

30 YEARS OF QUALITY

THIRD
QUARTERLY REPORT
SEPTEMBER

2019



AGP
we value life

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Company Information

Board of Directors

Mr. Tariq Moinuddin Khan
Chairman

Ms. Nusrat Munshi
Managing Director &
Chief Executive Officer

Mr. Naved Abid Khan
Independent Director

Mr. Zafar Iqbal Sobani
Independent Director

Mr. Kamran Nishat
Non Executive Director

Mr. Mahmud Yar Hiraj
Non Executive Director

Mr. Muhammad Kamran Mirza
Non Executive Director

Audit Committee

Mr. Zafar Iqbal Sobani – Chairman

Mr. Kamran Nishat

Mr. Mahmud Yar Hiraj

Mr. Muhammad Kamran Mirza

Human Resource and

Remuneration Committee

Mr. Naved Abid Khan – Chairman

Ms. Nusrat Munshi

Mr. Mahmud Yar Hiraj

Mr. Muhammad Kamran Mirza

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

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

Credit Rating by the Pakistan Credit Rating Agency

Long term entity rating A+ (A Plus)

Short term entity rating A1 (A One)

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

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, 2019. This 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.

Financial Highlights

	Nine months ended September 30,		
	2019	2018	Variation
	PKR in Million		%
Net Sales	4,561	4,017	13.5
Cost of sales	1,926	1,754	9.8
Gross profit	2,635	2,263	16.4
Net profit after tax	1,064	953	11.6
Earnings per share in PKR	3.80	3.40	11.8

Operating Results of the Company

Continuing with the growth momentum, sales edged up by 13.5% on the back of strong performance of the overall portfolio of the Company, particularly top brands; Rigix, Ceclor and Osnate D. Sales were also supported by the robust growth in sales to Afghanistan. Despite substantial increase in prices of raw materials due to Pak Rupee devaluation, the Company is able to control the production cost through better product mix and effective cost control measures. Better sales performance coupled with production efficiencies has led gross profit to increase by 16.4%. The marketing and selling expenses were contained at a 10.8% increase despite the rise in general inflation and growth in business operations. The financial cost has shown an increase of 14.9% due to the contractionary monetary policy. The impressive topline along with effective cost control measures translated in to an increase of profit after tax of 11.6%. The encouraging results yielded earnings per share of Rs. 3.80, representing an increase of 11.8%.

Future Outlook

In the first quarter of the current fiscal year, the current account deficit declined by massive 64% at USD 1,548 Million compared to last year corresponding period, driven principally by contracting imports and modest improvement in exports. The foreign exchange regime showed stability with increase in reserves at SBP and Pak Rupee also strengthened against USD. Tax revenues (net of refunds) has improved by double digit compared to the corresponding period as a result of aggressive drive of documentation of the economy. However, the economy has slowed down reflected by shrinking of Large Scale Manufacturing Industries (LSMI) index by 6% in the first two months of the current fiscal year. The year on year inflation after reaching a high of 12.5% in September 2019 is forecasted to decline to 11% – 12% for the fiscal year. The Drug Regulatory Authority of Pakistan also allows an annual increase linked with the CPI index after the end of the fiscal year which partially mitigates the inflationary impact on margins.

Based on recent shift in macroeconomic factors, going forward, gradual recovery in economic activity is expected. Despite a challenging economic and operating environment, which is anticipated to continue in short-term, we are committed to delivering sustained profitable results. Our dedicated and continuous efforts for organic growth and expansion through launching new products, exploring domestic and international markets and capitalizing on Nutraceutical segment will help us in fulfilling our objective of maximizing shareholder value.

Acknowledgement

We would like to place on record our sincere appreciation for the commitment, dedication and effort by each employee in achieving the company's objectives.

We would also like to thank our esteemed business partners, valued customers and other stakeholders who have always shown their confidence in the Company.



Nusrat Munshi
Chief Executive Officer



Muhammad Kamran Mirza
Non-Executive Director

مستقبل کی توقعات

رواں مالی سال کی پہلی سہ ماہی میں کرنٹ اکاؤنٹ خسارہ گزشتہ سال کے اسی عرصے کے مقابلے میں ۶۴ فیصد کی بھاری کمی کے ساتھ ۵۴۸ ملین ڈالر رہا جو بنیادی طور پر درآمدی معاہدے اور برآمدات میں معمولی بہتری کی بدولت ہوا ہے۔ اسٹیٹ بینک آف پاکستان میں ذخائر میں اضافے کے ساتھ زرمبادلہ نے بھی استحکام کا مظاہرہ کیا اور امریکی ڈالر کے مقابلے میں پاکستانی روپیہ بھی مستحکم ہوا۔

معیشت کو ستاویزی شکل دینے کی جارحانہ مہم کے نتیجے میں ٹیکس آمدن (ریفرنڈرکانیٹ) میں گزشتہ اسی مدت کے مقابلے میں دوہرے ہندسے سے بہتری آئی ہے۔ تاہم، رواں مالی سال کے پہلے دو مہینوں میں لارج سکیل مینوفیکچرنگ انڈسٹریز (LSMI) انڈیکس میں ۶ فیصد کی سے معیشت میں مندی کی عکاسی ہوتی ہے۔ ستمبر ۲۰۱۹ میں سال بہ سال بنیاد پر افراط زر کی شرح ستمبر ۲۰۱۹ میں ۱۲.۵ فیصد کی بلندی تک پہنچنے کے بعد مالی سال کے لئے اوسطاً ۱۱ سے ۱۲ فیصد تک کم ہونے کی پیش گوئی کی گئی ہے۔ ڈگ ریگولیٹری اتھارٹی آف پاکستان بھی مالی سال کے اختتام کے بعد سی پی آئی انڈیکس کے ساتھ منسلک سالانہ اضافے کی اجازت دیتی ہے جو منافع جات پر افراط زر کے اثرات کو جزوی طور پر کم کرتی ہے۔

مجموعی معاشی عوامل میں حالیہ تبدیلی کی بنیاد پر، آگے بڑھتے ہوئے، معاشی سرگرمیوں میں بتدریج بحالی متوقع ہے۔ چیلنج سے بھرپور معاشی اور کاروباری ماحول کے باوجود، جو مختصر مدت تک جاری رہنے کی توقع ہے، ہم پائیدار منافع بخش نتائج کی فراہمی کے لئے پرعزم ہیں۔ نئی مصنوعات کو لانچ کرنے، مقامی اور بین الاقوامی منڈیوں کی کھوج لگانے اور نیوٹر اسیوٹیکل حصے سے فائدہ اٹھانے کے ذریعے فطری نمو اور توسیع کے لئے ہماری یکسو اور مربوط کوششیں شینئر ہولڈرز کی قدر میں زیادہ سے زیادہ اضافے کے اپنے ہدف کو پورا کرنے میں ہماری مدد کریں گی۔

اظہار تشکر

ہم کمپنی کے اہداف کے حصول میں اپنے ہر ملازم کی لگن، محنت اور کاوشوں کے لیے پُر خلوص خراج تحسین ریکارڈ پر لانا چاہتے ہیں۔ ہم اپنے قابل احترام بزنس پارٹنرز، قابل قدر کسٹمرز اور اسٹیک ہولڈرز سے بھی اظہار تشکر کرتے ہیں جنہوں نے ہمیشہ کمپنی پر اپنے اعتماد کا مظاہرہ کیا ہے۔



محمد کامران مرزا

ٹان ایگزیکٹو ڈائریکٹر



نصرت نشی

چیف ایگزیکٹو آفیسر

ممبران کے لیے ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی طرف سے ۳۰ ستمبر، ۲۰۱۹ کو ختم ہونے والے نو ماہ کے لیے کمپنی کی غیر آڈٹ شدہ مختصر عبوری مالیاتی معلومات پیش کرنا ہمارے لیے باعث مسرت ہے۔ یہ مختصر عبوری مالیاتی معلومات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS) 34، عبوری مالیاتی رپورٹنگ، اوپینیز ایکٹ، 2017 (ایکٹ) کے تحت جاری کردہ ضوابط اور ہدایات کے مطابق تیار کی گئی ہیں۔ ایسی صورت میں جہاں IAS 34 کے تقاضے ایکٹ سے مختلف ہیں، ایکٹ کے تحت جاری کردہ ضوابط اور ہدایات پر عمل کیا گیا ہے۔

مالیاتی جھلکیاں

	30 ستمبر کو ختم ہونے والے نو ماہ		
فرق	۲۰۱۸	۲۰۱۹	
%	ملین روپے		
۱۳.۵	۴,۰۱۷	۴,۵۶۱	سیلز - خالص
۹.۸	۱,۷۵۴	۱,۹۲۶	سیلز کی لاگت
۱۶.۴	۴,۲۶۳	۴,۶۳۵	مجموعی منافع
۱۱.۶	۹۵۳	۱,۰۶۴	بعد از ٹیکس خالص منافع
۱۱.۸	۳,۴۰	۳,۸۰	فی شیئر آمدنی، روپوں میں

کمپنی کے کاروباری نتائج

نمو کی رفتار برقرار رکھتے ہوئے، کمپنی کے مجموعی پورٹ فولیو، خاص طور پر ٹاپ برانڈز، ریکلس، سیکر اور اوٹنٹ ڈی سیلز کی مضبوط کارکردگی کی بدولت فروخت میں ۱۳.۵ فیصد کا اضافہ ہوا۔ افغانستان میں فروخت میں زبردست اضافے سے بھی سیلز کو مدد ملی۔ پاکستانی روپے کی قدر میں کمی کی وجہ سے خام مال کی قیمتوں میں نمایاں اضافے کے باوجود، کمپنی بہتر پیداواری کس اور قیمت پر قابو پانے کے موثر اقدامات کے ذریعے پیداواری لاگت کو قابو رکھنے میں کامیاب رہی۔

فروخت کی بہتر کارکردگی نے پیداواری استعداد و کفایت کے ساتھ مل کر مجموعی منافع میں ۱۶.۴ فیصد کا اضافہ کیا ہے۔ عمومی افراط زر اور کاروباری آپریشنز میں اضافے کے باوجود مارکیٹنگ اور سیلز کے اخراجات ۱۰.۸ فیصد اضافے تک محدود رکھے گئے۔ سخت مالیاتی پالیسی کی وجہ سے مالی لاگت میں ۱۴.۹ فیصد کا اضافہ ہوا ہے۔ متاثر کن مجموعی منافع جات کے ساتھ لاگت کنٹرول کرنے کے موثر اقدامات کا نتیجہ بعد از ٹیکس منافع میں ۱۱.۶ فیصد اضافے کی صورت میں سامنے آیا ہے۔ حوصلہ افزا نتائج سے ۳.۸۰ روپے فی شیئر آمدنی ہوئی جو ۱۱.۸ فیصد اضافے کی عکاسی کرتا ہے۔

Condensed Interim Statement of Financial Position

AS AT 30 SEPTEMBER 2019

		30 September 2019 (Un-audited)	31 December 2018 (Audited)
	Note (Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,973,395	1,685,034
Intangible assets	5	5,396,483	5,398,256
Long-term loans and deposits		12,029	11,924
		7,381,907	7,095,214
CURRENT ASSETS			
Stores, spares and loose tools		6,986	7,457
Stock-in-trade	6	822,650	797,017
Trade debts	7	579,934	462,045
Loans and advances		89,806	66,915
Trade deposits, prepayments and other receivables		25,678	5,454
Taxation – net		448,970	483,471
Cash and bank balances	8	100,110	24,423
		2,074,134	1,846,782
TOTAL ASSETS		9,456,041	8,941,996
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 350,000,000 (2018: 350,000,000) Ordinary shares of Rs.10/- each		3,500,000	3,500,000
Issued, subscribed and paid-up capital 280,000,000 Ordinary shares of Rs.10/- each fully paid in cash		2,800,000	2,800,000
Revenue reserve - unappropriated profit		4,277,710	3,567,625
		7,077,710	6,367,625
NON-CURRENT LIABILITIES			
Deferred taxation		56,403	58,786
Long-term financing		832,042	1,192,366
		888,445	1,251,152
CURRENT LIABILITIES			
Trade and other payables		677,412	639,034
Unclaimed dividend		31,216	31,056
Short-term borrowings	9	279,884	151,383
Current maturity of long-term financing		501,374	501,746
		1,489,886	1,323,219
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		9,456,041	8,941,996

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Condensed Interim Statement of Profit or Loss

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UN-AUDITED)

	Note	Nine months ended		Quarter-ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		(Rupees in '000)			
Revenue – net	11	4,561,176	4,017,381	1,401,849	1,151,091
Cost of sales	12	(1,925,982)	(1,754,495)	(603,354)	(469,000)
Gross profit		2,635,194	2,262,886	798,495	682,091
Administrative expenses		(113,612)	(78,501)	(37,076)	(26,819)
Marketing and selling expenses	13	(917,127)	(828,028)	(274,516)	(264,914)
Other expenses		(126,979)	(109,097)	(27,359)	(30,409)
Other income		7,068	12,260	2,971	4,014
Finance costs	14	(166,396)	(144,797)	(59,205)	(50,614)
Profit before taxation		1,318,148	1,114,723	403,310	313,349
Taxation					
- Current		205,483	164,123	53,126	37,634
- Prior		51,218	-	20,557	-
- Deferred		(2,383)	(2,390)	8,893	(792)
		(254,318)	(161,733)	(82,576)	(36,842)
Net profit for the period		1,063,830	952,990	320,734	276,507
Earnings per share – basic and diluted		Rs. 3.80	Rs. 3.40	Rs. 1.15	Rs. 0.98

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Condensed Interim Statement of Comprehensive Income

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UN-AUDITED)

	Nine months ended		Quarter-ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
 (Rupees in '000)			
Net profit for the period	1,063,830	952,990	320,734	276,507
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,063,830	952,990	320,734	276,507

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Condensed Interim Statement of Cash Flows

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UN-AUDITED)

	30 September 2019	30 September 2018
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,318,148	1,114,723
Adjustments for:		
Depreciation	91,062	71,573
Amortisation	4,009	373
Liabilities no longer payable written back	-	(2,219)
Finance costs	166,396	127,984
Loss / (gain) on sale of property, plant and equipment	1,102	(1,419)
Workers' Profit Participation Fund	70,317	60,045
Workers' Welfare Fund	17,873	14,695
Central Research Fund	14,205	11,981
	364,964	283,013
Operating profit before working capital changes	1,683,112	1,397,736
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	471	(263)
Stock-in-trade	(25,633)	(173,087)
Trade debts	(121,634)	(135,292)
Loans and advances	(22,891)	(21,280)
Trade deposits, prepayments and other receivables	(20,224)	(57,198)
	(189,911)	(387,120)
Increase / (decrease) in current liabilities		
Trade and other payables	(33,835)	(181,034)
Cash generated from operations	1,459,366	829,582
Finance costs paid	(173,173)	(123,334)
Income tax paid	(222,200)	(192,270)
Workers' Welfare Fund paid	(14,836)	-
Central Research Fund paid	(15,346)	(14,220)
Long-term loans and deposits	(105)	(1,323)
Net cash generated from operating activities	1,033,706	498,435
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(394,728)	(287,892)
Sale proceeds of fixed assets	11,966	8,468
Net cash used in investing activities	(382,762)	(279,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing repaid	(360,324)	(360,324)
Dividend paid	(349,840)	(320,077)
Net cash used in financing activities	(710,164)	(680,401)
Net increase / (decrease) in cash and cash equivalents	(59,220)	(461,390)
Cash and cash equivalents at the beginning of the period	(120,554)	30,304
Cash and cash equivalents at the end of the period	(179,774)	(431,086)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Condensed Interim Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UN-AUDITED)

	Issued, subscribed and paid-up capital	Revenue reserve Unappropriated profit	Total equity
	(Rupees in '000)		
Balance as at 01 January 2018	2,800,000	2,710,935	5,510,935
Total comprehensive income for the period	-	952,990	952,990
Interim dividend for the period	-	(350,000)	(350,000)
Balance as at 30 September 2018	<u>2,800,000</u>	<u>3,313,925</u>	<u>6,113,925</u>
Balance as at 31 December 2018, as previously reported	2,800,000	3,567,625	6,367,625
Impact of initial application of IFRS 9 (note 3.1.2)	-	(3,745)	(3,745)
Adjusted balance as at 01 January 2019	<u>2,800,000</u>	<u>3,563,880</u>	<u>6,363,880</u>
Total comprehensive income for the period	-	1,063,830	1,063,830
Interim dividend for the period	-	(350,000)	(350,000)
Balance as at 30 September 2019	<u>2,800,000</u>	<u>4,277,710</u>	<u>7,077,710</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Notes to The Condensed Interim Financial Statements

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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 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. Effective from 5th March 2018, the Company has been listed on Pakistan Stock Exchange Limited.

During the period the Hon'ble High Court of Sindh at Karachi vide its order dated May 7, 2019 has sanctioned the Scheme of Arrangement entered into between OBS Pakistan (Private) Limited, OBS Healthcare (Private) Limited, OBS Ophthalmics (Private) Limited and Aitkenstuart Pakistan (Private) Limited. Further, effective 03 June 2019, OBS Pakistan (Private) Limited is no longer a related party.

Consequently, shares of AGP Limited (being a listed entity and subsidiary of OBS Pakistan (Private) Limited) held with OBS Pakistan (Private) Limited, have been amalgamated with and into Aitkenstuart Pakistan (Private) Limited. Accordingly, the Company is now subsidiary of Aitkenstuart Pakistan (Private) Limited (the Holding Company) which holds 52.72% of the share capital of the Company and the Ultimate Parent Company is West End 16 Pte Limited - Singapore.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting which 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 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2018. These condensed interim financial statements are unaudited, and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

3. 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 these condensed interim financial statements and financial risk management policy are the same as those applied in preparation of financial statements of the Company for the year ended 31 December 2018, except as disclosed in these condensed interim financial statements.

3.1 New / revised standards, interpretations and amendments

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IFRS 9	-	Financial Instruments
IFRS 15	-	Revenue from Contracts with Customers
IFRS 16	-	Leases
IAS 19	-	Employee Benefits: Plant Amendment, Curtailment or Settlement (Amendment)

IAS 28	-	Investment in Associates And Joint Ventures: Long-Term Interest in Associates and Joint Ventures (Amendments)
IFRIC23	-	Uncertainty over Income Tax Treatments

The adoption of the above standards and amendments in the accounting standards did not have effect on the accounting policies of the Company except as follows:

3.1.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company is engaged in distribution, and manufacturing of pharmaceutical products. The Company has assessed that significant performance obligation in contracts with customers, is to deliver the goods which also coincides with the transfer of control and is discharged at that point of time.

The Company adopted IFRS 15 using the modified retrospective approach with the date of initial application of January 01, 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to contracts that are not completed as at January 01, 2019.

Set out below, are the amounts by which each condensed interim financial statements line item is affected for the period ended 30 September 2019 and 30 September 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have an impact on other comprehensive income (OCI) or the Company's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

	Amounts prepared under		
	IFRS 15	IAS 18	Increase/ (decrease)
	-----	(Rupees in '000)	-----
STATEMENT OF PROFIT OR LOSS			
FOR THE PERIOD ENDED 30 SEPTEMBER 2019			
Revenue – net	4,561,176	4,599,677	(38,501)
Marketing and selling expenses	917,127	955,628	(38,501)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018			
Revenue - net	4,017,381	4,034,710	(17,329)
Marketing and selling expenses	828,028	845,357	(17,329)

The nature of the classification adjustments and the reason for the change in the statement of profit or loss for the period ended 30 September 2019 and 30 September 2018 is described below:

The Company offers discounts to its distributors who shall pass the same onwards. These discounts are offset by the receivable from the distributor, accordingly, the Company accounted for such discounts as a reduction from the transaction price and, therefore, are presented net of revenue.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 modified retrospectively, with the initial application date of 1 January 2019 as notified by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 229 (I)/2019.

The Company's financial assets mainly include long-term loans and deposits, trade debts, loans and advances, trade deposits, other receivables, bank balances held with commercial banks and cash in hand.

IFRS 9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company's trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

Further the adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking Expected Credit Loss (ECL) approach. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL.

The Company has concluded, based on the assessment carried out by the management that it is in compliance with the requirements of the new accounting standard.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2019 relates solely to the new impairment requirements. The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at 1 January 2019.

Financial Asset	Original category under IAS 39	New category under IFRS 9	Carrying amount under IAS 39	Effect of adoption of IFRS 9	Carrying amount under IFRS 9
----- (Rupees in '000) -----					
Long-term loans and deposits	Loans and receivables	Amortised Cost	12,029	-	12,029
Trade debts	Loans and receivables	Amortised Cost	583,679	(3,745)	579,934
Loans and advances	Loans and receivables	Amortised Cost	89,806	-	89,806
Trade deposits and other receivables	Loans and receivables	Amortised Cost	25,678	-	25,678
Cash and bank balances	Loans and receivables	Amortised Cost	100,110	-	100,110

3.1.3 IFRS 16 Leases

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low value leases. The Company has adopted IFRS 16 and concluded that it is in compliance with the requirement of the new accounting standard.

	Note	30 September 2019 (Un-audited)	31 December 2018 (Audited)
..... (Rupees in '000)			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,741,869	1,605,590
Capital work-in-progress	4.2	231,526	79,444
		1,973,395	1,685,034

4.1 Details of additions and disposals are as follows:

	Additions (at cost)		Disposals (net book value)	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
 (Rupees in '000)			
Leasehold land	70,112	-	-	-
Building				
- Factory	66,419	1,260	141	-
- Office	-	-	42	-
Plant and machinery	21,348	5,698	4,736	1,988
Furniture and fixtures	5,431	1,728	-	-
Motor vehicles	36,190	47,597	6,688	4,834
Office equipment	5,049	3,284	-	41
Refrigerators and air-conditioners	6,580	1,857	217	181
Laboratory equipment	15,629	28,953	1,198	-
Computers and related accessories	13,651	7,123	47	4
	240,409	97,500	13,069	7,048

4.2 Capital work-in-progress

	Balance as at 01 January 2019	Additions	Transfers to operating fixed assets and intangible assets ----- (Rupees in '000) -----	Balance as at 30 September 2019
Leasehold Land	-	70,112	70,112	-
Building - factory / office	25,470	131,848	67,223	90,095
Plant and machinery	44,581	83,695	17,645	110,631
Furniture and fixtures	472	4,365	4,790	47
Motor vehicles	1,969	37,206	36,190	2,985
Office equipment	137	8,381	8,092	426
Refrigerators and air-conditioners	5,363	10,617	9,265	6,715
Laboratory equipment	1,396	31,368	12,137	20,627
Computers and related accessories	56	12,689	12,745	-
Intangible - software	-	2,236	2,236	-
	<u>79,444</u>	<u>392,517</u>	<u>240,435</u>	<u>231,526</u>
		30 September 2019 (Un-audited)	31 December 2018 (Audited)	
Note		----- (Rupees in '000) -----		

5 INTANGIBLE ASSETS

Goodwill	743,226	743,226
Trade marks - indefinite	4,641,087	4,641,087
Computer software	12,170	13,943
	<u>5,396,483</u>	<u>5,398,256</u>

6 STOCK-IN-TRADE

Raw and packing materials		
In hand	474,457	376,020
In transit	59,050	93,415
	<u>533,507</u>	<u>469,435</u>
Work-in-process	47,334	43,601
Finished goods	264,424	301,210
Provision for obsolescence and slow moving stock 6.1	(22,615)	(17,229)
	<u>822,650</u>	<u>797,017</u>

- 6.1** Stock-in-trade has been written down by Rs. 3.34 million (31 December 2018: Rs. 2.35 million) to arrive at net realisable value.

	Note	30 September 2019 (Un-audited)	31 December 2018 (Audited)
..... (Rupees in '000)			
7. TRADE DEBTS – considered good			
Related parties			
- Aspin Pharma (Private) Limited – associate		5,619	-
- Muller and Phipps Pakistan (Private) Limited - associate		516,493	396,435
		522,112	396,435
Others	7.1	61,567	65,610
		583,679	462,045
Less: Allowance for expected credit losses (balances considered doubtful)	3.1.2	(3,745)	-
		579,934	462,045

- 7.1 These balances include a balance receivable from OBS Pakistan (Private) Limited (OBS) of Rs. 2.70 million (31 December 2018: Rs. 8.05 million) which was a related party as on 31 December 2018, however, as on 30 September 2019 OBS is not a related party to AGP Limited, as it is no longer a group company of AGP Limited.

	Note	30 September 2019 (Un-audited)	31 December 2018 (Audited)
..... (Rupees in '000)			
8 CASH AND BANK BALANCES			
With banks in			
Current accounts			
- Local currency	8.1	49,074	21,943
- Foreign currency	8.1	373	231
Deposit accounts		50,221	2,069
		99,668	24,243
Cash in hand		442	180
		100,110	24,423

- 8.1 These carry profit rates ranging from 4.22% to 11.25% (31 December 2018: 1.35% to 7.5%) per annum.

	Note	30 September 2019 (Un-audited)	31 December 2018 (Audited)
..... (Rupees in '000)			
9. SHORT-TERM BORROWINGS			
Running finance from commercial banks		276,801	549
Running musharka from Islamic banks		-	144,428
Accrued Interest		3,083	6,406
	9.1	279,884	151,383

- 9.1 Represent running finance facilities of Rs. 950 million (31 December 2018: Rs. 950 million) from commercial banks and Rs. 750 million (31 December 2018: Rs. 750 million) from Islamic banks carrying markup rates ranging from 1-3 months KIBOR plus 0.3% to 1.5% (31 December 2018: 1-3 months KIBOR plus 0.3% to 1.5%) per annum payable quarterly. The facilities are secured by way of hypothecation charge over current assets of the Company.

10 CONTINGENCIES AND COMMITMENTS**10.1 Contingencies**

There is no material change in the status of contingencies as disclosed in note 20 to the annual financial statements of the Company for the year ended 31 December 2018.

10.2 Commitments

30 September
2019
(Un-audited)

31 December
2018
(Audited)

..... (Rupees in '000)

- Outstanding letters of credit
- Capital commitments
- Bank guarantees

196,392	152,984
106,525	4,462
20,212	26,265

Nine months ended		Quarter-ended	
30 September	30 September	30 September	30 September
2019	2018	2019	2018
----- (Rupees in '000) -----			

11. REVENUE - NET

Local

- Manufacturing
- Trading

4,147,617	3,533,203	1,255,538	1,086,434
669,328	1,287,031	117,536	185,787
4,816,945	4,820,234	1,373,074	1,272,221
261,090	28,151	120,706	8,500

Export

Less: Trade discounts

Sales Return

Sales tax

(509,303)	(825,836)	(88,235)	(128,145)
(6,246)	(3,469)	(3,322)	(1,077)
(1,310)	(1,699)	(374)	(408)
4,561,176	4,017,381	1,401,849	1,151,091

12 COST OF SALES

Cost of sales – manufacturing

Raw and packing materials consumed

Opening stock

Purchases

Available for consumption

Closing stock

Raw and packing material consumed

469,435	364,621	479,871	413,058
1,224,954	1,002,229	432,422	343,631
1,694,389	1,366,850	912,293	756,689
(533,507)	(538,738)	(533,507)	(538,738)
1,160,882	828,112	378,786	217,951

	Nine months ended		Quarter-ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	----- (Rupees in '000) -----			
Manufacturing cost				
Salaries, wages, allowances and other benefits	283,303	250,189	93,177	79,874
Stores and spares consumed	13,174	13,974	4,204	3,431
Provision against slow moving and obsolete materials	5,529	4,895	-	-
Processing charges	5,531	11,025	2,329	5,287
Freight	3,459	1,270	1,524	387
Fuel, gas and electricity	69,977	53,153	27,694	19,639
Repairs and maintenance	43,543	37,548	15,086	10,325
Travelling and conveyance	10,562	9,208	5,579	5,917
Insurance	4,865	1,406	1,594	589
Laboratory expenses	10,549	18,050	4,388	2,021
Rent, rates and taxes	1,119	1,490	501	1,062
Depreciation	62,620	49,382	21,604	16,731
Amortisation	233	30	124	13
Communication	2,011	1,232	683	415
Printing and stationery	2,273	1,471	642	389
	518,748	454,323	179,129	146,080
	1,679,630	1,282,435	557,915	364,031
Work-in-process				
Opening stock	43,601	48,783	76,970	49,003
Closing stock	(47,334)	(39,225)	(47,334)	(39,225)
	(3,733)	9,558	29,636	9,778
Cost of goods manufactured	1,675,897	1,291,993	587,551	373,809
Finished goods				
Opening stock	216,384	152,127	150,416	149,423
Closing stock	(151,950)	(179,948)	(151,950)	(179,948)
	64,434	(27,821)	(1,534)	(30,525)
Stock adjustment account				
Samples	(41,715)	(41,904)	(14,813)	(14,813)
Cost of sales – trading				
Opening stock	84,826	104,118	119,337	58,542
Purchases	255,014	512,934	25,287	166,812
Closing stock	(112,474)	(84,825)	(112,474)	(84,825)
	227,366	532,227	32,150	140,529
	1,925,982	1,754,495	603,354	469,000

Nine months ended		Quarter-ended	
30 September 2019	30 September 2018	30 September 2019	30 September 2018
----- (Rupees in '000) -----			

13. MARKETING AND SELLING EXPENSES

Salaries, wages and other benefits	449,163	379,905	126,549	114,365
Travelling and conveyance	129,500	125,027	43,269	38,151
Repairs and maintenance	3,560	4,284	1,048	2,026
Insurance	3,623	3,177	1,268	1,180
Depreciation	24,133	18,728	8,152	6,640
Amortisation	249	249	84	84
Printing and stationery	2,716	3,394	395	1,255
Samples	41,715	41,904	14,813	14,813
Sales promotion expenses	224,085	217,741	68,295	74,481
Communication	8,789	10,506	3,008	3,410
Subscription	7,885	3,129	3,338	1,513
Freight	21,709	19,984	4,297	6,996
	<u>917,127</u>	<u>828,028</u>	<u>274,516</u>	<u>264,914</u>

14. FINANCE COSTS

Mark-up on long-term financing	157,013	127,985	54,662	43,157
Mark-up on short-term borrowings	6,089	12,855	3,116	6,741
Bank charges	3,294	3,957	1,427	716
	<u>166,396</u>	<u>144,797</u>	<u>59,205</u>	<u>50,614</u>

15. TRANSACTIONS WITH RELATED PARTIES

The related parties include the holding Company, the associated companies, staff retirement fund, directors and other key management personnel. Transactions with related parties, other than those disclosed elsewhere in the condensed interim financial statements, are as follows:

Relationship	Basis of relationship	Share holding	Nature of transactions	Nine months ended		Quarter-ended	
				30 September 2019	30 September 2018	30 September 2019	30 September 2018
				----- (Rupees in '000) -----			
OBS Pakistan (Private) Limited	Refer Note 1		Sale of goods	5,329	22,361	-	6,705
			Expenses charged to	2,755	15,837	-	1,352
			Expenses charged by	7,266	34,204	-	1,475
			Dividend paid	-	176,857	-	-
Holding Company							
Aitkenstuart Pakistan (Private) Limited	Common directorship / Shareholding	52.72%	Dividend paid	176,857	-	176,857	-

Relationship	Basis of relationship	Share holding	Nature of transactions	Nine months ended		Quarter-ended	
				30 September 2019	30 September 2018	30 September 2019	30 September 2018
			 (Rupees in '000)			
Associated companies							
Aspin Pharma (Private) Limited	Common directorship	4.79%	Sale of goods	<u>14,113</u>	<u>-</u>	<u>6,385</u>	<u>-</u>
			Expenses charged to	<u>1,980</u>	<u>2,759</u>	<u>1,055</u>	<u>1,857</u>
			Expenses charged by	<u>-</u>	<u>1,073</u>	<u>-</u>	<u>359</u>
			Dividend paid	<u>16,750</u>	<u>16,750</u>	<u>16,750</u>	<u>-</u>
Muller & Phipps Pakistan (Private) Limited	Common directorship	13.54%	Sale of goods	<u>3,813,052</u>	<u>3,122,845</u>	<u>1,201,841</u>	<u>968,953</u>
			Expenses charged to	<u>-</u>	<u>2,983</u>	<u>-</u>	<u>-</u>
			Expenses charged by	<u>40,825</u>	<u>26,924</u>	<u>15,337</u>	<u>7,418</u>
			Dividend paid	<u>47,400</u>	<u>47,400</u>	<u>47,400</u>	<u>-</u>
Retirement fund			Contribution paid	<u>17,202</u>	<u>15,076</u>	<u>5,693</u>	<u>3,142</u>
Key management personnel			Remuneration	<u>218,130</u>	<u>171,422</u>	<u>59,219</u>	<u>59,183</u>
Directors			Directors' fee	<u>675</u>	<u>675</u>	<u>150</u>	<u>300</u>

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018. There have been no changes in any risk management policies since the year end.

The carrying values of all financial and non-financial assets and liabilities measured at other than amortised cost in these condensed interim financial statements approximate their fair values.

17. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 29 October 2019 by the Board of Directors of the Company.

18. GENERAL

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

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



Chief Executive Officer



Chief Financial 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