finance is 5 years. The facility carries profit at the rate of 6 months KIBOR + 1.5% per annum with floor of 7% and cap of 24%. The facility is secured against 15% share of the Company (minimum), and ownership title over DM assets duly insured comprehensively. As of reporting date unutilised facilities amounted to Rs.18.20 million.

10.3 The Company had obtained long-term finance of 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 to the extent of Rs. 2,412 million.

11. CONTINGENCIES AND COMMITMENTS

11.1 CONTINGENCIES

There are no material changes in the status of contingencies as reported in notes 18.1.1 to 18.1.4 to the annual financial statements of the Company for the year ended 31 December 2019, except those as stated below:

11.1.1 In year 2020, during the course of tax audit for tax years 2018 and 2019, the Company has received a show cause notice from Sindh Revenue Board (SRB), for depositing Sindh Sales Tax (SST) of Rs. 22.21 million on account of contract labour services acquired by the Company during years ended 31 December 2017 and 2018 based on the contention by SRB that the services of labour and manpower supply are covered under Second Schedule to the Sindh Sales Tax on Services Act, 2011 (the Act). In addition, under Withholding Rules 2014, the Company is liable to deduct the amount of sales tax at the applicable tax rate on the basis of gross value of the taxable services.

On the other hand, the Company's contention was that SRB relied upon the Notifications issued by SRB to impose SST on the reimbursements of, inter alia, salary payments that the Company made to providers of services, though these reimbursements do not fall within the definition of "labour and manpower supply services" under Section 2(55A) of the Act nor do they constitute part of the value of such taxable service. Therefore, the amount of sales tax shall be worked out on the basis of net value of the taxable services. Further, the Notifications were unlawful and unconstitutional, as under the Constitution no tax may be levied for the purposes of the province except by or under an Act of the Provincial Assembly. Hence, being aggrieved, the Company had filed a constitutional petition C.P.No. D-1014 of 2020 with the Honourable High Court of Sindh (SHC) against the said show cause notice, whereby SHC has granted a stay order dated 17 February 2020 against recovery of the amount and directed SRB not to pass any final adverse order till next date of hearing. The Company expects a favourable outcome on this matter and accordingly, no provision has been made in these condensed interim financial statements.

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

11.1.2 Economic Coordination Committee (ECC) of the Cabinet in its meeting held on 26 June 2019 has taken the decision to discontinue Industrial Support Package (ISP) for industrial consumers, which includes a decreased off peak hour rate/unit. The decision was effective from 01 July 2019, but since, there were some clarity issues, as to timeline and implementation, therefore K-Electric Limited (KEL) continued to provide relief to industrial consumers during off-peak hours under the support package. However, as per Ministry of Energy Corrigendum of SRO 575 (1) / 2019 dated 22 January 2020, industrial tariff rates were revised w.e.f 01 July 2019 due to withdrawal of ISP from off-peak consumption, accordingly, the impact of the same amounting to Rs. 5.46 million has been included in the energy bill for the month of March 2020 by KEL. The Company being aggrieved filed a constitutional petition C.P.No. D-2300 of 2020 against the withdrawal of ISP in the Honourable High Court of Sindh (SHC), whereby SHC has granted stay order dated 28 April 2020 in respect of recovery of ISP charges. During the period the SHC has declared the above mentioned corrigendum as illegal and ordered KEL to refund or adjust any sums paid by consumers or reissue bills to petitioners who have not paid bills or ISP component. KEL is expected to file an appeal against SHC order. The Company is confident of a favourable outcome, hence, no provision for the above charges have been made in these condensed interim financial statements..

11.2 COMMITMENTS

11.2.1 As at 30 September 2020, capital expenditure contracted for but not incurred amounted to Rs. 276.2 million (31 December 2019: Rs. 92.55 million).

11.2.2 Letters of credit

Letters of credit
-limit
-unutilised portion

30 September 2020
(Un-audited)
----- (Rupees in '000) -----

31 December 2019
(Audited)

157,315	390,146
2,320,000	2,320,000
2,162,685	1,929,854

Note	Nine months ended		Quarter ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	----- (Rupees in '000) -----			

12. REVENUE FROM CONTRACT WITH CUSTOMERS - net

Sale of goods (at a point in time) Local

- Manufacturing
- Trading

Export

Less: Trade discounts
Sales returns
Sales tax

4,164,178	4,147,617	1,514,783	1,255,537
979,908	669,328	91,933	117,536
5,144,086	4,816,945	1,606,716	1,373,073
558,326	261,090	315,021	120,706
(667,607)	(509,303)	(89,450)	(88,235)
(33,199)	(6,246)	(11,988)	(3,322)
(10,297)	(1,310)	(2,661)	(373)
(711,103)	(516,859)	(104,099)	(91,930)
4,991,309	4,561,176	1,817,638	1,401,849

12.1

12.1 Included herein sales made to related parties amounting to Rs. 3,957 million (30 September 2019: Rs. 3,849 million).

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

Note	Nine months ended		Quarter ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	------(Rupees in '000)-----			
13. COST OF SALES				
Cost of sales – manufacturing				
Raw and packing materials consumed				
Opening stock	556,869	469,435	699,783	479,871
Purchases	1,509,896	1,224,954	583,208	435,503
Available for consumption	2,066,765	1,694,389	1,282,991	915,374
Closing stock	(849,724)	(533,507)	(849,724)	(533,507)
Raw and packing material consumed	1,217,041	1,160,882	433,267	381,867
Manufacturing cost				
Salaries, wages and other benefits	328,839	283,303	115,724	93,176
Stores and spares consumed	10,599	13,174	3,159	4,204
Provision / (reversal) against slow moving and obsolete materials - net	89,884	5,529	91,143	(3,080)
Processing charges	7,296	5,531	2,822	2,329
Freight	2,513	3,459	842	1,524
Fuel, gas and electricity	82,620	69,977	33,394	27,694
Repairs and maintenance	32,571	43,543	10,083	15,086
Travelling and conveyance	14,958	10,562	3,140	5,579
Insurance	4,757	4,865	1,640	1,594
Laboratory expenses	12,789	10,549	3,058	4,388
Rates and taxes	1,500	1,119	226	501
Depreciation	69,924	62,620	23,907	21,604
Amortisation	707	233	373	124
Postage, telegraph and telephones	1,900	2,011	753	683
Printing and stationery	4,391	2,273	2,543	642
	665,248	518,748	292,807	176,048
	1,882,289	1,679,630	726,074	557,915
Work-in-process				
Opening stock	58,022	43,601	82,462	76,970
Closing stock	(65,123)	(47,334)	(65,123)	(47,334)
	(7,101)	(3,733)	17,339	29,636
Cost of goods manufactured	1,875,188	1,675,897	743,413	587,551
Finished goods				
Opening stock	217,846	216,385	205,198	150,416
Closing stock	(106,677)	(151,950)	(106,677)	(151,950)
	111,169	64,435	98,521	(1,534)
	1,986,357	1,740,332	841,934	586,017
Cost of samples for marketing and sales promotion	(39,727)	(41,715)	(15,495)	(14,813)
Cost of sales – trading				
Opening stock	201,774	84,825	292,166	119,337
Purchases	423,685	255,014	24,199	25,287
Closing stock	(273,036)	(112,474)	(273,036)	(112,474)
	352,423	227,365	43,329	32,150
	2,299,053	1,925,982	869,768	603,354

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

	Nine months ended		Quarter ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	------(Rupees in '000)-----			
14. ADMINISTRATIVE EXPENSES				
Salaries and other benefits	83,592	65,985	25,951	20,981
Travelling and conveyance	370	356	3	215
Printing and stationery	1,180	1,704	69	219
Directors' remuneration	2,550	675	1,050	150
Postage, telegrams and telephones	388	359	146	151
Legal and professional	21,133	19,363	7,318	7,339
Research cost	890	1,210	536	145
Repairs and maintenance	256	4,034	146	153
Software license renewals and maintenance fee	7,161	7,497	2,240	3,625
Subscription and fee	841	458	412	59
Advertisement	1,282	71	38	10
Auditors' remunerations	803	482	25	-
Donations	6,405	840	1,484	272
Insurance	333	292	126	115
Depreciation	6,686	4,309	2,169	1,871
Amortisation	3,849	3,527	1,340	1,257
Vehicle running expenses	189	185	72	48
	137,908	111,347	43,125	36,610
15. MARKETING AND SELLING EXPENSES				
Salaries and other benefits	474,570	449,163	181,264	126,553
Travelling and conveyance	125,855	130,396	55,215	43,499
Repairs and maintenance	2,942	2,665	1,897	818
Insurance	3,732	3,623	1,257	1,268
Depreciation	25,459	24,133	8,471	8,152
Amortisation	27	249	-	84
Printing and stationery	2,644	2,716	730	395
Samples	39,727	41,715	15,495	14,813
Sales promotion expenses	156,981	179,762	66,423	51,259
Meeting and conferences	9,090	44,323	1,829	17,035
Communication	10,617	8,789	3,493	3,008
Subscription	8,800	7,885	4,210	3,338
Freight, handling and transportation	29,178	23,973	16,010	4,760
	889,622	919,392	356,294	274,982

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

30 September 2020 30 September 2019
----- (Rupees in '000) -----

16. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,414,453	1,318,148
Adjustments for:		
Depreciation	102,069	91,062
Amortisation	4,583	4,009
Allowances for expected credit losses	2,029	-
(Gain) / loss on disposal of operating fixed assets	(1,487)	1,102
Mark-up on deposit accounts	(8,491)	-
Finance costs	121,664	166,396
Provision for Workers' Profit Participation Fund	75,338	70,317
Provision for Workers' Welfare Fund	20,189	17,873
Provision for Central Research Fund	15,220	14,205
	331,114	364,964
Operating profit before working capital changes	1,745,567	1,683,112
Working capital changes		
Decrease / (increase) in current assets		
Stores, spares and loose tools	309	471
Stock-in-trade	(177,287)	(25,633)
Trade debts	(184,634)	(121,634)
Loans and advances	(31,428)	(22,891)
Trade deposits, prepayments and other receivables	4,382	(20,224)
	(388,658)	(189,911)
(Decrease) / increase in current liabilities		
Trade and other payables	(184,180)	(33,835)
	1,172,729	1,459,366

17. CASH AND CASH EQUIVALENTS

Cash and bank balances	142,818	100,110
Short-term borrowings	-	(279,884)
	142,818	(179,774)

18. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises ultimate parent company, parent company, group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties, other than those disclosed elsewhere in these condensed interim financial statements, are as follows:

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

Name and country of Incorporation	Basis of relationship	% of shares held by related parties	Nature of transactions	Nine months ended		Quarter ended	
				September 30 2020	September 30 2019	September 30 2020	September 30 2019
				----- (Rupees in '000) -----			
<u>Parent Company</u>							
Aitken Stuart Pakistan (Private) Limited	Parent Company	52.98%	Dividend paid	296,701	176,857	-	-
<u>Associated Companies</u>							
OBS Pakistan (Private) Limited - Pakistan	Common directorship	NIL	Sale of goods	918	5,329	918	-
			Expenditure incurred / paid by the Company on behalf of associate	2,334	2,755	1,678	-
			Expenditure incurred / paid by the associate on behalf of the Company	-	7,266	-	-
Aspin Pharma (Private) Limited- Pakistan	Common directorship	4.79%	Sale of goods	34,784	14,113	13,626	6,385
			Expenditure incurred / paid by the Company on behalf of associate	590	1,980	187	1,055
			Expenditure incurred / paid by the associate on behalf of the Company	9,538	-	6,044	-
			Dividend paid	26,800	16,750	-	-
Muller and Phipps Pakistan (Private) Limited - Pakistan	Common directorship	13.54%	Sale of goods	3,921,403	3,813,052	1,432,589	1,201,841
			Settlement of amount incurred by the associate on behalf of the Company	53,547	40,825	14,423	15,337
			Dividend paid	75,840	47,400	-	-
OBS Green (Private) Limited - Pakistan	Common directorship	NIL	Purchase of PPE Kits	400	-	400	-
Staff retirement benefits - AGP Limited staff provident fund			Contribution paid	19,193	17,202	6,661	5,693
Key management personnel			Remuneration and other benefits	123,980	110,957	28,613	21,251
			Dividend paid	12	40	-	-
Directors			Board and other meeting fee	2,550	675	1,050	150
			Dividend paid	1,262	788	-	-

18.1 The related parties status of outstanding receivables / payables as at 30 September 2020 and 31 December 2019 is disclosed in respective notes to these condensed interim financial statements.

19. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Company are organised into one operating segment i.e. manufacture and sale of pharmaceutical products. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. The operating interests of the Company are confined to Pakistan in terms of production/generation capacity. Accordingly, the information and figures reported in these condensed interim financial statements are related to the Company's only reportable segment in Pakistan.

Notes to The Condensed Interim Financial Statements

For The Nine Months Ended 30 September 2020 (Un-Audited)

Export sales made to Afghanistan represents the geographical breakup of the Company's gross turnover.

The revenue information is based on the location of the customer. The details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to manufactured and trading goods is as follows:

30 September 2020	30 September 2019
----- (Rupees in '000) -----	

- Muller & Phipps Pakistan (Private) Limited	<u>3,921,403</u>	<u>3,813,052</u>
--	------------------	------------------

Non-current assets of the Company are confined within Pakistan and consist of property, plant and equipment, intangible assets and long-term loans, deposits and receivables.

20. NON-ADJUSTING EVENT AFTER THE REPORT DATE

Subsequent to the period ended 30 September 2020, the Board of Directors in their meeting held on 28 October 2020 have declared an interim cash dividend @ Re.1 per share amounting to Rs. 280 million.

21. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on October 28, 2020 by the Board of Directors of the Company

22. GENERAL

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

22.2 Corresponding figures have also been rearranged and reclassified, whereby necessary, for better presentation. However, there has been no material reclassification to report.



Chief Financial Officer



Chief Executive Officer



Director



AGP Limited B-23-C, S.I.T.E.,
Karachi-75700, Pakistan.
E-mail: info@agp.com.pk
Tel.: +92-21-111 247 247
Fax: +92-21-2570678