

GOING FURTHER DOING MORE!

FIRST
QUARTERLY
REPORT
31 MARCH 2020



AGP
we value life

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 three months ended March 31, 2020.

Financial Highlights

The financial results of the Company in comparison to the corresponding period last year are as follows:

PARTICULARS	March 31		Variation
	2020	2019	
	PKR in Million		%
Net Sales	1,756	1,611	9.0
Cost of Sales	785	678	15.7
Gross Profit	972	933	4.2
Net Profit	435	425	2.2
Earnings Per Share (PKR)	1.55	1.52	2.2

Operating Results of the Company

The Company started the year continuing with its growth trajectory until uncertainty and volatility hit the business and economic environment due to COVID-19 calamity at the close of the first quarter of 2020. Overall, sales of the Company were recorded at PKR 1,756 Million, reflecting a growth of 9% compared to the same period last year. The domestic portfolio delivered steady performance and impressive improvement in institutional business also supported the growth in total sales. Sales to Afghanistan have also shown robust growth until the closure of border in the last month of the period under review.

Cost of sales has increased by 15.7% mainly on account of price escalation of imported materials due to considerable devaluation of Pak Rupee. Resultantly, gross profit margin for the quarter under review remained a little suppressed.

The Company exercised stringent cost control measures and accordingly, marketing and selling expenses were well controlled. However, administrative expenses have increased by PKR 10.5 Million mainly on account of higher personnel costs associated with growth in business operations.

Steady sales performance along with effective cost control measures have led net profit to stand at PKR 435 Million and translated into earnings per share (EPS) of PKR 1.55 for the first quarter of 2020, registering a growth of 2.2% over the same period last year.

Outlook

COVID-19 pandemic has raised unprecedented challenges on multiple fronts ranging from supply chain disruptions to liquidity management and workforce safety, availability and mobility. The Company is closely monitoring the situation and employing rigorous management techniques to ensure business continuity and navigate crisis posed by the evolving market landscape with optimism.

The risk of inventory shortages due to global value chain disruptions remains under close assessment and the Company has adopted proactive inventory management mechanisms and developed alternate vendor sources where possible. To date the Company's inventory holdings have been sufficient to ensure supply continuity. Effective measures are deployed to maintain sufficient liquidity and funds which includes deferment of expenditures where possible and assessment of availing subsidized financing facilities when prudent. Necessary precautions and procedures are in place to address workforce safety, promote labor mobility and sustain remote working capability to ensure uninterrupted production and hence availability of our medicines for patients.

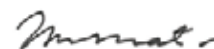
Suppressed domestic demand due to the lockdown situation coupled with expectations of a spiraling global recession are likely to result in significant challenges for businesses and corporate sector. Accordingly, the profitability of the Company is expected to remain under pressure. However, being part of an essential industry along with various measures taken by the Government and State Bank of Pakistan to mitigate the growing concerns about economic impact of COVID-19, the Company is well positioned to meet these challenges with resilience and deliver enduring value for its stakeholders.

Amidst the prevailing uncertain implications caused by Coronavirus outbreak, the Company is determined to continue with its growth trajectory by focusing on quality deliverance, enhancing manufacturing capabilities, capitalizing on business development opportunities with greater agility and providing attractive returns to its shareholders.

Acknowledgement

We would like to place on record our sincere appreciation for the commitment, dedication and effort demonstrated by each employee in achieving the Company's objectives. We would especially like to honor the selfless commitment displayed by our employees working in manufacturing facilities to produce medicines, ensuring continuous supply to the market to treat our patients in these perilous times.

We would also like to thank our esteemed business partners, valued customers and other stakeholders for their unwavering support and trust in the Company.



Nusrat Munshi
Chief Executive Officer



Muhammad Kamran Mirza
Non-Executive Director

ممبران کے لئے ڈائریکٹران کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے ہم کمپنی کی غیر آڈٹ شدہ اختصاری عبوری مالیاتی معلومات برائے سہ ماہی مدت مختتمہ 31 مارچ 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

مالیاتی جھلکیاں

کمپنی کے مالیاتی نتائج کا گزشتہ سال اسی مدت کے ساتھ موازنہ درج ذیل ہے:

تفصیلات	31 مارچ		
	2020	2019	تبدیلی
	روپے ملین میں		(فیصد)
خالص فروخت	1,756	1,611	9.0
لاگت فروخت	785	678	15.7
خام منافع	972	933	4.2
خالص منافع	435	425	2.2
فی حصص آمدن (روپے)	1.55	1.52	2.2

کمپنی کے کاروباری نتائج

سال کے آغاز سے ہی کمپنی اپنی نمو کے راستے پر گامزن رہی لیکن 2020 کی پہلی سہ ماہی کے اختتام پر COVID-19 کی آفت نے معاشی اور کاروباری ماحول کو غیر یقینی اور نازک بنا دیا۔ مجموعی طور پر کمپنی کی فروخت 1,756 ملین روپے رہی جو کہ گزشتہ سال اسی مدت کی بد نسبت 9 فیصد اضافہ کی عکاسی کرتی ہے۔ انفرادی صارفین کے پورٹ فولیو کی مستحکم کارکردگی اور اداری کاروبار کی متاثر کن بہتری نے کل فروخت کی نمو کو سہارا دیا۔ افغانستان کی فروخت میں جائزہ مدت کے آخری ماہ میں سرحد بند ہونے سے قبل تک تیز ترین ترقی دیکھی گئی۔

لاگت فروخت میں 15.7 فیصد اضافہ ہوا جس کی بنیادی وجہ پاکستانی روپے کی قدر میں قابل ذکر کمی کے نتیجے میں درآمدی مال کی قیمت میں تیز ترین اضافہ تھا۔ جس کے نتیجے میں جائزہ سہ ماہی مدت میں خام منافع معمولی کم رہا۔

کمپنی نے لاگت کو قابو کرنے کے لئے سخت اقدامات کئے اور اس طرح مارکیٹنگ اور فروخت کے اخراجات کو بہت حد تک قابو میں رکھا گیا۔ تاہم انتظامی اخراجات میں 10.5 ملین کا اضافہ ہوا جس کی بنیادی وجہ کاروباری افعال میں پھیلاؤ کی وجہ سے عملہ کی بلند لاگتیں تھیں۔

فروخت کی مستحکم کارکردگی کے ساتھ لاگت پر موثر کنٹرول کے اقدامات کی وجہ سے خالص منافع 435 ملین روپے رہا اور 2020 کی پہلی سہ ماہی میں فی حصص آمدن (EPS) 1.55 روپے رہی جو کہ گزشتہ سال اسی مدت کی بد نسبت 2.2 فیصد اضافہ کی عکاسی کرتی ہے۔

منظر نامہ

COVID-19 کی وباء نے کئی محاذ پر غیر متوقع چیلنجز کھڑے کر دیئے ہیں جن کا تعلق رسد میں رکاوٹ سے لے کر روانیت کے انتظام اور عملہ کا تحفظ، دستیابی اور اس کی نقل و حمل سے ہے۔ کمپنی باریک بینی کے ساتھ صورتحال کا جائزہ لے رہی ہے اور کاروباری تسلسل کو یقینی بنانے کے لئے سخت انتظامی طریقے اختیار کر رہی ہے اور امید پروری کے ساتھ مارکیٹ میں ابھرتے ہوئے بحران پر گہری نگاہ رکھے ہوئے ہے۔

عالمی سپلائی میں رکاوٹ کی وجہ سے خام مال کی کمی کے خطرے کی باریک بینی سے تشخیص کی جارہی ہے اور کمپنی نے مال کے انتظام کے لئے متحرک طریقہ اختیار کیا ہے اور جہاں ممکن ہو وہاں پر متبادل ویڈیو ذرائع ترویج کئے ہیں۔ اب تک کمپنی کے مال کے ذخائر مسلسل فراہمی کو یقینی بنانے کے لئے کافی ہیں۔ کافی روانیت اور رقم کو برقرار رکھنے کے لئے موثر اقدامات کئے گئے ہیں جس میں جہاں تک ممکن ہو اخراجات کو موثر کرنے اور احتیاط کے طور پر ارزوں نرغوں پر مالیاتی سہولیات سے استفادہ کی تشخیص شامل ہے۔ عملہ کے تحفظ اور مزدوری کی نقل و حمل کے لئے ضروری احتیاطوں اور طریقہ کار کو اپنایا گیا ہے اور کام کی غیر روایتی صلاحیتوں کو برقرار رکھا گیا ہے تاکہ بلا رکاوٹ پیداوار کو یقینی بنایا جاسکے اور ہماری ادویات مریضوں کے لئے دستیاب ہوں۔

لاک ڈاؤن کی صورتحال کی وجہ سے انفرادی صارفین کی طلب میں کمی کے ساتھ ساتھ متوقع عالمی معاشی بحران کے نتیجے میں کاروباری اداروں اور کارپوریٹ سیکٹر کو قابل ذکر چیلنجز کا سامنا ہوگا۔ لہذا امکان ہے کہ کمپنی کی منافع کاری دباؤ میں رہے گی۔ تاہم ایک بنیادی اہم صنعت کا حصہ ہونے کے ساتھ ساتھ COVID-19 کی وجہ سے بڑھتے ہوئے معاشی خدشات کے ازالہ کے لئے حکومت اور اسٹیٹ بینک کے اقدامات کی وجہ سے کمپنی ان چیلنجز کا چلک پذیری کے ساتھ مقابلہ کرنے کی بہترین پوزیشن میں ہے اور اپنے مستقبل دان کو بہتر منفعت فراہم کرے گی۔

کورونا وائرس کے پھیلاؤ کے موجودہ غیر یقینی مضمرات کے درمیان معیار کی فراہمی، پیداواری صلاحیت میں اضافے، انتہائی مستعدی کے ساتھ کاروباری ترقی کے مواقعوں میں سرمایہ کاری کرتے ہوئے کمپنی اپنی نمو کے راستے پر گامزن رہنے اور حصص یافتگان کو پرکشش منفعت فراہم کرنے کے لئے کوشاں ہے۔

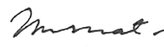
اعتراف

ہم اس موقع پر کمپنی کے ہر ملازم کی کمپنی کے مقاصد کے حصول میں اپنی احساس ذمہ داری، محنت اور جدوجہد پر اس کے لئے مخلصانہ ستائش ریکارڈ پر لانا چاہتے ہیں۔ خاص طور پر ان ملازمین کی بے غرضانہ احساس ذمہ داری کے معترف ہیں جو ادویات کی پیداواری سہولیات پر کام کر رہے ہیں جن کی وجہ سے اس مشکل گھڑی میں بروقت سپلائی کو یقینی بنایا اور ہمارے مریضوں کا علاج ہو سکا۔

اس موقع پر ہم اپنے معزز کاروباری شراکت داروں، قابل قدر گاہکوں اور دیگر مستقبل دان کے غیر متزلزل تعاون اور کمپنی پر ان کے اعتماد پر ان کے مشکور ہیں۔



محمد کامران مرزا
ٹان ایگزیکٹو ڈائریکٹر



نصرت نشی
چیف ایگزیکٹو آفیسر

Condensed Interim Statement of Financial Position

As At 31 March 2020

		31 March 2020 (Un-audited)	31 December 2019 (Audited)
	Note	------(Rupees in '000)-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,986,515	1,976,564
Intangible assets	5	5,393,645	5,395,055
Long-term loans, deposits and receivables		13,156	13,514
		7,393,316	7,385,133
CURRENT ASSETS			
Stores, spares and loose tools		6,816	6,785
Stock-in-trade	6	950,956	1,013,401
Trade debts	7	589,755	522,535
Loans and advances		48,870	36,340
Trade deposits, prepayments and other receivables		129,392	85,463
Taxation – net		406,995	434,809
Cash and bank balances	8	251,771	117,154
		2,384,555	2,216,487
TOTAL ASSETS		9,777,871	9,601,620
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital			
Share capital		2,800,000	2,800,000
Revenue reserve - unappropriated profits		5,097,591	4,662,899
		7,897,591	7,462,899
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net		73,387	70,920
Long-term financings		596,616	717,065
		670,003	787,985
CURRENT LIABILITIES			
Trade and other payables		708,837	845,557
Unclaimed dividend		878	969
Accrued interest		9,601	13,249
Current maturity of long-term financings		490,961	490,961
		1,210,277	1,350,736
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		9,777,871	9,601,620

The annexed notes 1 to 18 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 Period Ended 31 March 2020 - (Un-Audited)

		31 March 2020 (Un-audited)	31 March 2019 (Audited)
	Note	------(Rupees in '000)-----	
Revenue from contracts with customers - net	10	1,756,300	1,611,009
Cost of sales	11	(784,578)	(678,422)
Gross profit		971,722	932,587
Administrative expenses	12	(43,385)	(32,912)
Marketing and selling expenses		(276,646)	(306,072)
Other expenses		(65,427)	(41,427)
Other income		5,815	3,500
Finance costs		(47,778)	(53,601)
		(427,421)	(430,512)
Profit before taxation		544,301	502,075
Taxation		(109,609)	(76,778)
Net profit for the period		434,692	425,297
Earnings per share - basic and diluted		Rs. 1.55	Rs. 1.52

The annexed notes 1 to 18 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 Period Ended 31 March 2020 - (Un-Audited)

	31 March 2020	31 March 2019
	----- (Rupees in '000) -----	
Net profit for the period	434,692	425,297
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	434,692	425,297

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



Chief Financial Officer



Chief Executive Officer



Director

Condensed Interim Statement of Changes in Equity

For The Period Ended 31 March 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
Total comprehensive income for the period	-	425,297	425,297
Balance as at 31 March 2019	2,800,000	3,991,808	6,791,808
Balance as at 31 December 2019	2,800,000	4,662,899	7,462,899
Total comprehensive income for the period	-	434,692	434,692
Balance as at 31 March 2020	2,800,000	5,097,591	7,897,591

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



Chief Financial Officer



Chief Executive Officer



Director

Condensed Interim Statement of Cash Flows

For The Period Ended 31 March 2020 - (Un-Audited)

	Note	31 March 2020 ------(Rupees in '000)-----	31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	425,767	505,967
Finance costs paid		(51,426)	(56,056)
Income tax paid		(79,331)	(69,524)
Net cash flows generated from operating activities		295,010	380,387
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(44,974)	(97,685)
Proceeds from disposal of operating fixed assets		789	5,234
Long-term loans, deposits and other receivables		358	(370)
Interest income received		3,974	696
Net cash flows used in investing activities		(39,853)	(92,125)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(91)	(30,449)
Long-term financing repaid - net		(120,449)	(120,360)
Net cashflows used in financing activities		(120,540)	(150,809)
Net increase / (decrease) in cash and cash equivalents		134,617	137,453
Cash and cash equivalents at the beginning of the period		117,154	(120,554)
Cash and cash equivalents at the end of the period	14	251,771	16,899

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

The annexed notes 1 to 18 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 Period Ended 31 March 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.

1.2 The Honorable High Court of Sindh vide its order dated 07 May 2019 has sanctioned the Scheme of Arrangement (the Scheme) entered among OBS Pakistan (Private) Limited, OBS Healthcare (Private) Limited, OBS Ophthalmics (Private) Limited and Aitkenstuart Pakistan (Private) Limited. Consequently, the 141,485,434 ordinary shares (representing 50.53% shareholding) of the Company held by OBS Pakistan (Private) Limited have been transferred to Aitkenstuart Pakistan (Private) Limited [APPL] under the Scheme by virtue of which APPL becomes the parent company and West End 16 Pte Limited, Singapore is the ultimate parent company.

As of reporting date, Aitkenstuart Pakistan (Private) Limited (parent company) holds 52.98% of the share capital of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 2019. These condensed interim financial statements are unaudited, and are being submitted to the shareholders as required by the listing regulations 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 2019, except as disclosed in the condensed interim financial statements.

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.

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

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.

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 is currently monitoring the rapidly evolving situation closely, including the potential impacts on revenue, supply chain continuity, employees and operations, and has taken effective measures for proactive inventory management to develop alternate and reliable vendor sources and build inventory levels to ensure supplies of goods for short term. Further, the Company also looks forward for favorable Government policies and measures to facilitate business environment, and Drug Regulatory Authority Pakistan (DRAP) in particular to support the pharmaceutical industry.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate as the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these condensed interim financial statements. These developments could impact our future financial results, cash flows and financial condition.

3.2 Property, plant and equipment

Given the current economic condition, there is no change in usage or retention strategy of the assets during the interim period. Therefore, the accounting policies, significant judgements, estimates, the methods of consumption adopted in determining 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 Intangible assets

The Company assesses annually at year end and when circumstances indicate that the carrying value may be impaired. Impairment for goodwill and intangible having indefinite useful lives is determined by assessing the recoverable amount using Level 1 of fair value hierarchy of cash generating unit (i.e. at the Company level) to which these assets relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognized.

The carrying value of goodwill and intangibles 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 31 March 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. 743.226 million and intangible asset with indefinite useful lives of Rs. 4,641.087 million are allocated.

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

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.

3.5 Income Taxes

The income tax expense recognized in these condensed interim financial statements is based on year-to-date actual tax calculation.

3.6 Revenue from contract with customers

Given the current economic condition, where there is a temporary lockdown in the country and COVID-19 outbreak might affect budgeted revenue for FY 2020 from ongoing and future contracts with customers falling within the scope of "IFRS 15 - Revenue from Contracts with Customers". However, the management based on the results of first quarter of FY 2020 concluded that there is no material impact on the revenue and financial performance of the Company for the quarter ended 31 March 2020.

		31 March 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (Rupees in '000) -----	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,828,596	1,846,072
Capital work-in-progress	4.2	157,919	130,492
		1,986,515	1,976,564

4.1 Details of additions and disposals are as follows:

	Additions (at cost)		Disposals (NBV)	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	----- (Rupees in '000) -----			
Factory Building	300	3,582	-	-
Plant & Machinery	5,829	9,370	-	706
Furniture & Fixtures	-	1,570	-	-
Motor Vehicles	-	21,426	370	2,878
Office Equipment	5,774	970	-	-
Refrigerator and Air Conditioner	190	32	-	104
Laboratory Equipment	-	1,439	-	-
Computers & related accessories	5,504	2,813	-	-
	17,597	41,202	370	3,688

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

	31 March 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
Note		
4.2		
The following is the movement in capital work-in-progress during the period / year:		
Opening balance	130,492	79,444
Additions during the period / year	45,024	433,088
Transferred during the period / year to:		
- operating fixed assets	(17,597)	(379,749)
- intangible assets	-	(2,291)
Closing balance	157,919	130,492
5. INTANGIBLE ASSETS		
Goodwill	743,226	743,226
Trademarks - indefinite	4,641,087	4,641,087
Computer software	9,332	10,742
	5,393,645	5,395,055
6. STOCK-IN-TRADE		
Raw and packing materials		
In hand	459,883	521,864
In transit	56,040	35,005
	515,923	556,869
Work-in-process	90,117	58,022
Finished goods		
- Manufacturing	175,265	217,846
- Trading	190,761	201,774
	366,026	419,620
Provision for obsolescence and slow moving stock	(21,110)	(21,110)
	950,956	1,013,401
6.1		
Stock in trade includes items having cost of Rs. 3.20 million (2019: Rs. 4.88 million) written down to net realisable value of Rs. 2.71 million (2019: Rs. 3.98 million) resulting in a written down of Rs. 0.50 million (2019: Rs. 0.90 million).		
7. TRADE DEBTS - unsecured		
Related parties		
- OBS Pakistan (Private) Limited	952	625
- Aspin Pharma (Private) Limited	18,428	1,054
- Muller & Phipps Pakistan (Private) Limited	528,655	491,824
	548,035	493,503
Others than related parties	43,284	30,256
	591,319	523,759
Less: Allowances for expected credit losses	(1,564)	(1,224)
	589,755	522,535
Note		

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

	31 March 2020 (Un-audited) ------(Rupees in '000)-----	31 December 2019 (Audited)
Note		
7.1		
The movement in allowance for expected credit losses:		
Opening Balance	1,224	-
Adjustment due to initial application of IFRS 9	-	1,114
Allowance for expected credit lossess for the preiod	340	110
Closing balance	1,564	1,224
8. CASH AND BANK BALANCES		
Cash at banks		
Current accounts		
- local currency	29,455	4,448
- foreign currency	346	346
Deposit accounts	221,275	111,716
	251,076	116,510
Cash in hand	695	644
	251,771	117,154
8.1		
These carry profit at the rates ranging from 7.43% to 11.25% (2019: 4.22% to 12.30%) per annum.		
9. CONTINGENCIES AND COMMITMENTS		
9.1 CONTINGENCIES		
There is no material change in the status of contingencies as disclosed in note 18 to the annual financial statements of the Company for the year ended 31 December 2019 except for:		
During the course of audit for tax year 2018 and 2019 ,a show cause notice was received from Sindh Revenue Board (SRB), for depositing Sindh Sales Tax (SST) amounting to Rs. 22,205,474 in respect of Contract Labour services acquired during year ended 31 December 2017 and 2018. The contention of SRB was that the services of Labour and manpower supply are covered under second schedule to the Sindh Sales Tax on Services Act, 2011 (the Act). Furthermore, 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 service. 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. 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, the Company had filed a constitutional petition with the Hon'ble High court of Sindh (SHC) against the said show cause notice. The SHC has granted a stay order against recovery of the amount and directed SRB to not pass any final adverse order till next date of hearing. The Company, in view of a tax advice, expects a favorable outcome, accordingly, no provision has been made in these condensed interim financial statements.		

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

31 March 2020 (Un-audited)	31 December 2019 (Audited)
----- (Rupees in '000) -----	

9.1.1 Guarantees

Bank guarantees	25,971	25,861
-limit	260,000	260,000
-unutilised portion	234,029	234,139

9.2 COMMITMENTS

9.2.1 As at 31 March 2020 capital expenditure contracted for but not incurred amounted to Rs 79.79 million (31 December 2019: Rs 92.550 million).

9.2.2 Letters of credit

Letters of credit	269,281	390,146
-limit	2,320,000	2,320,000
-unutilised portion	2,050,719	1,929,854

31 March 2020	31 March 2019
----- (Rupees in '000) -----	

10. REVENUE FROM CONTRACT WITH CUSTOMERS - net Sale of goods (at a point in time)

Local		
- Manufacturing	1,484,606	1,512,487
- Trading	468,868	286,931
	1,953,474	1,799,418
Export	145,083	22,470
Less: Trade discounts	(333,584)	(209,669)
Sales returns	(5,872)	(687)
Sales tax	(2,801)	(523)
	(342,257)	(210,879)
	1,756,300	1,611,009

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

31 March 2020	31 March 2019
----- (Rupees in '000) -----	

11. COST OF SALES

Cost of sales – manufacturing

Raw and packing materials consumed

Opening stock	556,869	376,020
Purchases	417,485	470,291
Available for consumption	974,354	846,311
Closing stock	(515,923)	(450,119)
Raw and packing material consumed	458,431	396,192

Manufacturing cost

Salaries, wages and other benefits	102,551	94,581
Stores and spares consumed	2,720	4,379
Processing charges	2,519	1,299
Freight	515	664
Fuel, gas and electricity	22,265	16,550
Repairs and maintenance	12,820	16,050
Travelling and conveyance	11,163	3,145
Insurance	1,579	720
Laboratory expenses	3,234	2,406
Rates and taxes	104	523
Depreciation	23,906	20,498
Amortisation	128	54
Postage, telegraph and telephones	672	390
Printing and stationery	1,107	696
	185,283	161,955
	643,714	558,147

Work-in-process

Opening stock	58,022	43,601
Closing stock	(90,117)	(50,024)
	(32,095)	(6,423)

Cost of goods manufactured

Finished goods

Opening stock	217,846	216,385
Closing stock	(175,265)	(177,336)
	42,581	39,049
	654,200	590,773

Cost of samples for marketing and sales promotion

Cost of sales – trading

Opening stock	201,774	84,825
Purchases	134,808	142,051
Closing stock	(190,761)	(125,539)
	145,821	101,337
	784,578	678,422

11.1 Included herein is a sum of Rs. 1.90 million (31 March 2019: Rs. 1.70 million) in respect of staff retirement benefits.

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

		31 March 2020	31 March 2019
Note		(Rupees in '000)	
12. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	12.1	28,576	20,944
Travelling and conveyance		204	44
Printing and stationery		165	1,233
Directors' remuneration		300	225
Postage, telegrams and telephones		109	62
Legal and professional		4,917	4,103
Research cost		209	546
Repairs and maintenance		1,660	1,186
Software license renewals and maintenance fee		2,698	1,635
Subscription and fee		218	262
Advertisement		366	-
Donations		305	234
Insurance		105	82
Depreciation		2,236	1,163
Amortisation		1,254	1,129
Vehicle running expenses		63	64
		43,385	32,912

12.1 Included herein is a sum of Rs. 0.932 million (31 March 2019: Rs. 0.69 million) in respect of staff retirement benefits.

13. CASH GENERATED FROM OPERATIONS

	31 March 2020	31 March 2019
	(Rupees in '000)	
Profit before taxation	544,301	502,075
Adjustments for:		
Depreciation	34,654	29,631
Amortisation	1,410	1,265
Allowances for expected credit losses	339	-
Loss / (gain) on disposal of operating fixed assets	(419)	(1,546)
Mark-up on deposits accounts	(3,974)	(696)
Finance costs	47,778	51,358
Provision for Workers' Profit Participation Fund	29,080	27,128
Provision for Workers' Welfare Fund	8,282	6,844
Provision for Central Research Fund	5,875	5,480
	123,025	119,464
Operating profit before working capital changes	667,326	621,539
Working capital changes		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(31)	396
Stock-in-trade	62,445	11,228
Trade debts	(67,557)	(104,136)
Loans and advances	(12,530)	(55,815)
Trade deposits, prepayments and other receivables	(43,929)	(4,178)
	(61,602)	(152,505)
(Decrease) / increase in current liabilities		
Trade and other payables	(179,957)	36,933
	425,767	505,967

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

	31 March 2020	31 March 2019
	(Rupees in '000)	
14. CASH AND CASH EQUIVALENTS		
Cash and bank balances	251,771	61,754
Short-term borrowings	-	(44,855)
	251,771	16,899

15. 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:

				March 31 2020	March 31 2019
Name and country of incorporation	Basis of relationship	% of shares held by related parties	Nature of transactions	(Rupees in '000)	
OBS Pakistan (Private) Limited - Pakistan	Common directorship	Nil (2019: 50.53%)	Sale of goods	-	4,929
			Expenditure incurred / paid by the Company on behalf of associate	327	752
Associated companies					
Aspin Pharma (Private) Limited - Pakistan	Common directorship	4.79%	Sale of goods	19,288	6,228
			Expenditure incurred / paid by the Company on behalf of associate	233	465
			Sale of goods	1,389,048	1,309,712
Muller and Phipps Pakistan (Private) Limited - Pakistan	Common directorship	13.54%	Settlement of amount incurred by the associate on behalf of the Company	18,816	10,324
Staff retirement benefits - AGP Limited staff provident fund			Contribution paid	5,087	5,253
Key management personnel			Remuneration and other benefits	66,874	29,871
Directors			Board and other meeting fee	300	225

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

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency, interest rate and other price risks). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. 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 2019. There have been no changes in any risk management policies since the year end.

Notes to The Condensed Interim Financial Statements

For The Period Ended 31 March 2020 - (Un-Audited)

17. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on 30 April 2020 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, 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