

GOING FURTHER DOING MORE!

ANNUAL
REPORT
2019

AGP
we value life



COVER STORY



Our legacy of 31 years, has enabled us to play our part in improving the quality of life, by providing high quality medicines. We aspire to build healthier and safer communities – as we practice our slogan “*we value life*”. Building on this ideology this year’s annual report manifests our ambition of striving for excellence and growth, going further and doing more for our patients, customers, employees, shareholders and other stakeholders.

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Striving for Excellence in Corporate Reporting >>

Overview

In compiling this annual report, the following frameworks have been considered:

- » The accounting and reporting standards as applicable in Pakistan comprise:
 - International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Islamic Financials Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP); and
 - Provisions of and directives issued under the Companies Act, 2017.
- » Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS and IFAS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed
- » Regulations of the Listed Companies Code of Corporate Governance, 2019 and the Listing Regulations of the Pakistan Stock Exchange (PSX)
- » Best practices on Corporate Reporting as promoted by Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP)
- » Integrated Reporting (IR) framework issued by the International Integrated Reporting Council (IIRC)

Statement of Adherence with International Integrated Reporting Framework

This integrated annual report provides an overview of how AGP creates sustainable value over time. It provides insight into the Company's strategy, and how it relates to its ability to create value in the short, medium and long term. This report also details the nature and quality of organization's relationships with its key stakeholders. It also

encompasses the financial and non-financial performance of the Company and provides an understanding of future prospects.

This integrated annual report precisely covers the following fundamental elements of Integrated Reporting framework:

- » Organizational overview and external environment
- » Governance
- » Business model
- » Risks and opportunities
- » Strategy and resource allocation
- » Performance
- » Outlook
- » Basis of preparation and presentation

Reporting Period

This Annual Report covers the reporting period from January 1, 2019 to December 31, 2019. The Company views corporate reporting as a means of communicating with its stakeholders. This report aims to provide readers with an overview of Company's governance, strategy, performance and future prospects.

External Assurance

Following elements of this report have been independently assured by external experts:

Independent Auditor's Report on the Audit of Financial Statements	EY Ford Rhodes - Chartered Accountants
Review Report on Compliance with Code of Corporate Governance	
Entity's Credit Rating	Pakistan Credit Rating Agency (PACRA)

The Year at a Glance >>





Vision >>

AGP's vision is based on quality and professionalism. Our people and resources are dedicated to provide quality products and ethical services to meet the needs of customers in a responsible manner.

There is an emphasis on employee pride, meticulous quality control and optimum resource utilization to achieve and maintain a leadership position in the healthcare industry, to grow through aggressive but ethical marketing, and to maintain synergy in our business. We are also conscious of our social responsibility to improve the quality of life of our customers, our staff and the society we inhabit; and every step taken at AGP is geared towards a better, healthier life for all as we practice our slogan – we value life

Mission >>

Create value for our customers, employees and shareholders, through effective use of available resources, by manufacturing and marketing healthcare products in an ethical manner conforming to international quality standards, whilst leveraging company's brands, market standing and image.

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

Code of Conduct >>

AGP’s Code of Conduct is one of the ways we put our values into practice. It’s built around the recognition that everything we do in connection with our work at the Company should be monitored against the highest possible standards of ethical business conduct.

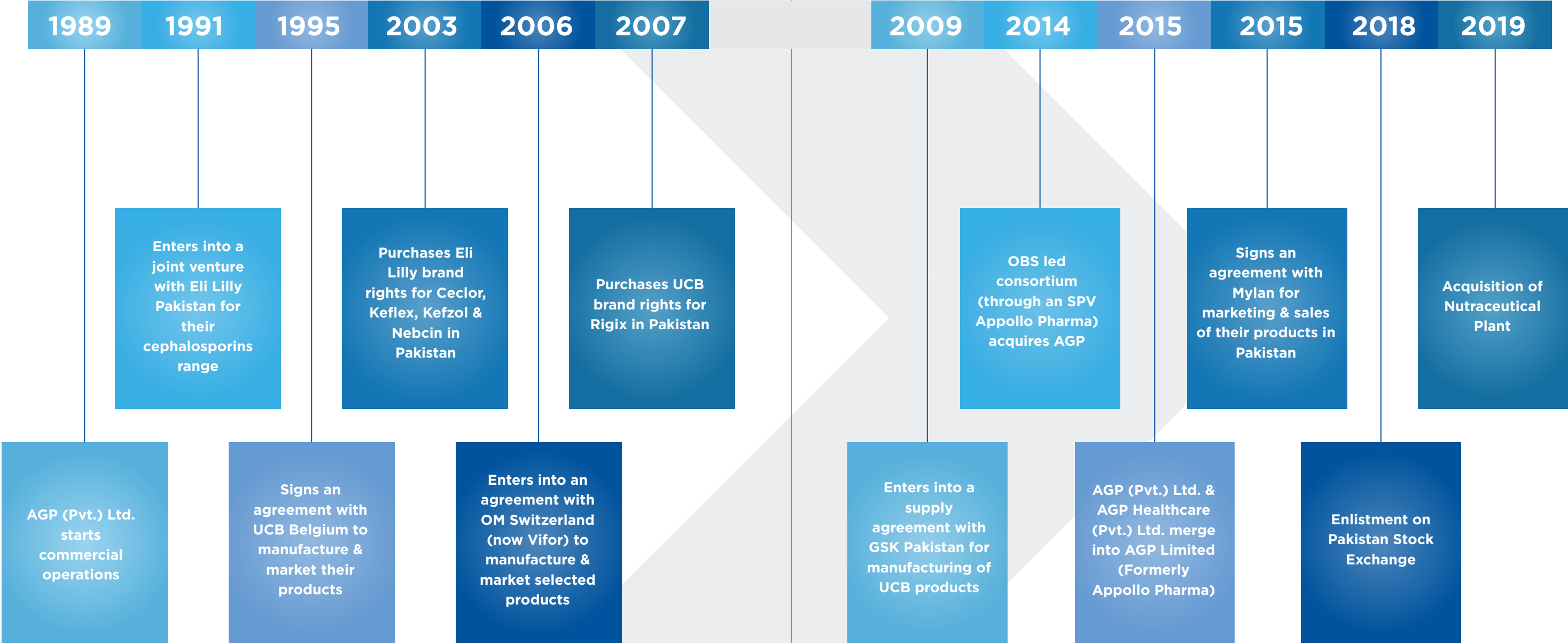
A brief overview of the Code of Conduct is given below:

Business Principles » AGP is committed to conduct its business in a fair, ethical and legal manner » It is the responsibility of every employee to keep abreast of the legal and regulatory framework and ensure that we abide by these laws and regulations in all our dealings	Business Integrity » Bribery and any other form of unethical business practices are strictly prohibited » Employees are expected to safeguard confidential information related to Company’s activities » The Company remains aware of its responsibility to the society in general through judicious business conduct and practices
Company Responsibilities » Respect the privacy of an individual’s personal information » Provide an equal opportunity, diverse and inclusive work environment » Adopt practices which encourage transparent and open communication » Operate business in an environmentally safe manner, commensurate with the legitimate needs of the business » Provide high quality products	Employee Responsibilities » Protect confidential information » Compliance with insider trading and securities law » No exchange of business gifts for undue advantage » Protect Company assets » Prohibition of substance abuse » Interact with Shareholders, analysts, media and public in a transparent manner » Compliance with principles set out by the Company in dealing with third party transactions » Avoid conflicts of Interest

Our Core Values >>

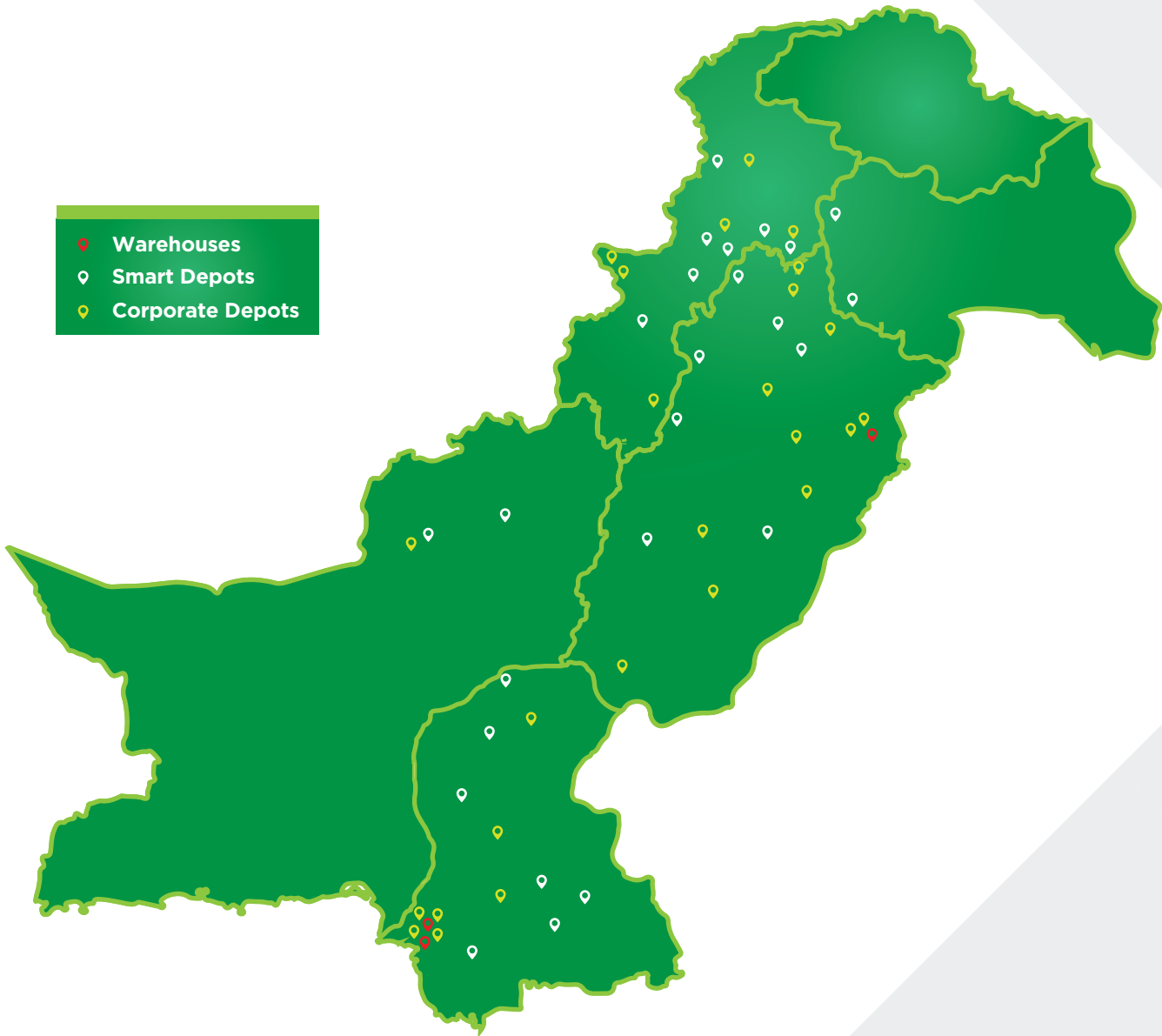
Quality We take pride in providing high value products, which ensure customer satisfaction, profitability, growth and the future of our employees. 	Professionalism We are committed to deliver at the highest level of competencies and skills. 
Integrity We behave in a manner that demonstrates trust, honesty, courage, consistency and responsibility with a willingness to admit our mistakes. We operate with zero tolerance on unethical and non-compliant actions. 	
Respect We respect each other, our customers and all our stakeholders. We focus on building trust through transparent and honest communication. We create an inclusive work environment, where all employees are listened to and valued for their individuality. 	Openness We are open to change and to new ideas from our co-workers, customers and other stakeholders. We explore ways to grow our business and make it better. 

How we Evolved >>



Our Footprint >

AGP distributes its products through Muller & Phipps Pakistan (Pvt.) Ltd. (M&P), which is the largest pharmaceutical distribution network in Pakistan. M&P has more than 108 years of experience in this business with an annual turnover of more than PKR 124 Billion. M&P has over 65 branches across Pakistan with reach to over 46,000+ pharmacies.



Warehouses

Karachi (2) Lahore

Smart Depots

Kohat	Bannu	Quetta	Loralai	Jacobabad
Larkana	Dadu	Mirpurkhas	Umerkot	Badin
Thatta	D.G Khan	Burewala	Bhakkar	Mianwali
Chakwal	Attock	Mandi Bahuddin	Muzaffarabad	Mirpur
Timargara	Charsadda	Nowshera	Swabi	Haripur

Corporate Depots

Karachi (4)	Lahore (2)	Peshawar (2)	Mingora	Abbottabad
Mardan	Islamabad	Dera ismail khan	Jhelum	Quetta
Hyderabad	Sukkur	Nawabshah	Rahim Yar Khan	Bahawalpur
Multan	Sahiwal	Faisalabad	Rawalpindi	Sargodha

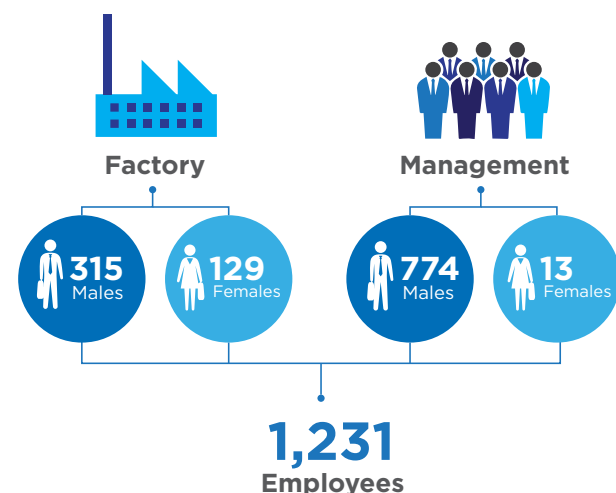
Our Impact Today >>

Principal Activities

AGP is a pharmaceutical Company which is primarily involved in manufacturing and marketing products under licensing arrangements with other companies, and manufacturing and marketing its own brands.

Number of Employees

AGP has 1,231 employees, including third party contractual staff, to support its business activities across its three manufacturing plants and head office. Appropriate disclosure of total and average number of employees has been made in note 35.1 of the financial statements.

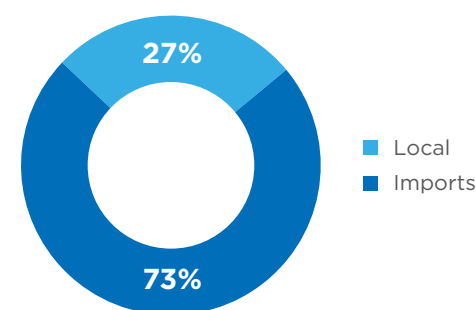


Position Within the Value Chain

The detailed illustration of value creation business model on pages 77 and 78 shows how the Company creates value for its stakeholders, by employing its capitals and performing key business activities.

Composition of Local Vs Imported Materials

The Company procures materials from both local and international sources. The composition of local versus imported materials during the year ended December 31, 2019 is as shown below:



Foreign Currency Sensitivity Analysis

Based on the Company's results in 2019, every 1% increase in exchange rate, with all other variables held constant, will impact Profit Before Tax by PKR 15.3 Million.

Significant Changes from Prior Years

Significant changes from 2018, have been appropriately disclosed in the relevant sections of this report.



B-23 C, Karachi

Located in Sind Industrial & Trading Estate
Manufacturing of Liquids, Tablets and Injections

Annual Production
34
Million Packs

No of SKUs Manufactured
106

Major Products Manufactured
Rigix, Osnate, Anafortan, Urso and Lucast



D-109, Karachi

Located in Sind Industrial & Trading Estate
Manufacturing of Cephalosporins

Annual Production
08
Million Packs

No of SKUs Manufactured
21

Major Products Manufactured
Cecilor, Keflex and Cinklare

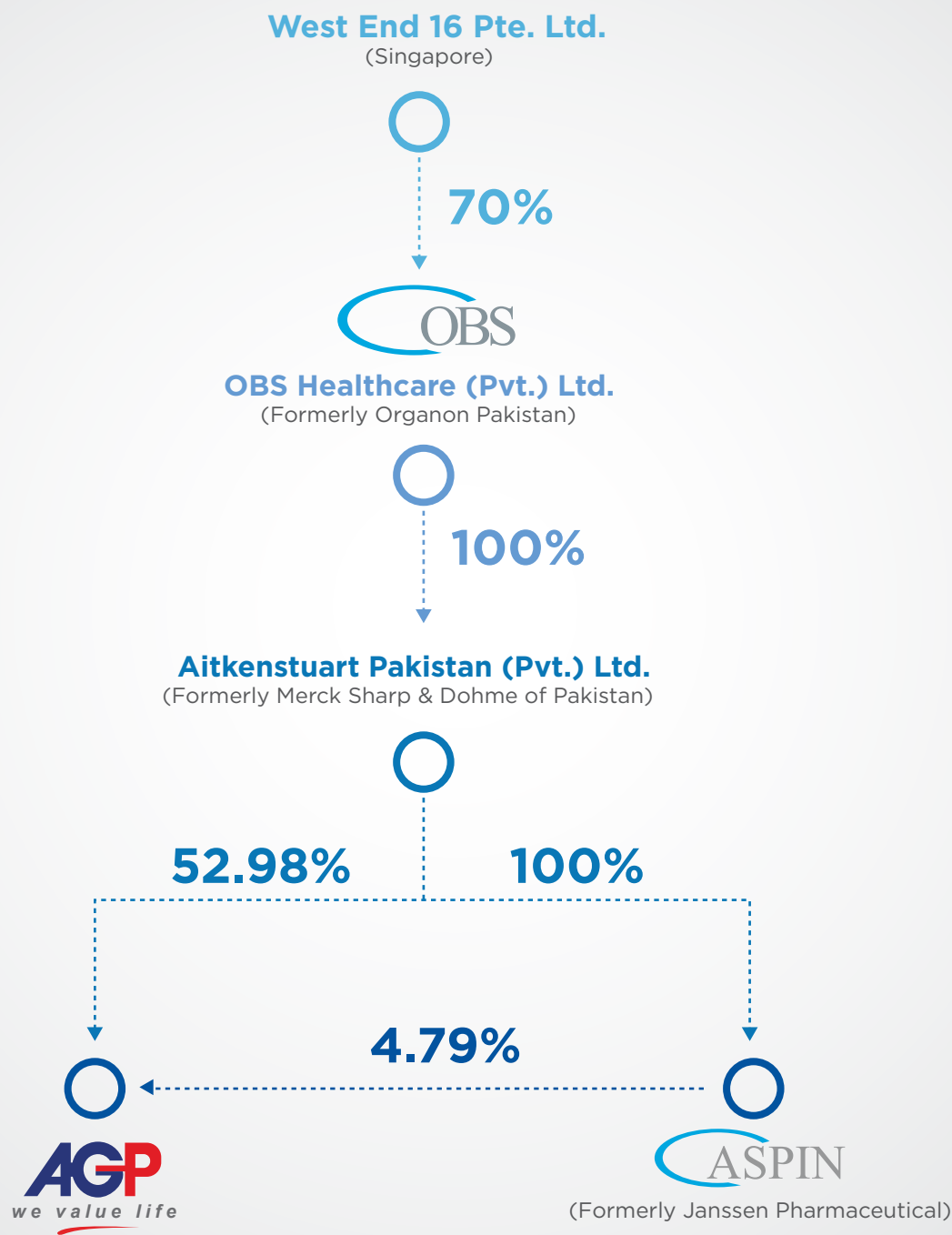


F/46, Karachi

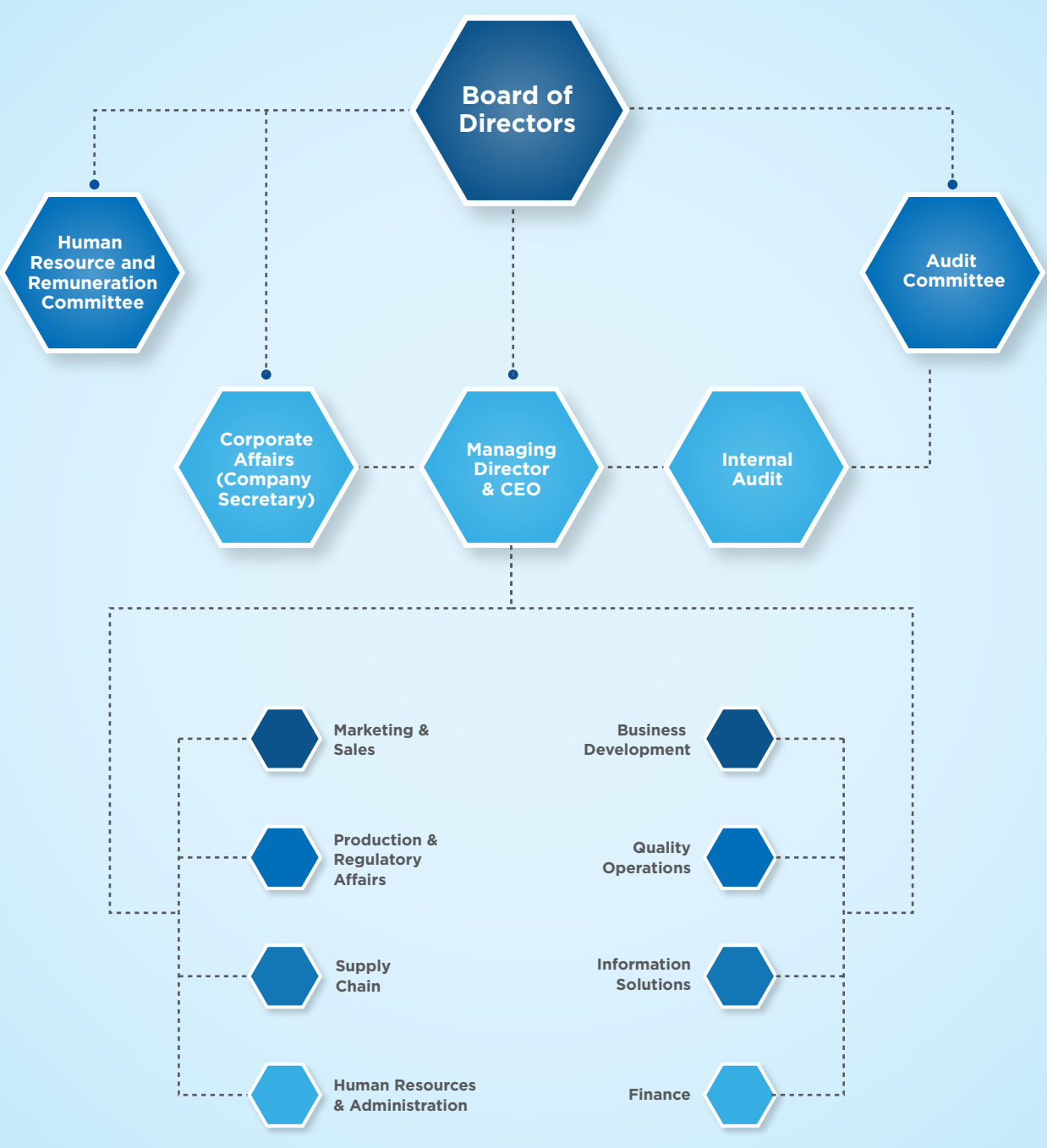
Located in Sind Industrial & Trading Estate
Super Highway Phase II

Currently being revamped and expected to commence commercial operations by the mid of 2020. This will allow the Company to enter a new business segment.

Group Structure >>



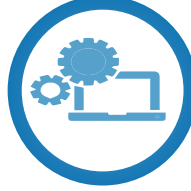
Organizational Structure >>



PESTEL Analysis >>

Significant Factors Affecting the External Environment and the Organization’s Response

		
Political	Economic	Sociocultural
» Political instability and inconsistent policies » Introduction of social welfare reforms (Sehat Sahulat Program) to ensure that the financially challenged get access to medical healthcare	» Volatility in foreign exchange rate » High domestic inflation » Fluctuating interest rates » Additional duties and taxes » Low per capita health spend	» Growing population » Geo-strategic location of Pakistan enables it to have access to over 40% of the world’s population » Aging population throughout the world, leading to export potential » Growing obesity and related diseases due to poor food quality, environmental degradation etc. » Inadequate healthcare infrastructure and facilities
Organization’s Response	Organization’s Response	Organization’s Response
» Liaise with the Government and regulatory authorities and work together with industry associations	» Keep costs at an optimum level » Appropriate price adjustment » Efficient tax planning » Effective cash flow management » Awareness sessions organized on importance of healthcare	» Creating impact through CSR activities » Partnering with organizations that are actively engaged in providing medical relief to financially challenged segments of the society » Stress on quality of products to meet international standards » Focus on geographical expansion
P	E	S

		
Technological	Environmental	Legal
» Lack of research and development » Technological obsolescence » Introduction of artificial intelligence in drug manufacturing	» Scarcity of natural resources » Changing climate » Natural disasters	» Heavily regulated environment, stringent and closely monitored administration by Drug Regulatory Authority of Pakistan (DRAP) » Statutory compliance with Companies Act, 2017, Listing Regulations by PSX and Securities Act, 2015 » Levy of taxes and duties under Income Tax Ordinance, 2001, Sales Tax Act, 1990, Sindh Sales Tax on Services Act, 2011 and Custom Act, 1969
Organization’s Response	Organization’s Response	Organization’s Response
» Contributes in Central research fund & liaising with international partners for technological transfer » Continuous investment in balancing, modernization and restructuring of plants and machinery » Exploring new technologies to aid in manufacturing	» Initiatives to reduce carbon footprint, by installing solar panels » Measures to conserve water usage » Waste disposal to Sindh Environmental Protection Act, 2014 (SEPA) approved vendors only » Ensuring compliance with National Environment Quality Standards (NEQS)	» File hardship cases for price increase » Provide feedback and input through pharma associations in formulating or revising drug policies » Hire professionally literate staff to ensure compliance with all the applicable laws and regulations
T	E	L

SWOT Analysis >>



STRENGTHS

- » Strong corporate governance with focus on maintaining high quality of products
- » Top three brands, Rigix, Ceclor & Osnate, have cumulative sales of PKR 3 Billion. This year Rigix has achieved a milestone of sales over PKR 1 Billion and the other two brands are expected to follow suit in near future
- » Distribution through Muller & Phipps, enables us to reach across 950+ towns and cities nationwide
- » Potential for new launches including products in therapeutic classes of Hepatitis, Oncology, HIV, Women Health, Cardio Vascular & Diabetes
- » Being a significant player in the market, bargaining power over suppliers is high
- » Operational excellence and economies of scale

WEAKNESSES

- » Limited presence in international markets
- » Low institutional sales
- » Inadequate presence in therapeutic classes dealing with chronic illnesses
- » Less investment or deployment of resources to build brand equity





OPPORTUNITIES

- » Expected improvement in per capita spend on pharmaceutical products in Pakistan
- » Increasing population (2% per annum) coupled with increasing awareness & focus towards healthcare
- » Growing urbanization along with rising incomes are anticipated to help elevate demand for drugs
- » Increasing consumption of nutraceutical products
- » Expansion across borders
- » Explore avenues for inorganic business expansion through purchase of entities and/or brands

THREATS

- » Increasing cost of imported raw materials and finished goods
- » Disruptions due to unavailability of raw materials
- » Sales or supply restrictions due to geopolitical issues
- » Heavily regulated and price controlled industry
- » Delayed approvals for new product registrations
- » Levy of additional duties and taxes
- » Intense competition from major industry players
- » High counterfeit prevalence
- » Lack of diversification and concentration of business
- » Failure to keep abreast with technological advancements



Management Team >>



Dr. Imran Khalid
Deputy Managing Director



Mr. Shakil Ahmed
Director Commercial



Mr. Tauqir Ahmed
Director Technical Operations



Mr. Muhammad Athar Mughal
Director Marketing & Sales



Mr. Junaid Jumani
Director Human Resources
& Administration



Mr. Junaid Aslam
Chief Financial Officer



Mr. Umair Mukhtar
Head of Business Planning
& Corporate Affairs



Mr. Abdul Sattar
Head of Information Solutions



Mr. Sajid Qadeer
Head of Supply Chain



Ms. Seema Zohra
Head of Quality Operations



Mr. Shahzaib Tariq
Head of Internal Audit

ONE STEP CLOSER TO EXCELLENCE



At AGP, we thrive in an environment that is governed by knowledge and mutual trust. Our leadership brings decades of experience and knowledge to the table, which in turn helps us achieve the path to prosperity through quality and reliability.

Our Trusted Portfolio >>



AGP takes pride in offering affordable, high-quality, trusted medicines that help millions of people lead healthier lives.



Internal Medicine

Internal Medicine portfolio comprises of Company's core product, Rigix which is the top-selling anti-histamine in Pakistan. Other than Rigix, the major stake of this portfolio is in Pediatric segment which is a growing segment in Pakistan.

Cardiometabolic

Cardiometabolic diseases are a leading cause of mortality worldwide. From diagnosis till treatment, the Cardiometabolic portfolio provides quality medication. It deals primarily in treatment options for the management of diabetes, hypertension and other cardiac ailments.

Hepatology

Hepatology consists of products operating in the Hepatitis C therapeutic area. The public sector through its Hepatitis Prevention & Control Program is the Company's major customer. With new launches and diversifying into newer therapeutic areas this portfolio is primed to consolidate its position in the segments it operates in.



Oncology

Oncology portfolio was launched in the year 2018 and AGP is the proud partner of Mylan in Pakistan. The portfolio focuses around biosimilar biologic agents with Hertraz being the first biosimilar to be launched in Pakistan. Hertraz has helped establish a worthy market for biosimilars in Pakistan and has given access to HER 2 positive breast cancer women more access to relevant targeted therapy in Pakistan. The portfolio further sees enrichment with future launches in the biosimilar field along with new drug therapies being introduced through the platform.

Gynae

Gynae portfolio consists of products belonging to rapidly growing & leading therapeutic classes. It is serving Gynae & Orthopedics with a vision to create value in concerned therapeutic categories for better and healthier lives.



MARKETING >>

PROMOTING KNOWLEDGE WITH EXPERIENCE FOR SUCCESS

In 2019, we maintained our consistency in branding and enhanced our capabilities in engagement with patients through healthcare professionals using multiple channels. We are gearing up for new challenges with the acquisition of nutraceutical plant.



Marketing >>



We play a pivotal role in delivering the brand value message to healthcare professionals (HCPs) in an objective and ethical way, while providing education on product features and it efficacies.

In our legacy of 31 years, we have been successful in marking a strong presence in the market with our diversified portfolio serving and catering to almost all the major therapeutic classes.

During the year, with our continuous focus on extension of product pipeline, we made five product launches with nine SKUs in four different therapeutic classes. We also strengthened our sales

and marketing workforce to support the growing needs of the business.

Our efforts have paved way to establish strong brand equity, particularly for our top brands. Our flagship brand, Rigix hit the coveted PKR 1 Billion sales milestone. Rigix is the largest selling anti-histamine in Pakistan with a market share of 17.5% in a fast growing segment.

Several healthcare sessions were arranged across Pakistan, to create awareness particularly about our brands and their benefits. Several speakers were

also invited to these sessions to share their insights and knowledge. We also encouraged attendance of HCPs at various international conferences for advanced medical learning. In addition to this, we established free diagnostic camps across Pakistan throughout the year to create awareness about diseases.

Through these initiatives we leveraged our strengths by bringing in more HCPs into the circle

and taking a lead in the commitment towards protecting our patients. The acquisition of nutraceutical plant, will open new avenues of growth for the Company. We are prepared with our proactive team to overcome upcoming marketing challenges. In 2020, we are determined to explore multiple channels for marketing, particularly digital platforms, with our new brands entering the marketplace.





PRODUCTION >>

MAKING NO COMPROMISES

Our goal is to consistently deliver outstanding products through Good Manufacturing Practices. This is made possible by focusing on four key strategic priorities: Investing in our state of the art manufacturing facilities, delivering high quality products at optimal costs, meticulous production planning and working safely and sustainably with zero accidents, defects and waste.

Production >>



AGP has two state of the art manufacturing facilities which have been certified to comply with cGMP by DRAP. AGP is also ISO 9001 certified which enables it to focus on assessing the risks in production machines & processes.

We continuously invest in making our facilities better to deliver greater value. A number of measures were taken in 2019 to improve the product quality standards and labor hours' efficiency in terms of time and cost effectiveness through:

- » Capacity enhancement in Oral Liquid Manufacturing area, adding 3,000 litre manufacturing vessel to increase batch size of Liquid oral products from 2,000 litres to 3,000 litres, while keeping labor hours constant.

- » Shifting of some products like Rigix Tablet, Anafortan Plus Tablet etc, to automatic packaging through installation of an auto cartoning machine.
- » Some new products have been launched including Afdol Syrup 120ml & Afdol 10mg tablet, Gastasid 20mg & Gastasid 40mg tablet.

We are continuously striving to upgrade our production facilities and practices in compliance with international standards, which will enable us to diversify our geographical markets.



QUALITY MANAGEMENT SYSTEM >>

QUALITY OPERATIONS IS THE CORNERSTONE OF EVERYTHING WE DO

We are fully committed to improve healthcare by providing high quality products and ensuring compliance. Our quality culture is embedded in everything we do and is our competitive advantage.



Quality Management System >>

We commit ourselves to ensure that our patients have easy access to safe, effective and quality products that are manufactured, stored and marketed in accordance with the regulatory requirements and Company values.

We place the highest demands regarding compliance with local and international standards, not only for ourselves but also for our suppliers. Our high quality standards and compliance levels are evident from our exemplary performances in a number of audits and inspections conducted by various external agencies.

We ensure that each unit of output is as per the desired standards by focusing on product safety and continuously improving them. Our use of SAP modules ensures high level of data integrity, accuracy and transparency.

We work in cross functional collaboration, from screening of suppliers for raw materials to ensuring production processes and product distribution. We optimize lead times by simplifying the process of product release and making imported products available to the customers in the shortest span of time possible.

We understand that personnel actions are central to the maintenance of a high quality culture. Several trainings are held throughout the year to ensure adherence of practices to standards and to create a culture of quality. Regular audits of distributors are also conducted to ensure compliance with international quality standards.





SUPPLY CHAIN MANAGEMENT >>

ENHANCING SUPPLIER RELATIONSHIPS AND LOWERING OPERATIONAL COSTS

We strive to maintain the right balance between the demand and supply, through activities right from procurement of materials and converting them into finished goods to ensuring swift and efficient delivery at the right time to reach the end consumer.

Supply Chain Management >>



Procurement

Our procurement division is involved in procuring raw materials for smooth production operations. To combat significant currency volatility in 2019, we reached an agreement with our Chinese vendors to deal primarily in Yuan. We also shifted our focus from Indian sources to alternate sources for API imports to mitigate geopolitical risk.

Operations

Our operations team engages in demand planning and forecasting. Before giving raw material purchase orders, we anticipate the possible market demand and number of units we need to produce. Accordingly, we set the ball rolling for inventory management, production and shipping.

Resource Management

Our resource management team manages smooth raw material supplies to operations and ensures that the processes are efficient, effective and transparent.

Warehousing and Distribution

We manage two warehouses. We have outsourced our logistics function to one of the best in town, third party logistics service providers. We ensure that end-to-end fleet and movement of stock in third party vehicles is monitored for quality and controlled for temperature, when required. In 2019, Warehouse Management System was implemented in collaboration with the IS department, to ensure:

- » GMP compliance
- » Batch Traceability
- » Inventory accuracy
- » Increased efficiency
- » Improved warehouse space utilization
- » Reduced order processing and order to ship time
- » Improved productivity

We ensure that our storage is compliant with Good Storage Practices. We maintain a certain temperature in our warehouses with 24 hours

monitoring, to ensure product stability. Regular in-house trainings are held for warehouse management staff, based on Training Needs Assessment (TNA) to ensure adherence to standard operating procedures.

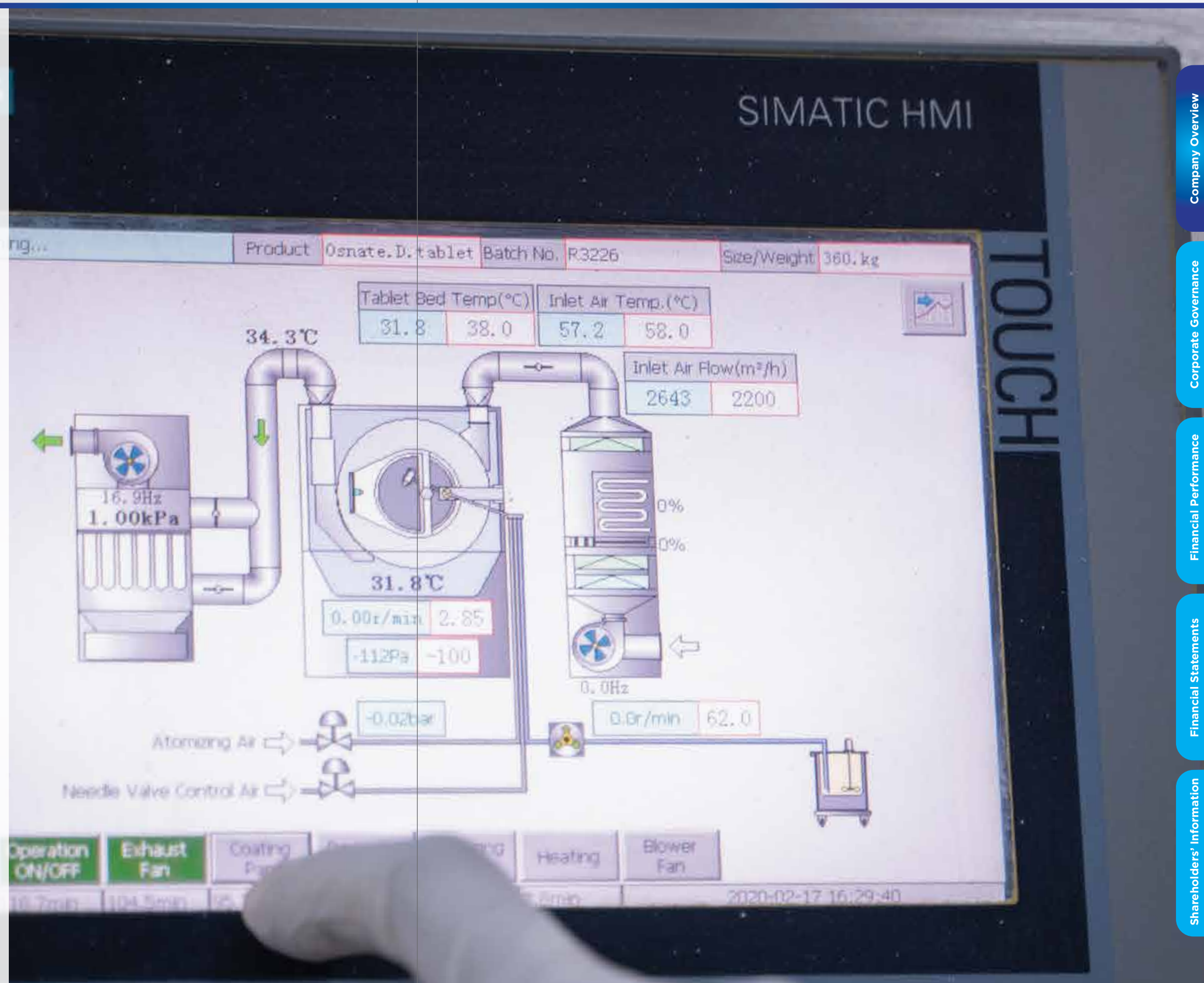
Information Workflow

Information sharing and distribution streamlines the entire supply chain management process. SAP is used to optimize the functions of supply chain department.



INFORMATION SOLUTIONS >

The innovative use of information technology solutions is the key driving force for new and effective ways of working at AGP and to drive organizational success.



Information Solutions >>



We have developed effective and innovative technological solutions, both for internal processes and external engagements.

Digital platforms such as email, website, learning portal, mobile applications, and social media have been launched to enable the Company achieve its business goals and connect with patients and customers.

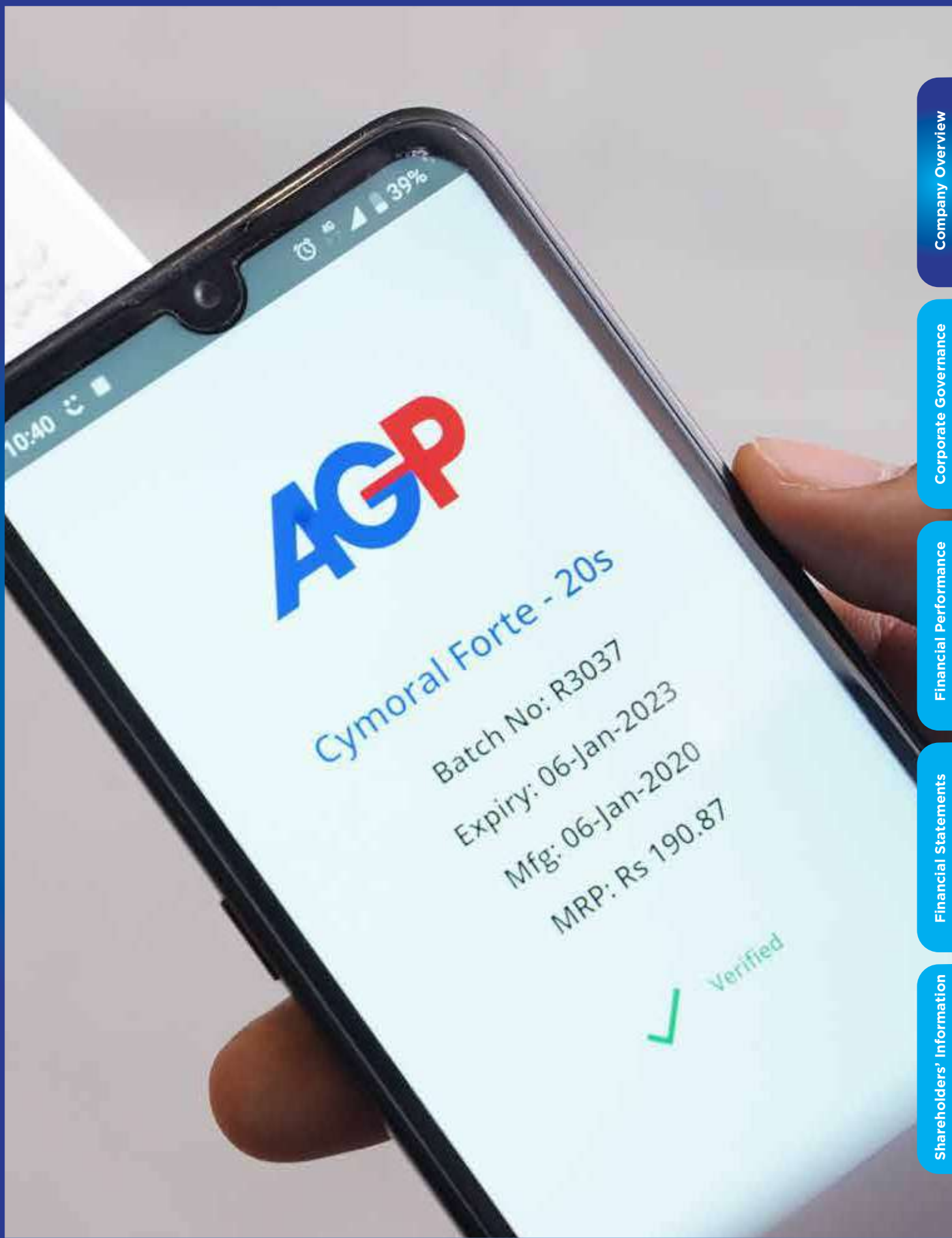
With information considered one of the most valuable assets at AGP, We are committed to safeguard it through our active state of the art record protection system, which focuses on backup of data on timely basis. This system protects information pertaining to our processes, systems, employees, workers, shareholders, and third parties.

2019 witnessed the overall IT infrastructure system improvements to provide uninterrupted services to

meet changing business needs, with enhancements in our Customer Relationship Management Systems and new analytical tools to support decision making at all levels of management.

The internal functions were strengthened by developing efficient and user friendly Information Technology services and solutions. A supplier management system and warehouse management system was also introduced to increase supply chain productivity and efficiency.

Looking forward to 2020, we stand committed to focus more on innovation, with plans to continuously improve the overall IT infrastructure and connectivity options for the sales force. The Company also has a plan to set up a secondary site for real time backup of data to ensure business continuity.





HUMAN RESOURCE MANAGEMENT >>

OUR PEOPLE – FOCUSING ON THE FUTURE OF OUR TALENT

The story of our business success is a testament to our commitment to invest in our most important resource – our people. We build on the passions of our people and work for the excellence of our culture, with an unwavering ambition to constantly grow.

Human Resource Management >



Defining Relationship

We help our employees develop new skills, ways of working and leadership qualities within a culture that values diversity in all its forms. In turn, this helps us attract and retain talent which is vital to accelerate long term sustainable business growth. Our strategic approach to manage our workforce is to reduce complexity, understand our employees as individuals, not by job titles or work levels, and personalize interventions to build the right leaders and teams. We are taking action across a number of areas to make this happen.

Talent Acquisition

We hire for the future; therefore, we aim to constantly build a compelling workforce in order to attract tomorrow's leaders today. This year, we introduced our Graduate Recruitment Drive by designing a comprehensive Internship and Management Trainee program which will appeal to individuals. Our overall talent acquisition efforts in

2019 helped us further strengthen our succession pipeline, through the recruitment of graduates from reputable institutes and experienced professionals.

Developing Our People

Another area of focus for us is to personalize training and capability building to develop the right team members who are fit for the future. We are responding to demands for new skills through continuous professional learning and development. We have a well integrated and structured learning framework in place, which involves Training Needs Assessment (TNA) and development programs to build the functional, managerial and leadership competencies of our employees at all levels.

Along with external trainings, our employees are also provided with on the job learning and challenging project work to fast track their career growth.



Career Progression

We follow a well defined talent management framework to build a healthy and sustainable talent pool. This involves Succession Planning to identify capability and talent gaps and build comprehensive plans to address them. When these plans are put in place, we are able to build on our organizational capability by addressing talent issues more effectively.

Performance Measurement

We place significant emphasis on performance as well as the means used to achieve it. In order to assess it against targets and objectives, we have a comprehensive measurement system in place that provides clear feedback and

assessment. Our performance management system helps employees identify gaps in their skill set, which are then filled through trainings. We are also developing innovative performance management techniques to make the process more effective.

Diversity and Inclusion

We have an inclusive culture in which we promote gender balance and respect the contribution of all employees regardless of gender, age and race, consistent with our value of Respect. We are an equal opportunity employer which does not make any distinctions based on gender, cast, color or creed during recruitment and selection. The unbiased hiring process coupled with facilities and amenities boosts diversity numbers and percentage of female participation in workplace stays in double digits. Pay and overall reward is intended to be gender neutral. We understand that employee engagement is vital to cultivate growth. Therefore, we organize employee engagement activities to encourage networking across functions.

This year, we gained recognition at the Global Diversity and Inclusion Benchmarks awards for our efforts to create a diverse and inclusive organization.



FINANCE >>

ANCHORING THE ORGANIZATION TO ACHIEVE ROBUST KPIs

We are committed to enhance returns to shareholders and serve other stakeholders. We perform core functions of budgeting, controlling, financial reporting and investing. We also act as a financial counsellor to other departments within our organization.



Finance >>



We aim to enhance the Company's profitability by optimizing its cash generation capability as well as shareholder value. Our basic policy is to maintain the right balance between securing sufficient internal reserves to implement growth strategies and returning profits to shareholders. At the same time, we pursue an optimal capital structure for the Company in terms of capital efficiency and financial soundness.

We work hand in hand with other business areas to provide financial input on business planning, managing costs and, maximizing cash flow. We also ensure that the internal control framework

approved by the board is adhered to in all functions of the business.

Due to effective cash flow management and foreign currency liability management, the Company was able to deliver resilient performance despite overall tough market conditions in 2019. Continuing with our constant efforts to bring innovation and improvement in business processes, we implemented material ledger module in SAP to allocate actual variance according to products to increase reporting accuracy. Pursuing with our go green strategy, the department initiated duplex printing to rationalize the usage of paper.



BUILDING COMMUNITIES

AGP takes responsibility for its employees, community and society at large. 2019 witnessed a number of initiatives that demonstrated AGP's commitment to Environment, Health and Safety

Promoting Corporate Sustainability >

AGP is committed to excellence in Environment, Health and Safety (EHS). By demonstrating personal commitment and integrating EHS into business decision making, the Company continues its endeavors to ensure that improvements in EHS performance are delivered.

Environment

All AGP manufacturing sites are in full compliance with National Environmental Quality Standards (NEQS). The Company is committed to continuously improve its energy and resource consumption over the long term as part of its sustainability initiatives, by ensuring:

- » Reduction in its carbon footprint
- » Sustainable use of water throughout the value chain
- » Controlled discharge of Environmentally Hazardous Material

Embodying this vision, AGP has undertaken key initiatives in 2019



Installation of solar power system at all three of its manufacturing sites, that will help reduce greenhouse gas emissions



Reducing water usage by implementing sensors and springs



Waste disposal to Sindh Environment Protection Agency (SEPA) approved vendors only

We believe that these initiatives will not only help AGP improve its long term sustainability, but will also position the Company as a model corporate citizen that contributes towards a greener society.

Health

Being a progressive pharmaceutical Company, helping employees stay safe, healthy and productive is a priority. The Company recognizes that employees' resilience can be affected by a wide variety of factors, from workload to stress in their personal lives. A number of programs were rolled out in 2019 to promote employee well being focusing on giving employees the support they need to build their energy levels and cope with stress.

Activities such as annual dinner and picnic, and cricket tournament bolstered energy as well as engagement among employees working in various functions



A hygienic diet is a key accelerator for personal resilience and well being. The canteen and kitchen practices are assessed regularly and are compliant with food safety standards.

As part of our initiatives to promote employee well being and encourage female participation in the workforce, a gym and daycare center will be launched in 2020.

Employee Safety

AGP is committed to provide a safe and injury free work environment to its employees. The Company has a proactive approach towards machine related accidents and conducts extensive trainings and awareness sessions to control them, in addition to regular maintenance and replacement of machines. Engineering teams worked tirelessly throughout the year to avoid any machine related accidents. Machine safety was ensured at all AGP's manufacturing sites through extensive risk assessment programs.

During the year, emergency response drills were held frequently to help prepare staff for unforeseen incidents. Fire Risk Assessments were also conducted on continual basis to prepare for fire emergencies.

Process safety has been one of the major blue chip for the Company, with focus on inspecting all the inputs vigorously to ensure that they don't harm the employees.

Promoting Customer Safety

Being a responsible pharmaceutical company, customer safety is a cornerstone of all operations at AGP. The counterfeit prevalence rate for the Pakistani pharmaceutical market is reported to be as high as 45% according to a study conducted by WHO. In line with the Company philosophy of "we value life", the Company undertook multiple initiatives during the year to combat the high prevalence of counterfeits in the Pakistani market.

This includes:



Incorporating unique design elements into the packaging of core brands



Introducing 2D bar codes on all the products manufactured at AGP

CSR Initiatives >

Social responsibility is integrated at every level of business. The Company aims to make a positive contribution to the community through investment in medical relief programs and partnerships with organizations that aspire to bring sustainable improvements in the lives of under served people of the Country.

During the year, some examples of community partnerships include:

Medical Relief Contribution

AGP is conscious of the fact that its products can play a vital role in the Medical Relief efforts in under served communities of the Country. In response to this, the Company provides free of cost supplies of its medicines. Donations of these products where they are needed most forms an integral part of the Company's community investment activities.

Partnership with Patients' Aid Foundation

In its drive to serve humanity, the Company, through a program "Ride for a cause" organized by Patients' Aid Foundation, has donated surgical beds to the new surgical complex of Jinnah Postgraduate Medical Centre (JPMC). JPMC is the oldest Postgraduate Medical Education and Research Centre in the country, which has been serving the underprivileged segments of the society since 1930. The new complex will further aid this objective and provide quality and free of cost healthcare support to needy patients.



Awards and Certifications >>

Global Diversity and Inclusion Benchmarks Award

AGP takes pride in its equitable hiring practices, providing equal opportunities for growth to all its employees and implementing women centric initiatives to encourage their participation in the workforce. This year, the Company won the Global Diversity and Inclusion Benchmarks (GDIB) Award in recognition for its proactive efforts to infuse diversity and inclusion in work environment. The award was conferred to the Company at the HR Metrics' Annual Diversity & Inclusion Conference and Awards ceremony.

The Company was evaluated against criteria established by HR metrics' in terms of

development and implementation of diversity and inclusion best practices. Sixty companies from all over Pakistan participated in this competition and AGP was the only pharmaceutical company to accomplish an award. This reflects the strong commitment and dedication of the Company towards creating a Diverse and Inclusive work environment.

This award serves as a milestone in Company's efforts to create an enabling environment for all its employees. The Company plans on continuing its streak of recognition for diversity & inclusion efforts and practices by going a step further and embedding it into the organizational culture, and not seeing it in isolation.

cGMP Certification

Both the manufacturing plants at AGP, are certified to comply with Current Good Manufacturing Practices (cGMP) as per the Drugs Act, 1976 and the related Rules. This certification is testament to the Company's commitment to ensure that medicinal products are consistently produced and controlled for best quality standards according to the product specifications.



ISO Certification

The International Organization of Standardization (ISO), is a worldwide organization that develops standards for quality management. ISO 9001-2015 has been given to AGP for implementing and maintaining a company-wide robust Quality Management System, which enables the Company achieve operational efficiencies and explore new export opportunities.



Shariah Compliance Certificate

The Company received the "Certificate of Shariah Compliance with KSE Meezan Index (KMI) Shariah Compliance Criteria" after the Shariah Compliance Review, conducted by Meezan Bank limited. The Shariah Compliance Review principally involves review of the Company's annual financial statements prepared by the management of the Company.



Strategy and Resource Allocation Plan

We have created a plan to set overall objectives for our business and to develop strategies to achieve them by leveraging on our brand name, quality management systems, lean organizational culture, operational excellence and financial strength. We will follow through with these strategies and achieve our objectives successfully, creating value for our stakeholders.

Objective #1



Increase Sales

Strategies

- » Capitalize on the growth of top brands and high potential products
- » Enhance reach of the field force
- » Focus on expansion across borders and new product launches

Nature

Short term

Priority

Resource allocated

Financial capital, human capital, social and relationship capital

KPI monitored

- » Growth rate of top brands, high potential products and exports
- » New export destinations, Improved customer loyalty and enhanced credibility

Status

- » Recorded overall sales growth of 16.2%
- » Launched 5 new products

Opportunities

Potential to increase market share domestically and expand internationally

Threats

- » Delays in registration of products locally and internationally
- » Fierce local & global competition, particularly in developed and emerging economies

Objective #2



Enter New Lines of Business

Strategies

Go into nutraceutical market segment

Nature

Short term

Priority

Resource allocated

Financial capital, human capital, manufactured capital and intellectual capital

KPI monitored

Number of nutraceutical products launched and their contribution in sales and profitability

Status

Revamping of nutraceutical facility is under process

Opportunities

- » High growth segment with increasing consumer awareness
- » Relatively less regulated sector along with attractive margins

Threats

Increasing competition in Nutraceutical market

Objective #3



Cost Economization

Strategies

- » Keep resource utilization and business processes at an optimum level
- » Develop alternate vendor sources
- » Attain operational excellence, increasing production and cost efficiencies

Nature

Short term to Medium Term

Priority

Resource allocated

Financial capital, human capital, manufactured capital and intellectual capital

KPI monitored

Profitability ratios i.e. gross profit margin, net profit margin, earning per share and expense ratios

Status

- » Gross profit and profit before tax margins improved by 200 bps and 270 bps respectively and EPS increased by 20%
- » Implemented effective cost controls measures
- » Development of alternate, reliable and economic vendor source is under progress

Opportunities

Cost of production will be contained at an optimum level despite business growth, PKR depreciation and rise in inflation

Threats

Uncontrollable factors particularly PKR devaluation, tightening monetary policy, pricing pressures by regulatory authorities and changes in tax laws

Objective #4



Explore Avenues for Expansion

Strategies

Explore valuable ventures for mergers and acquisitions in related complementary segments

Nature

Medium to Long Term

Priority

Resource allocated

Financial capital, human capital, social and relationship capital

KPI monitored

Market share, earning per share and return on equity

Status

- » Potential options are being explored
- » Feasibility studies and investment appraisals are under process

Opportunities

- » High potential to increase market share, position the Company for better bargaining power over suppliers
- » Better spread of production overheads

Threats

- » High financing cost
- » Supply disruptions

Objective #5



Be an Employer of Choice

Strategies

- » Enhance inclusion and diversity in work place
- » Maintain work life balance
- » Motivate staff with learning and development opportunities
- » Provide career growth and incentivize appropriately

Nature

Long Term

Priority



Resource allocated

Financial capital, human capital, social and relationship capital

KPI monitored

Employee turnover rate and feedback on surveys

Status

- » Diverse workforce with percentage of female representation in double digits
- » Achieved the gender diversity and inclusion benchmarks award for being at proactive level

Opportunities

Ready pool of internal talent to fill the gaps and take up senior management positions

Threats

- » Time and resources are required for lateral hiring at higher levels of management
- » Lack of homogeneous culture

Objective #6



Achieve Market Leadership

Strategies

- » Build brand equity through CSR
- » Continuously upgrade production facilities and human capital to maximize efficiency
- » Consistently maintain the quality of products

Nature

Long term

Priority



Resource allocated

Financial capital, human capital, manufactured capital, intellectual capital, social and relationship capital

KPI monitored

Market share, unit growth and value growth

Status

Ongoing process to build brand image and have up to date state of the art production facilities

Opportunities

- » Rise in diseases and disorders due to changes in ecosystem and dietary habits
- » Increasing focus and awareness on prevention and living longer and healthier lives

Threats

Upgradation of production facilities is a capital intensive process, leads to production downtime

The KPIs will continue to remain relevant in the future

Significant Changes in Objectives and Strategies from Prior Years

The Company's strategies and objectives have been meticulously planned with a long term vision and have stayed intact and consistent since last year. No significant changes have occurred during the year to affect the strategic objectives of the Company.

Significant Plans

The Company plans to expand its product portfolio, enter Nutraceutical segment and invest in capacity enhancement of its manufacturing facilities, to continue to deliver enduring value for all its stakeholders. In addition to this, the Company will continue to explore new export destinations to mark its footprint in international markets.

Liquidity Position of the Company

A robust treasury management system results in an effective cash flow management, keeping in account the working capital and financing needs of the Company. The Company is sufficiently liquid with PKR 117.2 Million in cash and cash equivalents. There is a long term debt of PKR 717 Million along with current maturity of PKR 491 Million. Over the long term, future cash generated from operations will be sufficient to fund operating and debt servicing costs, normal levels of capital expenditure, payments for business expansion programs and other routine outflows including tax and statutory levies and dividends.

Strategy to Overcome any Liquidity Problems

The Company ensures prudent liquidity management by maintaining sufficient funds. Effective controls on credit sales and maintenance of an adequate amount of committed credit facilities results in effective management of its liquidity position. During the year, borrowings were settled on timely basis leading to long term and short term credit rating of A+ and A1 respectively.

Our Key Risks and How we Manage them >>



Business Risk Management Framework

The Board at AGP, oversees the risk management process by ensuring that a proper risk management framework is in place under the auspices of the Audit Committee. For this purpose, the Board has approved the risk management policy of the Company which determines the Company’s level of risk tolerance. Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and Company’s activities.

The risk management framework of our Company is the structure governing the process of identification of potential threats to the organization and mitigating strategies to eliminate or minimize the impact of these risks, as well as the mechanism to effectively monitor and evaluate this strategy.

A number of strategic, legal, regulatory, operational, financial and reputational risks are being faced by the Company. We manage these risks through appropriate risk mitigation plans, designated accountability and mechanisms for upward communication of any significant issues and incidents that may arise.

Management of Capital Structure

The Company’s objective when managing capital is to safeguard its ability to remain as a going concern and continue to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations or investing activities through long term financing and short term borrowings in addition to its equity. Furthermore, the Company has not defaulted in payment of any debt obligations during the year.

KEY RISKS AND OPPORTUNITIES

The principal risks faced by the Company are listed below. The risks discussed are not exhaustive and the Company may be subject to other risks not specifically outlined in this Annual Report.

Risk #1: Volatile economic conditions, government policies and law and order situation

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial	Strategic	Short term	External	★★★★★	▲▲▲▲▲	
Objective		Mitigation plan		Opportunity		
Increase sales		AGP regularly monitors the market and follows the market trends, trying its best to avoid any unnecessary operational disruptions. Government intervention is beyond the Company’s control.		Increase market share and achieve operational efficiencies		

Risk #2: Restrictive regulatory framework including undue pricing pressures

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial & Relationship	Strategic	Short term	External	★★★★★	▲▲▲▲▲	
Objective		Mitigation plan		Opportunity		
Increase sales		Regular dialogues with policy makers by management and Board members, through diverse forums and associations. Regular liaising with regulators to encourage the implementation of favorable regulatory frameworks.		To enhance presence and emphasize on process optimization		

Risk #3: Strong market competition

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial, Social & Relationship	Strategic	Long term	External	★★★★★	▲▲▲▲▲	

Objective	Mitigation plan	Opportunity
Achieve market leadership	To gain a competitive edge, we have developed and implemented an efficient quality management system, that defines the quality systems and standards for our business. The system is applicable from product development to commercial supply	To monitor markets and competitors and pre-empt external dynamics

Risk #4: Fluctuation in fair value of future cash flows

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial	Financial	Short term to Medium term	External	★★★★★	▲▲▲▲▲	

Objective	Mitigation plan	Opportunity
Cost economization	Interest rate risk is moderated through effective management of cash flows to avoid or at least reduce short term borrowings and maintain arrangement with financial institutions to have access to the best possible rates. Currency risk is alleviated through careful selection of import countries which pose minimum risk of foreign currency fluctuation. Moreover, Company's exports in foreign currency are pursued to offset the adverse impact of currency fluctuation	Exports and effective working capital management

Risk #5: Lack of diversification and concentration of business

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial, Human, Manufactured, Social and relationship	Strategic	Medium term to Long term	Internal	★★★★★	▲▲▲▲▲	

Objective	Mitigation plan	Opportunity
Explore avenues for expansion	To diversify and expand the business through inorganic growth, which is external growth, such as through mergers and acquisitions	To achieve synergies and maximize returns and create sustainable value for shareholders

Risk #6: Default in payments by counterparties

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial	Financial	Short term to Medium term	External	★★★★★	▲▲▲▲▲	

Objective	Mitigation plan	Opportunity
Cost economization	Credit worthiness of the counterparty is evaluated every year and the management monitors the credit exposure towards the customers and records an allowance for expected credit loss	Monitor the performance of counterparties against established KPIs

Risk #7: Insufficient resources to pay due liabilities

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial, Social & Relationship	Financial	Short term to Medium term	Internal	★★★★★	▲▲▲▲	

Objective	Mitigation plan	Opportunity
Cost economization	Prudent liquidity risk management by maintaining sufficient bank balances and the availability of funding through an adequate amount of committed credit facilities	Efficient and effective cash flow management

Risk #8: Infringement and unauthorized use of Intellectual property

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial & Intellectual	Legal and Compliance risk	Short term	External	★★★★★	▲▲▲▲	

Objective	Mitigation plan	Opportunity
Increase sales	Robust processes are followed to protect and prevent our Intellectual Property assets from infringement	To combat the menace of counterfeits in Pakistan for patient safety

Risk #9: Disruptions due to unavailability of raw materials

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial & Human	Operational	Short term to Medium Term	External	★★★★★	▲▲▲▲	

Objective	Mitigation plan	Opportunity
Cost economization	Proactive inventory management and develop a network of alternate suppliers for raw materials to ensure smooth operations and keep costs at an optimum level	Maintain inventory at optimum levels and stress on the quality of materials

Risk #10: Inability to attract, retain and develop high potential talent

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial Human, Social & Relationship	Operational	Long term	Internal	★★★★★	▲▲▲▲	

Objective	Mitigation plan	Opportunity
Be an employer of choice	Promote a culture of employee training and development with opportunities for career growth, aided by market competitive compensation	Key staff remains employed while balancing and maintaining job performance and productivity

Risk #11: Failure to keep abreast with technological advancements and emerging cyber attacks

Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial & Manufactured	Operational	Long term	External and Internal	★★★★☆	▲▲▲▲△	

Objective	Mitigation plan	Opportunity
 Achieve market leadership	 An efficient enterprise resource planning system is in place to manage the business functions within a centralized and integrated system and implement effective security procedures as well as educate staff	 Strong IT control environment generates accurate and timely data for informed decision making

Risk #12: Failure to keep safe working methods and procedures

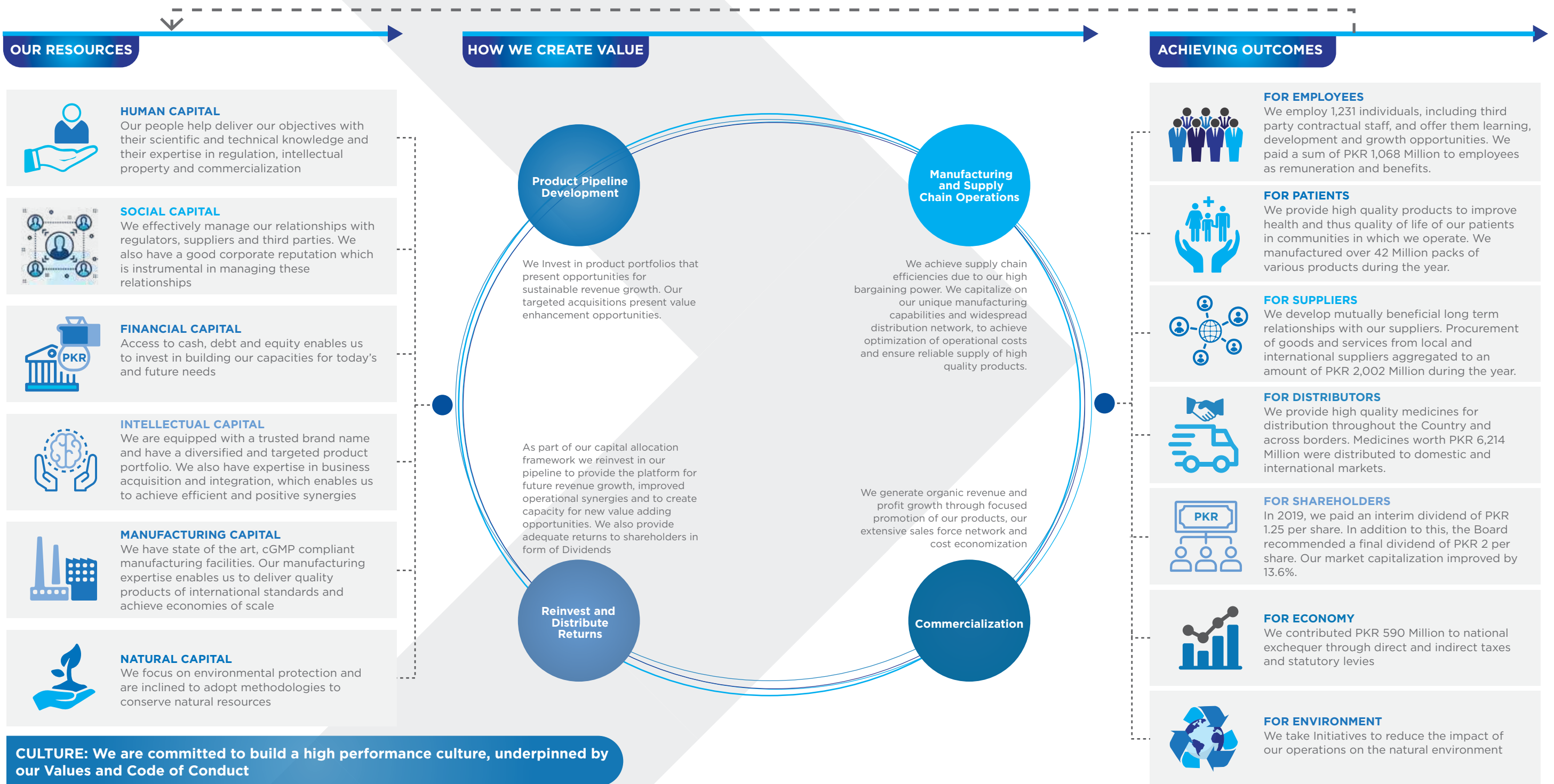
Capital	Type	Nature	Source	Likelihood	Impact	Rating
Financial, Human & Manufactured	Operational	Short term to Medium term	Internal	★★★★☆	▲▲▲▲△	

Objective	Mitigation plan	Opportunity
 Cost Economization	 Work ethics are tailored according to the Environmental Health & Safety protocols, emphasizing on worker safety as top priority	 A safe and healthy workplace not only protects workers from injury and illness, it also lowers injuries/illnesses costs, reduce absenteeism and turnover, increase productivity and quality, and raise employee morale



Our Business Model >>

We use our resources and our unique activities to provide high quality medicines and products and create long term value for our stakeholders in a responsible and sustainable way





Corporate Governance >>

PROMOTING INTELLECTUAL HONESTY

As the Company continues to grow and evolve, it remains focused on its principles and rules. These include our governance and compliance frameworks. They form the bedrock of all efforts, while ensuring adherence to the highest standards of ethical and responsible behavior.

Directors' Profiles >



Mr. Tariq Moinuddin Khan
Chairman – Board of Directors

Mr. Tariq Moinuddin Khan, Chairman of OBS Group, has over 30 years of broad based healthcare experience. Under his oversight, OBS has emerged as a partner of choice for Multinational Pharmaceutical companies willing to work in Pakistan.

He is the Honorary Consul General of Netherlands in Karachi, Secretary General of World Federation of Consuls, Brussels for Pakistan Chapter, Former President of Pakistan Sri Lanka Business Forum to promote trade between the two countries and Member of ASPEN Institute (USA) Partners for New

Beginning Program which was the initiative of President Obama with entrepreneurs of the Muslim World to create 500,000 jobs.

He started his professional career with the largest regional audit firm, Richter Usher and Vineberg Chartered Accountants, Montreal, Canada. He joined the Jewish General Hospital (McGill University) as its Financial Controller in 1987. This followed by a move to KSA to join the Mawarid Trading Company (owned by the Saudi Royal Family) as Group Chief Financial Officer in 1993. He joined Organon (now part of Merck & Co. Inc. USA) in 1999. Later, he migrated to Pakistan as Managing Director, Organon. Subsequently, responsibilities for KSA were also handed to him where he became MD for Pakistan & KSA. In 2006, he did a management buyout of Organon followed by acquisition of Merck Sharp & Dohme (MSD) Pakistan business, Schering Plough Pakistan business, MSD Srilanka Operations, AGP Pvt. Ltd. and Johnson and Johnson's Pharmaceutical Division, Janssen Pharma's Pakistan operations.

He is a graduate of the Concordia University, Montreal Canada and has a Post Graduate Diploma in Public Accountancy (GDPA) from McGill University. He is also a Certified Management Accountant from Ontario Canada and Certified Public Accountant from California, USA.



Ms. Nusrat Munshi
Managing Director & Chief Executive Officer

Ms. Nusrat Munshi has over 29 years of broad based experience in banking and pharmaceutical sector. She is the Managing Director and CEO of AGP Limited and also serves as director on the Board of OBS Healthcare (Private) Limited and Aspin Pharma (Private) Limited. She joined AGP Limited in June 2007 and worked as Director of Finance, Information Systems and HR prior to her elevation as the Managing Director in 2009. She successfully steered the Company during the critical process of change in ownership in 2014 after which the Company has emerged much stronger with long term horizon.

She started her career with the Banking Industry and has experience of over a decade in Treasury, Corporate and Credit. She has also worked with HSBC Canada and was the Regional Corporate Head at HSBC, Pakistan before joining AGP Limited.

She holds a BBA (Hons) and MBA from the Institute of Business Administration and a second MBA from the Queens University, Canada.



Mr. Naved Abid Khan
Chairman - Human Resource and Remuneration Committee

Mr. Naved Abid Khan brings along with him over 30 years of work experience with 27 years of broad based banking experience. He is currently serving as Chairman & Chief Executive of Sharmeen Khan Memorial Foundation & Chairman Pakistan Microfinance Investment Company. He is also a Board Member of Karachi Shipyard and Engineering Works, Dubai Islamic Bank, NRSP Microfinance Bank Limited, , Saif power, Board of Investment, Bahria Foundation and Gas & Oil Company Pakistan.

During his career, he has served as the President & Chief Executive Officer of Faysal Bank Limited, ABN Amro Bank Pakistan Limited, President of Overseas Investors Chambers of Commerce and Industry, Chairman of Pakistan Banks Association, Faysal Asset Management Limited, Academic Board of Institute of Bankers Pakistan, President of Rotary Club of Karachi Metropolitan, Vice President of Institute of Bankers Pakistan and Member of the Institute of Bankers' Council. He also served at senior key positions in Bank of America, Pakistan.

He holds a Bachelor of Science Degree from Indiana University, USA and a Master of Business Administration degree from Butler University, USA.



Mr. Zafar Iqbal Sobani
Chairman – Audit Committee

Mr. Zafar Iqbal Sobani brings with him over 40 years of experience of working in the manufacturing, power sector and audit profession in Pakistan and in the Middle East. Currently he is engaged in the finance, business and power sector consultancy and he is also a business entrepreneur. He is serving as a Board Member of Privatization Commission since January 2014 and has actively contributed in the Privatization transactions carried during this period which included spade work on PSE and Energy sector. In addition, he is on the Board of TRG (Pakistan) Limited, Primus Leasing Limited, IT Minds, Hadron Solar (Pvt.) Limited, Fauji Cement Limited, Infinity technologies Limited.

He worked with House of Habib between 2015 and 2013 in the areas of New Project Development and Real Estate Management. He also leads the power sector of the Country as CEO of Hubco Pakistan between 2013 and 2011 and CEO of Liberty Power Tech between 2011 and 2008. Majority of his career was spent with Century Paper & Board, a part of Lakson Group, between 2008 and 1990. He also worked with Pakistan Oxygen Limited between 1990 and 1985 in the core finance functions.

He has been the President of Institute of Chartered Accountants of Pakistan (ICAP) and served actively in council and regional committee in various capacities. He also held the position as Chairman of Quality Control Board for nine years and Member of the managing committees of Overseas Investors Chamber of Commerce and Industry. He was the Sponsor Director of Pakistan Institute of Corporate Governance in year 2005 and 2004 and has Certification as a trainer of Corporate Governance by IFC.

He obtained qualification of Chartered Accountancy and Cost & Management Accountancy in the early eighties from Pakistan. He worked with A.F. Ferguson (PWC) in Pakistan and Ernst and Young, Saudi Arabia.



Mr. Kamran Nishat

Non-Executive Director

Mr. Kamran Nishat holds 34 years of professional experience and is the Chief Executive Officer of Muller & Phipps Pakistan (Private) Limited, M&P Express Logistic (Private) Limited, M&P Logistic (Private) Limited, Logex (Private) Limited, Tech Sirat (Private) Limited, Veribest Brands Pakistan (Private) Limited and Tech Sirat Technology (Private) Limited. He is also on the Board of Cyan Limited, AGP Limited and Briogene (Private) Limited.

He has been the Member of Accounting and Auditing Standards Committee (South) of the ICAP, Management Association of Pakistan and President of American

Information Technology Committee (South) of the ICAP, Management Association of Pakistan and President of American Business Counsel. He also served as Senior Manager at Sidat Hyder Morshed Associates (Private) Limited, Group Financial Controller at MIMA Group, General Manager Corporate Affairs at Dawood Hercules Chemicals Limited, Deputy Managing Director at Central Cotton Mills Limited and Manager Finance at Al-Ghazi Tractors.

He is a Chartered Accountant and a fellow member of ICAP.



Mr. Muhammad Kamran Mirza

Non-Executive Director

Mr. Muhammad Kamran Mirza brings with him over 13 years of experience of Financial Markets focused primarily on Sell-side and Buy-side Investment Advisory. Prior to joining OBS Group in 2018, he was part of JS Bank Limited as Executive Vice President and Head of Investment Banking Group where he advised corporates on mergers, acquisitions, divestitures, debt and equity capital market transactions with a focus on pharmaceutical, microfinance, logistics, financial services and industrials sectors.

He joined JS Bank in 2007 as an analyst and due to his entrepreneurial mindset and ability to steer the franchise to deliver strong performance through the cycles, he rose to a position of Head of Investment Banking in a very short span of time. Prior to joining JS Bank, he had a short stint with a leading telecom company as Projects Management Executive.

A certified director from Pakistan Institute of Corporate Governance, he is currently serving as a Board Member of OBS Healthcare (Pvt.) Limited and Aspin Pharma (Pvt.) Limited as well. He is also on the Panel of Experts of the Listing Committee of Pakistan Stock Exchange.

He is an MBA graduate from Institute of Business Management (CBM) and also holds an undergraduate degree in commerce with a gold medal.



Mr. Mahmud Yar Hiraj

Non-Executive Director

Mr. Mahmud Yar Hiraj is a founding partner at Baltoro Capital, a leading private equity firm. Baltoro Capital manages a Pakistan-focused private equity fund that seeks to capitalize on Pakistan's burgeoning domestic consumption market and growing competitiveness in product and services export opportunities. Baltoro invests in attractive entrepreneurial opportunities to create economic wellness for all by aligning the interests of relevant stakeholders, thus creating meaningful relationships that generate superior commercial value. He is also a member of the Investment Committee at Baltoro and is responsible for overseeing the performance of the Fund's

portfolio companies.

Mr. Hiraj has over 18 years of experience in private equity, principal investments and investment banking. He has extensive experience of working closely with top investors, sponsors and corporate boards in mapping out transformational journeys, growth plans and turnarounds and getting these implemented successfully by crafting and incentivizing management teams.

Prior to Baltoro, Mr. Hiraj was the Head of Principal Investments at Bank Alfalah & held leading roles at Dhabi Group with representation on Investment Committees and boards of various portfolio companies. He has worked at leading global financial institutions and investment banks in US, UK and Canada. Mr. Hiraj started his career at the investment banking division of Salomon Smith Barney (Citigroup) in New York before moving to London to join Citigroup's Financial Sponsors Group where his clients included leading global private equity firms. His other experiences include executive positions at J.P. Morgan and Scotia Capital in North America, where he advised various leading Fortune 500 Companies and sponsors on mergers and acquisitions and capital market fundraising and restructuring transactions.

He holds an MBA from Yale University and a BA from McGill University.

Chairman's Review >>

It is my pleasure to present the Chairman's review report for the year ended December 31, 2019.

I am delighted to share that the Company has continued to deliver commendable results despite economic slowdown and currency devaluation. Sustainable sales growth, cost efficiency and continued return to shareholders reiterates our ongoing commitment to create stakeholder value.

The Board's role was instrumental in steering the Company forward in a challenging environment whilst discharging its responsibilities as per best corporate governance standards. The Board has remained cognizant of its strategic role in achieving the Company's key objectives and enhancing returns for all its stakeholders.

The Board has formed two committees, Audit Committee and Human Resource and Remuneration Committee. The committees carried out their responsibilities effectively in accordance with the code of corporate governance and terms of reference duly approved by the Board of Directors. Going forward, we will continue our efforts to adopt and implement best governance practices.

I would like to express gratitude to our stakeholders for their continued support and encouragement. I would also like to appreciate the valuable services rendered by the employees of the Company. I also acknowledge the commitment and diligence of my fellow directors and thank our CEO and her executive team for their valuable contributions towards the continued growth of the Company.



Tariq Moinuddin Khan
Chairman



چیرمین کی جائزہ رپورٹ

میں چیرمین کی جائزہ رپورٹ برائے سال 2019 پیش کرتے ہوئے
اظہار مسرت کرتا ہوں۔

میں مسرت کے ساتھ آپ کو بتانا چاہتا ہوں کہ معاشی سست روی اور کرنسی کی قدر میں کمی کے باوجود کمپنی نے تسلسل کے ساتھ قابل تعریف نتائج فراہم کئے۔ فروخت میں پائیدار نمو، لاگتی استعداد اور تسلسل کے ساتھ حصص یافتگان کو منفعت فراہم کرنا، مستفیدان کے لئے ہمارے عزم کی عکاسی کرتا ہے۔

ادارتی نظم و نسق کے بہترین طریقوں کے مطابق بورڈ نے اپنی ذمہ داریوں سے عہدہ برآں ہوتے ہوئے دشوار گزار ماحول کے اندر کمپنی کو آگے بڑھانے میں کلیدی کردار ادا کیا۔ بورڈ کمپنی کے بنیادی مقاصد کے حصول اور اپنے مستفیدان کی منفعت میں اضافے کے لئے اپنے کلیدی کردار سے بخوبی آگاہ رہا۔

بورڈ دو کمیٹیاں تشکیل دے چکا ہے جن میں آڈٹ کمیٹی اور انسانی وسائل و معاوضہ کمیٹی شامل ہیں۔ ان کمیٹیوں نے ادارتی نظم و ضبط اور بورڈ آف ڈائریکٹرز کی جانب سے باضابطہ تفویض کردہ ذمہ داریوں کو موثر طریقے سے انجام دیا۔ مستقبل میں ہم تسلسل کے ساتھ نظم و نسق کے بہترین طریقوں کو نافذ کرنے اور اختیار کرنے کے لئے کوشاں ہیں۔

میں تمام مستفیدان کے تعاون اور حوصلہ افزائی پر ان کو اپنی مخلصانہ ستائش پیش کرتا ہوں۔ میں کمپنی کے ملازمین کی قابل قدر خدمات پر انہیں تحسین پیش کرتا ہوں۔ میں اپنے ساتھ ڈائریکٹران کے عزم اور شائستگی کا اعتراف کرتا ہوں اور ہمارے CEO اور ان کی انتظامی ٹیم کمپنی کی مسلسل نمو میں گرانقدر معاونت فراہم کرنے پر ان کا مشکور ہوں۔



طارق معین الدین خان
چیرمین

CEO's Message >>



The year 2019 has been another milestone of success as AGP continued its journey towards achieving financial and operational excellence. The revenue of the Company was recorded at PKR 6.25 Billion, reflecting a growth of 16.2% YoY. AGP's flagship brand Rigix hit the coveted PKR 1 Billion sales milestone. Rigix is the largest selling anti-histamine in Pakistan with a market share of 17.5% in a fast growing segment.

The Company operated in a tough economic environment which experienced Pak Rupee devaluation of 11.5%, an interest rate increase of 3.25% with inflation averaging at 12.6% for the calendar year. This was in the midst of a tense geopolitical environment leading to disruption in the availability of imported raw materials. However, due to relentless efforts of management, accompanied with focus on high growth profitable products, launch of new products, proactive inventory management and efficient operations with effective cost control measures, AGP was able to report, gross profit margin of 58.5% compared to 56.5% last year and profit before tax margin of 29.2% versus 26.5% last year. Better sales performance coupled with operational efficiencies translated to an increase in Earning Per Share by 20%.

In view of the Company's commitment to offer attractive returns to its shareholders, the Board announced a final dividend of PKR 2.0 per share. This is in addition to an interim cash dividend of PKR 1.25 per share, leading to a total annual dividend to PKR 3.25 for the year 2019.

Going forward, our continuous focus on growth of the current product mix along with development of a strong new product pipeline will enable us to further penetrate the domestic and international markets. The Nutraceutical plant, purchased in the calendar year 2019, is currently being revamped and is expected to go into commercial operations by the mid of 2020, which will lead to new opportunities. We will continue to explore and design efficient and effective production flows to rationalize the cost of doing business and maintain our margins.

Given the essential nature of the pharmaceutical industry and the current low per capita health spend, the prospects for future growth remain strong and the industry is expected to continue its double digit growth. AGP is well positioned to take advantage of this opportunity and increase its market share to fulfil its objectives of maximizing shareholder value and serving communities.

In the end, I would like to thank our customers, business partners and shareholders for their continued support and trust. I would also like to acknowledge the efforts and dedication of my executive team and employees for making the year 2019, a profitable and successful year, and for taking the Company to a new horizon.

Ms. Nusrat Munshi
Managing Director & CEO

Governance Framework >>



Compliance with the Best Practices of Code of Corporate Governance

Adhering to the Company standards, the Board of Directors has throughout the financial year 2019, complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, Rule Book of the Pakistan Stock Exchange Limited and the Financial Reporting Framework of Securities & Exchange Commission of Pakistan (SECP).

Report of the Board’s Audit Committee on adherence to the Code of Corporate Governance, Statement of Compliance with the Code of Corporate Governance by the Chairman and the Chief Executive Officer and review report by the Company’s Auditors are included in this Report.

Governance Practices beyond Legal Requirements

The Company complies with all the requirements of Code of Corporate Governance and other

Regulations. AGP has always believed in going the extra mile and staying ahead with legal formalities. In view of this strategy, we comply with all mandatory legal requirements and have also carried out the following practices in addition to the legal requirements:

- » Best corporate reporting practices as recommended jointly by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP)
- » Adoption of Integrated Reporting Framework as recommended by the International Integrated Reporting Council (IIRC)
- » Disclosure of various financial analysis including ratios, reviews, risk matrices and graphs etc. in the Annual Report
- » Implementation of Health, Safety and Environment practices to ensure safety of employees and society at large

Business Ethics and Anti-Corruption

Based on an ethical corporate culture, fundamental values of the Company are cornerstone of our operations. These values are integrated into routine operations and business practices of all employees through the Code of Conduct and various unit-specific ethical compliance procedures. The Members of the Audit Committee meet at regular and defined statutory intervals during the year to review the adequacy and effectiveness of the internal controls, including those related to the strengthening of the Company’s risk management policies and systems.

Role of the Chairman

The Chair is responsible for the leadership and management of the Board and for ensuring that the Board and its committees function effectively. One way in which this is achieved is by ensuring Directors receive accurate, timely and clear information. He is also responsible for regularly reviewing the training and development needs of each Director, which he does with the assistance of the Company Secretary for governance related matters and the CEO for industry-specific knowledge and insights. The Chairman’s role involves, but is not limited to the following:

- » To ensure that the Board plays an effective role in setting up the Company’s corporate strategy and business direction;

- » To promote and oversee the highest standards of corporate governance within the Board and the Company;
- » To ensure integrity, credibility, trustworthiness and active participation of Board members in key matters of the Company;
- » To ensure that the Board only directs the Company and does not manage it;
- » To ensure that relevant, accurate and up to date Company information is received from the management and shared with the Board members to enable them to monitor performance, make sound decisions and give appropriate advice to promote the success of the Company;
- » To review the Board’s performance and to take the lead in identifying and meeting the development needs of individual directors and to address the development needs of the Board as a whole with a view to enhance its overall effectiveness as a team;
- » To manage and solve conflict (if any) amongst the Board members and to ensure freedom of opinion in the Board;
- » To promote highest moral, ethical and professional values and good governance throughout the Company; &
- » To ensure that a formal and effective mechanism is in place for an annual evaluation of the Board’s own performance, members of the Board and of its committees.

Role of CEO

The CEO holds the overall responsibility for the implementation of strategies approved by the Board. She looks after the operational management of the Company and the business enterprises connected with it. She is well supported in this task by the Corporate Management Team. The CEO reports to the Board of Directors and her responsibilities mainly involve:

- » To formulate, and after Board’s approval, successfully implement Company policies;
- » To direct strategy towards the profitable growth and operations of the Company;
- » To develop strategic operating plans that reflect the long term objectives and priorities established by the Board;
- » To maintain an ongoing dialogue with the Chairman of the Board to keep him fully informed of all significant developments;
- » To have in place adequate operational planning and financial control systems;
- » To ensure that operating objectives and required standards of performance are understood by all Company employees;
- » To monitor operating and financial results against budget plans;
- » To take remedial actions where necessary and inform the Board of significant changes;
- » To ensure that the Company is in compliance with all applicable laws and regulations; &
- » To build and maintain an effective executive team and appropriate succession plans.

Evaluation of the Performance of the Chief Executive

The CEO, being part of the Board, attends every meeting of the Board. She provides an overview of the Company’s performance to the Board and addresses any specific questions by the Board members. The performance of the CEO is assessed through the evaluation system set by the Company

which is based on both qualitative and quantitative objectives. These objectives include financial performance, processes improvement, business excellence, compliance, sustainability and people management.

Diversity Policy

AGP has a diverse and balanced Board which not only represents the shareholders but also provides a mix of professional expertise in leadership, finance, legal, corporate law, business management skills and experiences covering adequately all areas of AGP’s business undertakings. Furthermore, in compliance with requirements of Code of Corporate Governance, a female director is also present on the Board. To encourage representation of minority shareholders, the Company facilitated the minority members, as a class, to contest election of directors. For this purpose, the Company complied with the relevant regulations.

The Board has given categorical instructions to sustain a diverse workforce and an inclusive environment that respects and shows care for all employees, without any bias, which helps improve business performance. Alleviation of gender discrimination is instilled in the human resource strategy of the Company.

Whistle Blowing Policy

AGP does not tolerate any unlawful or unethical activity and vows to take appropriate actions to ensure compliance with law and safeguarding the interests of all stakeholders.

The Whistle Blowing Policy formalizes the Company’s commitment to enable its employees, shareholders and business associates to make fair and prompt disclosure of circumstances where it is genuinely believed that the Company’s business is being carried out in an inappropriate manner or in violation of applicable laws, Company policies,

procedures and ethical values. The whistle blowing unit comprises of senior officials, entrusted with the duty to deal with raised concerns or issues. Along with internal channels of communication, the stakeholders may also raise their concerns through e-mail and regular mail at the designated addresses mentioned on the official website of the Company. The policy is designed to:

- » Support Company’s values in line with its commitment to the highest possible standards of ethical, moral and legal business conduct and its strong pledge to open and candid communication.
- » Ensure that all stakeholders can raise concerns without fear of retribution and with full confidence that their identities will not be revealed.
- » Provide a swift and confidential process for rectifying misconduct wherever and whenever it occurs in the Company.

In 2019, ten complaints were received and were disposed after formal investigation by the whistleblowing unit. All the complaints were minor events requiring management’s attention only. Appropriate actions were taken for avoidance of such incidents in future. The CEO presented a whistleblowing status report of these complaints to the Audit Committee, clearly disclosing how such matters were dealt with and finally concluded.

Investors’ Relations Policy

Over the years, AGP has earned the trust of investors and is fully committed to sustain it. Thus, to set guidelines for handling and addressing Investors’ / Shareholders’ grievances effectively and ensuring Investors’ / Shareholders’ satisfaction, an Investors’

Grievance Policy has been formulated and is strictly followed. The objective of this Policy is to enable effective communication and foster healthy relationships with shareholders / investors and resolve their concerns on a timely basis. The Company has internally established a mechanism for investor services and grievance handling. Main principles of the Investors’ Grievance Policy are as follows:

- » All investors are treated fairly and equally at all times.
- » Complaints raised by investors are dealt with courtesy, fairness and in a timely manner.
- » The Management works in good faith and without prejudice towards the interests of all investors.

Investors’ Contacts Section on the Website

Detailed information of the Company regarding financial highlights, investor information, shareholding pattern / value and other requisite information specified under the relevant regulations, have been placed on the corporate website of the Company, which is updated on regular basis.

In order to promote investor relations and facilitate access to the Company for grievance / other query registration, an Investors’ contact section has been introduced on Company’s website www.agp.com.pk, besides the link to SECP’s Service Desk Management System. The contact details of persons designated for assistance and handling investors’ queries / grievances has also been placed under this section. In addition to this, link to SECP’s investor education portal, ‘Jamapunji’ is also placed on the official website of the Company.

Human Resource Management Policy

AGP has high standards of Human Resource Management practices to attract, induct, develop, retain and motivate high caliber talent who are qualified, capable and willing to contribute their best towards the accomplishment of Company objectives.

The Company’s HR policy has been developed encompassing the following principles:

Equal Opportunity

The Company shall provide equal opportunity to all job applicants through clearly defined and consistently applied induction standards. In addition to this, a work environment shall be provided where every employee has an equal opportunity for optimum career growth and development.

Recruitment and Selection

The hiring process of the Company is transparent and fair. The hiring process is followed consistently to select the right candidate as per the job requirement.

Training and Development

Appropriately planned activities are designed to help employees become more effective at their work by improving, updating and refining their experience, knowledge and skills through, formal trainings, educational programs and on the job development that meets employee and Company objectives.

Performance Management

A transparent, objective oriented and merit based Performance Management System is followed, that supports and conserves a culture of learning, innovation, leadership and accountability.

Compensation and Benefits

Compensation commensurate with the industry, particularly pharmaceutical sector and marked to market allowances and benefits are provided to attract and retain talent in the Company.

Diversity and Inclusion

Work environment free from all forms of discrimination and biases is provided where all individuals are treated fairly and respectfully, have equal access to opportunities and resources so that they may contribute fully to the success of the organization. Female participation in the workforce is encouraged.

Succession Planning

A key organizational priority for the HR department is to ensure structured career progression for all employees. To facilitate employees in steering their careers and realizing their full potential, a succession planning policy has been formally documented.

Related Party Transaction Policy

The Company has a policy governing procedures for related party transactions and to ensure that all such transactions are reviewed, considered, approved and reported in accordance with the international accounting standards, applicable laws and regulations. The policy ensures that:

- » All transactions with related parties arising in the normal course of business are carried out in an unbiased, arm’s length basis at normal commercial terms and conditions.
- » All transactions with related parties are referred to the Board Audit Committee for review and for onward recommendation to the Board of Directors for review and approval.

- » The Company maintains the record of Related party transactions, prescribed in the Companies Act, 2017 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.
- » In the event, majority of Directors of AGP are interested in transactions with related parties, such transactions are referred to the shareholders in a general meeting for approval. However, during the year no related party transaction required shareholders’ approval.

Related Party Transactions During the Year

The Company entered into Related party transactions during the year. Details of these transactions are disclosed in note 31 to financial statements attached therein.

Environmental, Social and Governance Policy

The Company believes in promoting sustainability in business strategies related to Environment, Social and Governance including Health, Safety and Environment (HSE) aspects and provides a roadmap to the stakeholders to conduct business in a fair, transparent and responsible manner.

This policy ensures that business is conducted in a manner, which pro-actively ensures the safety of all employees, assets, interests of community and preservation of environment. It also serves as a guide to strategic plans and systematic management of Corporate Social Responsibility (CSR) initiatives and activities.

Committees of the Board

The Board of Directors of the Company oversees the operations and affairs of the Company in an effective and efficient manner and for the

aforesaid purpose, the Board has constituted two committees. These committees act as advisory bodies to the Board, keeping the Board updated about key developments and changes in the operating environment.

Audit Committee

The terms of reference of Audit Committee have been explicitly documented and approved by the Board of Directors. The salient features of terms of reference of the Audit Committee are:

- » Determination of appropriate measures to safeguard the Company’s assets;
- » Review of annual and interim financial statements of the Company, prior to their approval by the Board;
- » Review of preliminary announcements of results, prior to external communication and publication;
- » Facilitating the external audit and discussions with external auditors on major observations arising from interim and final audits;
- » Review of management letter issued by external auditors and management’s response thereto;
- » Ensuring coordination between the internal and external auditors of the Company;
- » Review of the scope and extent of internal audit, audit plan, reporting framework, procedures and ensuring that the internal audit function has adequate resources;
- » Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management’s response thereto;
- » Ascertaining that the internal control systems, accounting systems and the reporting structure are adequate and effective;
- » Review of the Company’s statement on internal control systems, prior to endorsement by the Board and internal audit reports;

- » Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the CEO;
- » Determination of compliance with relevant statutory requirements;
- » Monitoring compliance with the Code of Corporate Governance;
- » Review of arrangement for staff and management to report to the Audit Committee in confidence, concerns, if any, about actual or potential improprieties and recommend instituting remedial and mitigating measures;
- » Recommend to the Board the appointment of external auditors, their removal and audit fees; &
- » Consideration of any other issue or matter as may be assigned by the BOD.

Human Resource and Remuneration Committee

The terms of reference of the Human Resource and Remuneration Committee have been determined by the Board. The salient features of terms of reference of the Human Resource and Remuneration Committee are:

- » Recommend to the Board for consideration and approval a policy framework for determining remuneration of Directors and members of senior management
- » Undertaking annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging an external independent consultant
- » Recommending human resource management policies to the Board
- » Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of CEO, Chief Operating Officer (COO), Chief Financial Officer, Company Secretary and Head of Internal Audit

- » Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO
- » Where human resource and remuneration consultants are appointed, they shall disclose to the committee their credentials and as to whether they have any other connection with the company

List of Companies in which Executive Director is Acting as a Non-Executive Director

The Company has only one Executive Director on its Board, who is also the CEO of the Company. Ms. Nusrat Munshi holds Non-Executive Directorship on the Boards of the following companies:

- » OBS Healthcare (Pvt) Limited
- » Aspin Pharma (Pvt) Limited

Board Meetings Held Outside Pakistan

No Board meeting was held outside Pakistan during the year 2019, in order to economize on the resources of the Company.

Meetings of the Board

As prescribed by the law, Board is required to meet at least once per quarter to monitor the Company's performance and for effective accountability of its Management team.

The Board held five meetings during the year. The notices and relevant materials, including agendas of the meetings were circulated in advance, in a timely manner. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, and were duly circulated to all the directors for endorsement and were approved in the subsequent Board meetings.

All meetings of the Board during the year had attendance more than requisite quorum prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary.

Board's Roles and Decision Making

The powers of the Board of Directors and the management of the Company have been defined with special reference to, and in compliance with, the Companies Act, 2017, the Code of Corporate Governance 2019 and the Articles of Association of the Company.

The core function of the Board is to act as stewards on behalf of the shareholders in governance of the Company. At AGP, the Board performs its duties by giving strategic directions to the management, setting performance targets and monitoring their achievement. Matters requiring a resolution by the Board of Directors in accordance with laws and regulations and important matters concerning management are resolved by the Board of Directors. The Board at AGP, also oversees the business of the Company in light of emerging risks and opportunities on a regular basis.

Functions Delegated to the Management

The management headed by the CEO is responsible for the business execution in an effective and ethical manner in conformity with the strategies approved by the Board, including annual targets of sales, costs and profitability.

It is also responsible for identifying new areas of investment for the Company, managing the principal risks which could affect the achievement of Company's objectives and compliance with legal and regulatory requirements.

Policy of Retention of Board Fee by the Executive Director in Other Companies

The Executive Director of the Company is not remunerated with the Board fee against her services as Non-Executive Director in other companies.

Security Clearance of Foreign Directors

AGP does not have a foreign director on its Board. In case a foreign director is elected on the Board in future, security clearance will be duly made from the Ministry of Interior.

Directors' Training Program

During the year, one of the Non-Executive Director, Mr. Muhammad Kamran Mirza has obtained certification of Directors' Training program from Pakistan Institute of Corporate Governance (PICG). Only one member of the Board is yet to obtain the requisite certification, which will ensure the accreditation of the entire Board.

Trading in Shares by Directors and Executives

During the year, 25,455 shares of AGP were traded by the executives of the Company. No other trading was conducted by the directors, executives and their spouses and minor children.

Shares Held by Sponsors / Directors / Executives Shares

The Sponsors', Directors, Executives and their spouses held the following number of shares as of December 31, 2019.

Particulars	Number of Shares
Sponsors	148,950,434
Directors & their spouse(s)	36,004
Executives & their spouse(s)	1,375

A detailed pattern of shareholding is disclosed on pages 200 to 202 of the Annual Report.

Encouragement of Minority Shareholders to Attend the General Meetings

The Company encourages all its shareholders to attend the general meetings. It circulates the notice of general meetings well within the regulatory timeframe. Moreover, advertisement is published in English and Urdu newspapers, having nationwide circulation. Notice of the general meeting is also updated on the Company website. It is ensured that the Annual Report, containing the agenda and notice of general meeting, is dispatched to every shareholder at her/his registered address within the stipulated time.

Queries Raised at Last Annual General Meeting

No significant issues were raised during the 5th Annual General Meeting (AGM) of the Company, held on April 17, 2019. Queries raised during the last Annual General Meeting of the Company pertained to the Company’s published financial statements, which were responded to the satisfaction of shareholders by the present Board members, CEO, CFO and the Company Secretary.

Presence of the Chairman Audit Committee at the Annual General Meeting

Chairman of the Audit committee – Mr. Zafar Iqbal Sobani was present at the last Annual General Meeting to answer any questions on the

Committee’s activities and matters within the scope of the Committee’s responsibilities.

Formal Orientation Program

When a new member is taken on Board, it is ensured that he/she is provided with a detailed orientation of the Company, covering the following objectives:

- » The Company’s vision and strategies;
- » Company’s core competencies, investments, diversification ventures, etc;
- » Organizational / group structure, associations and other related parties;
- » Summary of the Company’s major assets, liabilities, noteworthy contracts and major competitors;
- » Major risks, both external and internal, including legal and regulatory risks and constraints;
- » Critical performance indicators;
- » Summary of major members, stakeholders, suppliers and auditors;
- » Role and responsibility of the Director as per the Companies Act, 2017, including Code of Corporate Governance, 2019 and any other regulatory laws applicable in Pakistan;
- » AGP’s expectations from the Board, in terms of output, professional behavior, values and ethics; &
- » Major policies of the Company.

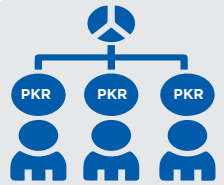
Apart from a formal orientation program, Directors are encouraged to attend trainings, which help them reassess their role in the Company’s progress and hone their competencies for the betterment of the Company in line with the Code of Corporate Governance.

Stakeholders’ Relationship and Engagement

The Company places great emphasis on the development of sustained stakeholder relationships. It has developed various mechanisms that enable the Board and management to understand and consider stakeholder views and cater to their needs and interests.

Stakeholders’ Engagement Process

AGP regularly engages and communicates with its stakeholders. The table below sets out our key stakeholder groups, some of the ways in which we engage with them and how these relationships are likely to affect the performance and value of the entity.

	Engagement Process	Effect and Value
 Analysts	» One-to-one meetings between senior executives, including CEO, and institutional investors » Corporate briefing session (mandatorily conducted once a year)	» Briefly explain key financial highlights and AGP’s approach towards growth » Clarifies the Company’s stance in the market to create an open and transparent image
 Shareholders	» Annual general meeting » Extra-ordinary general meeting » Corporate briefing session » Communication proceeding declaration of interim results	Maintaining regular and constructive dialogue with investors and shareholders to communicate performance update in order to build confidence and ensure continued access to capital
 Patients and consumers	» Pharma summits, medical conventions and conferences » Engage ethically with institutions and healthcare professionals through our experienced and well trained marketing team » Health awareness sessions	Feedback from summits and other engagements enable us to develop products and advocate policies that better cater to unmet needs



Banks and other lenders

Engagement Process

Meetings and negotiations are held with banks / financial institutions to discuss working capital and other banking requirements at competitive rates

Effect and Value

Access to the financial products at competitive prices



Regulators

Engagement Process

- » Meetings with officials according to business needs
- » Submission of data for review and compliance

Effect and Value

- » Understanding and ensuring compliance of all legal and regulatory requirements
- » Dialogue with regulatory authorities to address matters impacting the cost of doing business and new product registrations



Employees

Engagement Process

- » Routine interactions and meetings
- » Project based collaborations
- » Trainings, both on the job and formal training courses
- » Appraisals (conducted twice a year)
- » Continuous feedback

Effect and Value

- » The Company realizes that employees are its most valuable resource, representing the Company in the industry and community
- » Providing a nurturing and friendly work environment helps the Company to maintain a dedicated and competent workforce.
- » Motivated workforce supports effective implementation of strategies



Suppliers

Engagement Process

- » Engaging with suppliers to monitor quality, delivery and performance
- » Regular auditing of suppliers' quality processes to ensure they comply with relevant regulations and required standards

Effect and Value

Suppliers provide materials and services that support us in delivering high quality, safe products for our patients

Steps Taken by the Board to Engage with Shareholders

The AGP Board is cognizant of the potential impact of its decisions on stakeholders. In the performance of its legal duty to promote the success of the Company, the Board gives regard to a number of factors, including listening to and considering the views of shareholders and other key stakeholders. The Board's interaction with the Company's main stakeholder group – shareholders is set out in more detail below.

Participation at General Meetings

The Company engages with shareholders in several ways. This includes regular communications, the General Meetings and other investor relations activities. It announces results on a quarterly basis and annual results are included in the annual report. The management encourages maximum participation of shareholders including minority shareholders, to attend general meetings. In addition to the legal requirements of dispatching and newspaper publication of the notice of general meetings, the shareholders can also view a notification through "Latest News" on the official website of the Company, which advises them that the annual report and notice of the general meetings are available.

The CEO and management maintain a continued and active dialogue with institutional shareholders on the performance of the Company through regular meetings. The Company Secretary acts as a focal point for handling investor grievances and queries raised through email, website or telephone. The Company Secretary also acts as a focal point for managing key relationships with the Company's registrar. For facilitation of stakeholders and shareholders, the "Investors' Relations" section is also present on the corporate website of the Company, containing useful information from investors' perspective.

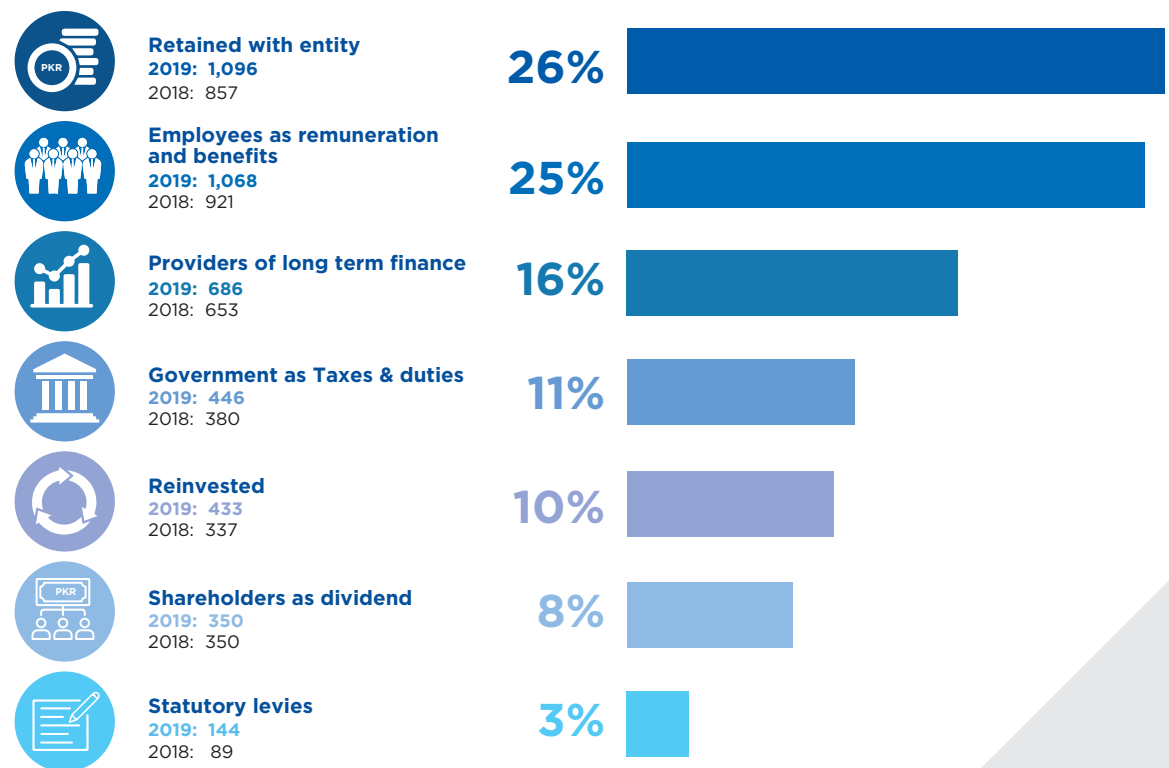
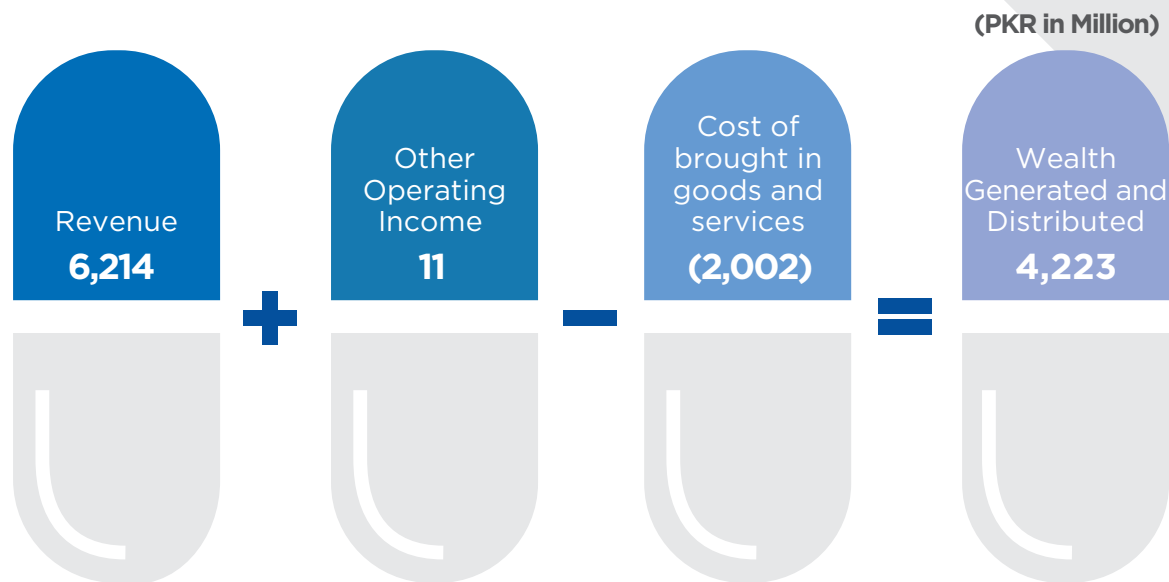
Last Annual General Meeting

The last Annual General Meeting had a considerable level of attendance, of more than 77%, and interactive engagement by shareholders. All the proposed resolutions were duly approved by shareholders. The Annual General Meeting held by the Company, provided an opportunity to put questions to the Board during the formal proceedings, while providing shareholders the chance to meet informally with the Board Directors and senior management.

Corporate Briefing Session

During the year, after publication of the half yearly results, the CEO, Ms. Nusrat Munshi, gave a presentation to shareholders and analysts. In this event, the CEO presented the highlights of financial results strictly ensuring accuracy and completeness of information, for the benefit of audience. The session concluded with a Question and Answer session and the questions were responded to the satisfaction of the attendees.

Statement of Value Added and Distributed



Directors' Report

The Board of Directors of AGP Limited is pleased to present the Annual Report along with the audited financial statements for the year ended December 31, 2019.

Principal Activity

The Company is primarily engaged in manufacturing, marketing and sales of pharmaceuticals and healthcare products in the domestic and export market. During the year, the Company also acquired a purpose built and state of the art nutraceutical facility at Super Highway Phase II Karachi, which will enable it to aggressively launch new nutraceutical products in the market.

Market Overview

The pharmaceutical industry in Pakistan is estimated at PKR 454.5 Billion as per IQVIA (formerly Quintiles and IMS Health, Inc.), pharma research company. During the year under review, retail pharma business grew by 15.6%, primarily because of one-time price adjustment allowed by Drug Regulatory Authority of Pakistan (DRAP) along with a CPI based price increase in the wake of devaluation of Pak Rupee and domestic inflation, respectively. The above support from DRAP assisted the industry to partially mitigate the sharp increase in the cost of doing business.

Financial Results

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

	DEC 2019	DEC 2018	INCREASE %
Revenue - net	6,253	5,382	16.2%
Gross Profit	3,659	3,041	20.3%
Operating Profit	2,052	1,626	26.2%
Profit Before Tax	1,825	1,426	28.0%
Profit After Tax	1,446	1,207	19.9%
Earnings Per Share	PKR 5.17	4.31	19.9%

The topline grew by 16.2% to PKR 6,253 Million on the back of strong performance of the domestic retail portfolio which grew by 23.1%. The increase

in total sales was also supported by the robust growth of 22.5% in sales to Afghanistan. However, due to less public spending on healthcare, institutional portfolio could not perform well and declined by 44%.

More impressively, due to concentration on a better product mix and efficient operations with economies of scale, the Company was able to improve gross profit margin by 200 bps, i.e. 58.5% as compared to 56.5% last year.

The operating profit for the year under review stood at PKR 2,052 Million, i.e. 26.2% higher than last year. Despite growth in business operations and rise in general inflation, the increase in marketing and selling expenses were contained at 12.2%, whereas the administrative expenses were increased by 24.1% mainly on account of strengthening of workforce in line with expanding business operations.

There was an increase of 13.5% in financing cost due to monetary tightening and the resultant high interest rate environment during the year. The impressive topline growth along with effective cost control measures led the Company to improve profit before tax margins by 270 bps, i.e. 29.2% vs 26.5%. Taxation showed an increase mainly in line with the increase in profitability and prior year charge on account of provision of super tax. The impressive results yielded earnings per share of PKR 5.17, representing an increase of 20%.

Capital Structure

Total equity at the year end increased to PKR 7,463 Million compared to PKR 6,368 Million last year. The Company continued its settlement of long term financing on a timely basis and repaid PKR 474 Million during the year to reduce the outstanding loans to PKR 1,208 Million.

Keeping in view the future requirements and aggressive business expansion, the Company made capital investment of PKR 433 Million through internally generated funds. The funds were utilized to acquire nutraceutical facility, construction of new office block and for balancing, modernization and restructuring of existing plants to enhance capacities and efficiencies.

During the year, PACRA upgraded AGP's long term credit rating to A+ from A and maintained the short term credit rating of A1 respectively.

Profit Distribution and Reserves

The revenue reserves - unappropriated profit of the Company at beginning of the year stood at PKR 3,568 Million. Distribution against profit after tax of PKR 1,447 Million for 2019 stood at PKR 350 Million through an interim dividend, while no transfers were made to the general reserves, translating into aggregate revenue reserves - unappropriated profit of PKR 4,663 Million at the close of the year signifying an increase of 31%, as detailed in the 'Appropriations' table below.

APPROPRIATIONS	PKR IN MILLION
Opening unappropriated profit	3,568
Profit after tax	1,447
Impact of initial application of IFRS	(1)
Profit available for appropriation	5,013
Interim dividend at PKR 1.25 per share	(350)
Closing unappropriated profit	4,663

Dividend

The Board of Directors of the Company in the meeting held on March 12, 2020 is pleased to recommend a final cash dividend of PKR 2 per share i.e. 20% for the year ended 2019, for shareholders' approval at the Annual General Meeting to be held on May 5, 2020. This is in addition to an interim cash dividend of PKR 1.25 per share paid to the shareholders during the year 2019, bringing the total dividend for the year ended 2019 to PKR 3.25 per share.

Pattern of Shareholding

The Company's shares are listed on the Pakistan Stock Exchange Limited. The shareholding information as of December 31, 2019 and other related information including trade of shares by the director, CEO, substantial shareholder or executive and/or their spouses and minor children, is set out on pages 200 to 202 in the annual report.

Subsequent Events

No material changes or commitments affecting the financial position of the Company have taken place between the end of the year and the date of this report.

Business Impact on Environment

At AGP, we believe in doing business by adhering to Environment, Health and Safety (EHS) standards. That is why we undertake strategic investments that incorporate a strong consideration for the safety of our people, plants and the planet at large. AGP is committed to provide a safe, injury free workplace.

Demonstrating high ethical values, we have gone an extra mile to contribute positively to protect the environment by controlling carbon emissions and investing in projects to reduce waste, conserve water and energy. As part of our "Go Green Strategy", solar panels are being installed as an alternate renewable energy source. Consequently, we remain committed to our contribution to create a sustainable development plan for our businesses.

Our production practices conform to international standards and comply with good manufacturing practices. Our processes are robust and sustainable to ensure that we deliver quality products and serve the needs of our customers, without compromising the safety of our employees. To help achieve this objective, well designed trainings and courses, both internal and external are imparted to concerned employees to maintain and further improve EHS performance in all operational areas of the Company.

Corporate Social Responsibility

As a socially responsible corporate, we are aware of our role in matching needs of today with the responsibilities of tomorrow. In its drive to serve humanity, the Company, through a program "Ride for a cause" organized by Patients' Aid Foundation, has donated surgical beds to the new surgical complex of Jinnah Postgraduate Medical Centre (JPMC). The new complex provides quality and free of cost healthcare support to needy patients. We also continued with our initiative of providing free of cost medicines to patients who lack the means to afford them.

Risk Management

The Board of AGP believes that governance of risks is integral to Company's strategy and to the achievement of our long term sustainable growth targets. The overall risk management framework focuses on mitigating potential adverse effects of risks and uncertainties being faced by the Company.

The management has maintained a sound system of risk identification and management. This entails identifying, evaluating and addressing strategic, financial, operational, reputational, legal and compliance risks faced by the Company. A summary of the principal risks, together with their mitigation plan, is presented to the Audit Committee for their review, consideration and necessary guidance. The conclusion and results are also shared with the Board.

The composition and attendance records of the meetings of the Board and its committees are as follows:

NAME	CATEGORIES	BOARD	HRC	BAC
Tariq Moinuddin Khan	Non-Executive Director	4/5	-	-
Naved Abid Khan	Independent Director	3/5	3/3	-
Zafar Iqbal Sobani	Independent Director	5/5	-	4/4
Kamran Nishat	Non-Executive Director	4/5	-	2/4
Nusrat Munshi	Executive Director	5/5	3/3	-
Mahmud Yar Hiraj	Non-Executive Director	5/5	3/3	4/4
Muhammad Kamran Mirza	Non-Executive Director	5/5	2/3	4/4

The principal risks currently being faced by the Company include increase in cost of doing business due to devaluation of the Pakistani rupee and domestic inflation. To contain the devaluation impact, we have converted a major portion of Chinese imports into Chinese Yuan. The smooth and uninterrupted supply of necessary Active Pharmaceutical Ingredients (APIs) may be threatened due to cross border geopolitical challenges and escalation in COVID-19 pandemic. The Company, as part of its strategy, is building adequate raw material inventory and also working aggressively to develop alternate vendor sources.

Composition and Meetings of the Board and its Committees

The Board comprises of eminent personnel from varied fields with diverse skill set and knowledge in the relevant subjects, to provide strategic guidance to the Company. Our Board composition represents the interests of all categories of shareholders.

During 2019, the meetings of the Board and its committees were held as follows for adoption of best corporate governance practices by the Company and monitoring effectiveness of such practices:

Board of Directors (Board)	5
Board Audit Committee (BAC)	4
Human Resource & Remuneration Committee (HRC)	3

Mr. Tariq Moinuddin Khan chairs the meetings of Board and independent directors, Mr. Naved Abid Khan and Mr. Zafar Iqbal Sobani chair the meetings of HRC and BAC, respectively. The meetings of the Board and its committees were presided over by their respective Chairman and, in their absence, by a director / member elected by the Board / its committees for this purpose. Leave of absence was duly granted to Directors who could not attend the meetings of the Board and its committees.

The Chief Financial Officer and Company Secretary, or in their absence the nominee appointed by the Board, attended all meetings of the Board except such part of the meetings wherein agenda item relates to consideration of their performance or terms and conditions of their service.

Adequacy of Internal Controls

The Board of Directors has established a system of sound internal control, which is effectively implemented and maintained at all levels within the Company. The independent internal audit function of the Company is outsourced to a reputable professional service firm, A.F.Ferguson & Co. (AFF) who are suitably qualified and experienced for the purpose.

The internal audit is conducted as per the internal audit plan duly reviewed and approved by the Audit Committee. The internal audit plan is driven by the Company's organizational objectives and priorities, and the risks that may prevent the Company from meeting those objectives. The Audit Committee reviews the effectiveness of the internal control framework whereas AFF regularly monitors and provides assurance on the effectiveness and adequacy of the internal controls and risk management framework.

Board Evaluation

The Company has appointed Pakistan Institute of Corporate Governance (PICG) to evaluate the performance of the Board as a whole, its Committees and members of the Board. PICG is a not-for-profit company engaged in promoting

good corporate governance practices in Pakistan. Their faculty comprises of professionals from diverse experiences and backgrounds. This shows the Board's commitment towards excellence in corporate governance.

Results of these evaluations are then discussed in detail in the subsequent Board meeting to address the highlighted areas and improve the Board's performance. For the year 2019, the Board's performance and effectiveness has been assessed as 'Satisfactory'.

Directors' Remuneration

In compliance with the applicable laws and regulations and as permitted by Articles of Association of the Company, the Board has duly approved the remuneration of the members of the Board for attending meetings of the Board and its committees.

To attract and retain directors to successfully govern affairs of the Company and to encourage value addition, the levels of remuneration shall be appropriate, commensurate with the expertise and responsibility and aligned in line with prevailing industry trends and business practices. However, the meeting fee shall not be at a level that it could be perceived to compromise the independence.

Directors' Compliance Statement

The Board is pleased to state that:

- » The financial statements prepared by the Company's management fairly present its state of affairs, the results of its operations, cash flows and changes in equity;
- » Proper books of account of the Company have been maintained;
- » There are no significant doubts regarding the Company's ability to continue as a going concern;
- » Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;

- » International financial reporting standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- » The system of internal control is sound in design and has been effectively implemented and monitored;
- » There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- » Information regarding outstanding taxes and levies, as required by listing regulations, is disclosed in the notes to the financial statements;
- » During the year, a non-executive Director, Mr. Muhammad Kamran Mirza has obtained certification of Directors' Training program from PICG;
- » The key operating and financial data for the last four years is set out on pages 123 to 135; &
- » The management of the Company is committed to good corporate governance and appropriate steps are taken to comply with best practices.

Provident Fund

The Company provides retirement benefits to its employees. This includes a contributory Provident Fund for all employees. Value of investments of Define Contribution Provident fund based on their accounts (audit in progress) as at December 31, 2019 was PKR 248 Million.

Auditors

The present auditors, M/s EY Ford Rhodes, Chartered Accountants retired, and being eligible, have offered themselves for reappointment for the new financial year. In concurrence with the Audit Committee, the Board has recommended the appointment of M/s EY Ford Rhodes Chartered Accountants as the statutory auditors of the Company, to the shareholders for their approval at the forthcoming Annual General Meeting.

Future Outlook

The pharmaceutical market in Pakistan is a growing market. With a large and growing

population base, the Pakistani pharmaceutical market is poised to grow significantly with expectations of increase in per capita health spend. The Company made significant financial progress during 2019 by leveraging on better sales performance and production efficiencies. The Company will continue to roll out its strategy of diversifying its product portfolio and exploring new export markets. Launch of nutraceutical products into the market will also contribute in the growth trajectory of the business. With the launch of nutraceutical products, the Company will enhance its marketing channels for greater outreach and awareness.

The Company remains focused on serving its customers, strengthening and building stakeholder relationships, expanding and diversifying its product offering and exploring opportunities for organic growth. The Company intends to continue implementing strategies and best governance practices to deliver greater value to stakeholders in the coming financial year.

Acknowledgement

The Board looks forward to the forthcoming Annual General Meeting of the shareholders to discuss Company's performance during the year 2019, and is thankful for the trust and confidence reposed in the Board by the shareholders.

The results of the Company are a reflection of the unrelenting commitment and contribution of its employees, and the trust placed in the Company by its customers, suppliers, banks and service providers.



Nusrat Munshi
Chief Executive Officer



Muhammad Kamran Mirza
Non-Executive Director

خطرات سے نمٹنے کے نظام کی موزونیت اور اثر پذیر کو یقینی بناتی ہے اور اس کی نگرانی کرتی ہے۔

بورڈ کی تفصیل

کمپنی نے بورڈ، اس کی کمیٹیوں اور بورڈ کے ممبران کی مجموعی کارکردگی کی تفصیل کے لئے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) کو مقرر کیا ہے۔ PICG ایک غیر منافع بخش کمپنی ہے جو کہ پاکستان میں ادارتی نظم و نسق کے اچھے طور طریقوں کو پروان چڑھانے میں مصروف عمل ہے۔ ان کا تدریسی عملہ متنوع تجربات اور پس منظر کے حامل پیشہ ور افراد پر مشتمل ہے۔

ان تفصیلات کے نتائج پر بعد ازاں بورڈ کے اجلاسوں میں تفصیلی بحث ہوتی ہے تاکہ اجاگر کردہ مسائل کا ازالہ کیا جاسکے اور بورڈ کی کارکردگی کو بہتر بنایا جاسکے۔ سال 2019 کے لئے بورڈ کی کارکردگی اور اثر پذیر کو ”تسلی بخش“ قرار دیا گیا ہے۔

ڈائریکٹران کا معاوضہ

لاگو قوانین و ضوابط اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کی پاسداری کرتے ہوئے بورڈ اور اس کی کمیٹیوں کے ممبران کے لئے اجلاسوں میں حاضری کے لئے باضابطہ معاوضہ منظور کیا ہے۔

کمپنی کے معاملات کو کامیابی سے چلانے اور ڈائریکٹران کو کشش کرنے اور کمپنی میں رہنے پر مائل کرنے اور قابلیت کی حوصلہ افزائی کے لئے معاوضہ کی سطح کو ان کی مہارت اور ذمہ داری اور رائج شخصیتی رجحانات اور کاروباری طور طریقوں کے عین مطابق مقرر کیا جاتا ہے۔ تاہم اجلاس کی فیس کی سطح اتنی زیادہ نہیں ہوتی جس سے اس کی آزادی پر تصفیہ کا ادراک ہو۔

ڈائریکٹران کا پاسداری سے متعلق بیان

بورڈ بخوشی اس بات کا اقرار کرتا ہے کہ:

- ☆ کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ ظاہر کرتے ہیں۔
- ☆ کمپنی کے حسابات کی کتابیں مناسب طریقے سے تیار کی جاتی ہیں۔
- ☆ کمپنی کے چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک وشبہ نہیں ہے۔
- ☆ موزوں حساباتی پالیسیاں تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری میں استعمال کی گئی ہیں اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- ☆ عالمی مالیاتی رپورٹنگ کے معیارات جو کہ پاکستان میں لاگو ہیں، مالیاتی گوشواروں کی تیاری میں انہیں ملحوظ خاطر رکھا گیا ہے اور کسی قسم کا انحراف کو مناسب انداز میں منکشف کیا گیا ہے۔
- ☆ اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر طور پر نافذ ہے اور اس کی نگرانی کی جاتی ہے۔
- ☆ ادارتی نظم و نسق کے بہترین طور طریقوں سے کوئی قابل ذکر انحراف نہیں ہوا۔
- ☆ واجب الادا ٹیکسوں اور محصولات سے متعلق معلومات مالیاتی گوشواروں کے نوٹس میں منکشف کی گئی ہیں۔
- ☆ سال کے دوران ایک نان ایگزیکٹو ڈائریکٹر جناب محمد کامران مرزا نے PICG سے ڈائریکٹران کے ٹریننگ پروگرام کے تحت سند حاصل کی ہے۔
- ☆ گزشتہ چار سالوں کے مالیاتی اور کاروباری اعداد و شمار صفحات ۱۲۳ تا ۱۳۵ پر موجود ہیں۔
- ☆ کمپنی کی انتظامیہ اچھے ادارتی نظم و نسق کے لئے کوشاں ہے اور بہترین طور طریقوں کی پاسداری کے لئے موزوں اقدامات کئے گئے ہیں۔

پروویڈنٹ فنڈ

کمپنی اپنے ملازمین کو ریٹائرمنٹ مراعات فراہم کرتی ہے جس میں تمام ملازمین کے لئے معاوضتی پروویڈنٹ فنڈ شامل ہے۔ 31 دسمبر 2019 کو ڈیفائنڈ کٹری بیوشن پروویڈنٹ فنڈ (آڈٹ جاری ہے) سے کی گئی سرمایہ کاریوں کی رقم ان کے مالیاتی گوشواروں کے مطابق 248 ملین روپے ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز ای وائی فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کے باعث انہوں نے نئے مالیاتی سال کے لئے اپنی تقرری کی پیشکش کی ہے۔ آڈٹ کمیٹی کے مطابق بورڈ نے میسرز ای وائی فورڈ رہوڈز چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی کے آئینی آڈیٹرز تقرری کی سفارش کی ہے جس کی منظوری آنے والے اجلاس عام میں حصص یافتگان سے لی جائے گی۔

مستقبل کی پیش بینی

پاکستان میں دواسازی مصنوعات کی مارکیٹ ایک بڑھتی ہوئی مارکیٹ ہے۔ وسیع اور بڑھتی ہوئی آبادی کے ساتھ پاکستان میں صحت کے فی کس اخراجات بڑھنے کی وجہ سے دواسازی کی مارکیٹ میں قابل ذکر اضافہ کی توقعات ہیں۔ سال 2019 میں کمپنی کی مالیاتی کارکردگی کی وجہ فروخت میں اضافہ اور پیداواری استعداد شامل ہیں۔ کمپنی اپنی حکمت عملی کے تحت اپنی مصنوعات کے پورٹ فولیو میں تسلسل کے ساتھ تنوع جاری رکھے گی۔ مارکیٹ میں نیوٹراسیوٹیکل مصنوعات کے آغاز سے بھی کاروباری سمت کی نمو میں معاونت ہوگی۔ نیوٹراسیوٹیکل مصنوعات کے آغاز سے کمپنی مارکیٹنگ ذرائع سے بڑے پیمانے پر وسعت اور آگاہی حاصل کرے گی۔

کمپنی کی توجہ اپنے کسٹمرز کو خدمات فراہم کرنے، مستقبلیدان کے ساتھ تعلقات بنانے اور مضبوط کرنے، اپنی مصنوعات کی پیشگوئوں میں تنوع اور وسعت اور نامیاتی نمو کے مواقع تلاش کرنے پر مرکوز ہے۔ کمپنی تسلسل کے ساتھ اپنی حکمت عملیوں کو نافذ کرنے اور بہترین طور طریقوں کو رائج کرنے کے لئے کوشاں ہے تاکہ آنے والے سالوں میں مستقبلیدان کو بہتر منفعت فراہم کی جاسکے۔

اعتراف

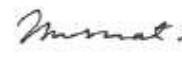
بورڈ آف ڈائریکٹرز آنے والے سالانہ اجلاس عام میں سال 2019 کے دوران کمپنی کی کارکردگی پر حصص یافتگان کے ساتھ گفت و شنید کے منتظر ہیں اور بورڈ پر حصص یافتگان کے اعتماد اور بھروسے پر ان کے شکر گزار ہیں۔

کمپنی کے نتائج میں ملازمین کی انتھک محنت اور عزم اور کمپنی کے گاہکوں، فراہم کنندگان، بینکوں اور خدمت فراہم کنندگان کے اعتماد کی عکاسی ہوتی ہے۔



محمد کامران مرزا

نان ایگزیکٹو ڈائریکٹر



نصرت منشی

چیف ایگزیکٹو ڈائریکٹر

بعد ازاں واقعات

اس رپورٹ کی تاریخ اور سال کے اختتام کے درمیان ایسی کوئی اہم تبدیلیاں یا وعدے نہیں ہوئے جو کہ کمپنی کی مالیاتی پوزیشن متاثر کرتے ہوں۔

ماحول پر کاروباری اثرات

AGP میں ہم ماحولیات، صحت اور تحفظ (EHS) کے معیارات کی پاسداری پر یقین رکھتے ہیں۔ یہی وجہ ہے کہ ہم نے اپنے لوگوں، پلانٹ اور وسیع معنوں میں معاشرے کے تحفظ کو مد نظر رکھتے ہوئے اس میں سرمایہ کاری کی ہے۔ AGP محفوظ، زخموں سے پاک کام کی جگہ فراہم کرنے کے لئے کوشاں ہے۔

اعلیٰ اخلاقی اقدار کا مظاہرہ کرتے ہوئے ہم نے فضائی اخراج کو کنٹرول کرنے اور فضلہ کو کم کرنے، پانی اور توانائی کی بچت کے پروجیکٹس میں سرمایہ کاری کی ہے۔ ہماری ”سر سبز حکمت عملی“ کے تحت سٹشی چینل متبادل توانائی کے وسائل کے طور پر نصب کئے جا رہے ہیں۔ جس کے نتیجے میں ہم اپنے کاروبار منصوبہ کے لئے پائیدار ترقی میں معاونت کے لئے کوشاں ہیں۔

ہمارے پیداواری طور طریقے عالمی معیارات کے مطابق اور اچھے پیداواری طور طریقوں کی پاسداری کرتے ہیں۔ ہمارے پیداواری عمل تیز رفتار اور پائیدار ہیں جس سے ہم معیاری مصنوعات کی ترسیل کو یقینی بناتے ہیں اور اپنے ملازمین کے تحفظ پر تصفیہ کئے بغیر اپنے گاہکوں کی ضروریات کو پورا کرتے ہیں۔ اس مقصد کے لئے اندرونی اور بیرونی سطح پر بہترین ترتیب شدہ رہنمائی ”نشتیں اور کورسز“ متعلقہ ملازمین کو فراہم کئے جاتے ہیں تاکہ کمپنی کے تمام کاروباری شعبوں میں EHS کی کارکردگی میں اضافہ کیا جاسکے۔

ادارتی سماجی ذمہ داری

ایک سماجی ذمہ دار ادارہ کی حیثیت سے ہم اپنی آج کی ضروریات کو آنے والے کل کی ذمہ داریوں سے ہم آہنگ کر رہے ہیں۔ انسانیت کی خدمت کے لئے اپنی ہم میں کمپنی پیشکش ایڈز فاؤنڈیشن کے اہتمام کردہ ”رائیڈ فار اے کاز“ پروگرام کے تحت جناح پوسٹ گریجویٹ میڈیکل سینٹر (JPMC) کے نئے سرجیکل کیمیکس کورس جیکل بیڈر عطیہ کئے ہیں۔ نیا کیمیکس ضرورت مند مریضوں کو معیاری اور مفت طبی علاج فراہم کرتا ہے۔ ہم نے اپنی پیشقدمی کے طور پر ایسے مریضوں کو مفت دوائیں فراہم کی ہیں جن کے پاس مالی وسائل کی قلت ہے۔

خطرات کا انتظام

بورڈ اس بات پر یقین رکھتا ہے کہ خطرات کا انتظام کمپنی کی حکمت عملی اور ہماری طویل مدتی پائیدار نمو کے ہدف کے حصول کے لئے ناگزیر ہے۔ مجموعی خطراتی نظام کی شکل کمپنی کو لاحق امرکائی ناموافق خطرات اور غیر یقینی صورتحال کو کم کرنے پر مرکوز ہے۔

کمپنی کی انتظامیہ نے خطرات کی شناخت اور انتظام کے لئے ایک مستحکم نظام بنایا ہے۔ اس میں کمپنی کو لاحق کلیدی، مالیاتی، کاروباری، سماجی اور قانونی اور کمپلائنس کے خطرات کی نشاندہی، تشخیص اور ازالہ شامل ہے۔ بنیادی خطرات کے ایک خلاصہ کے ساتھ ساتھ ان کے ازالہ کے منصوبے آڈٹ کمیٹی کے جائزہ، غور و خوص اور ضروری رہنمائی کے لئے پیش کئے جاتے ہیں۔ اخذ کردہ نتائج کو بورڈ کے سامنے پیش کیا جاتا ہے۔

کمپنی کو لاحق بنیادی خطرات میں پاکستانی روپے کی قدر میں کمی اور مقامی افراط زر کی وجہ سے لاگت کاروبار میں اضافہ شامل ہے۔ قدر میں کمی کے اثرات کو قابو کرنے کے لئے ہم نے اپنی چینی درآمدات کے بڑے حصے کو چینی یا ان میں تبدیل کر دیا ہے۔ فعال دواسازی اجزاء (APIs) کی مسلسل اور بلا رکاوٹ فراہمی کو سرحد پار جغرافیائی سیاسی صورتحال اور COVID-19 کے پھیلاؤ کی وجہ سے خطرات کا سامنا ہے۔ کمپنی اپنی حکمت عملی کے طور پر خام مال کا مناسب ذخیرہ برقرار رکھتی ہے اور محرکاتہ طور پر متبادل وینڈرز رائے کے حصول کے لئے کام کر رہی ہے۔

بورڈ اور اس کمیٹیوں کی تشکیل اور اجلاس

بورڈ مختلف شعبوں میں متنوع مہارت اور متعلقہ مضامین میں تعلیمی قابلیت کے حامل نمایاں افراد پر مشتمل ہے جو کہ کمپنی کو کلیدی رہنمائی فراہم کرتا ہے۔ ہمارے بورڈ کی تشکیل ہندی ہر قسم کے حصص یافتگان کے مفادات کی نمائندگی کرتی ہے۔

سال کے دوران کمپنی میں ادارتی نظم و نسق کے بہتری طور طریقوں کو اختیار کرنے اور ان طور طریقوں کی اثر پذیری کی نگرانی کے لئے بورڈ اور اس کی کمیٹیوں کے درج ذیل اجلاس ہوئے:

بورڈ آف ڈائریکٹرز	5
بورڈ آڈٹ کمیٹی	4
انسانی وسائل اور معاوضہ کمیٹی (HRC)	3

بورڈ اور اس کی کمیٹیوں کے اجلاس میں حاضری کا ریکارڈ اور ساخت درج ذیل ہے:

نام	اقسام	BOARD	HRC	BAC
طارق معین الدین	نان ایگزیکٹو ڈائریکٹر	4/5	-	-
نوید عابد خان	آزاد ڈائریکٹر	3/5	3/3	-
ظفر اقبال ثوبانی	آزاد ڈائریکٹر	5/5	-	4/4
کامران نشاط	نان ایگزیکٹو ڈائریکٹر	4/5	-	2/4
نصرت نشتی	ایگزیکٹو ڈائریکٹر	5/5	3/3	-
محمود یار حیراج	نان ایگزیکٹو ڈائریکٹر	5/5	3/3	4/4
محمد کامران مرزا	نان ایگزیکٹو ڈائریکٹر	5/5	2/3	4/4

جناب طارق معین الدین خان بورڈ اور آزاد ڈائریکٹران کے اجلاس کی صدارت کرتے ہیں، جبکہ نوید عابد خان اور جناب ظفر اقبال ثوبانی بالترتیب HRC اور BAC کی صدارت کرتے ہیں۔ بورڈ اور اس کی کمیٹیوں کے اجلاس کی صدارت ان کے متعلقہ چیئرمین کرتے ہیں اور ان کی غیر موجودگی میں بورڈ اور اس کی کمیٹیوں کا منتخب کردہ ممبر/ڈائریکٹر صدارت کرتے ہیں۔ جوڈائریکٹران بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت نہ کر سکے ان کی رخصت منظور کر لی گئی۔

بورڈ کے تمام اجلاسوں میں چیف فنانشل آفیسر اور کمپنی سیکریٹری یا ان کی غیر موجودگی میں بورڈ کے مقرر کردہ افراد شرکت کرتے ہیں تاہم ایسے اجلاس میں شرکت نہیں کر سکتے جس میں ایجنڈے کا تعلق ان کی کارکردگی پر غور یا ان کی ملازمت کی شرائط و ضوابط سے ہو۔

اندرونی گرفت کے نظام کی موزونیت

بورڈ آف ڈائریکٹرز نے اندرونی گرفت کا ایک مضبوط نظام تشکیل دیا ہے جو کہ کمپنی میں ہر سطح پر موثر طور پر نافذ اور برقرار رکھا جاتا ہے۔ کمپنی کا اندرونی آڈٹ کا شعبہ آزاد ہے جسے ایک بیرونی پیشہ ور فرم A.F. فرگوسن اینڈ کو (AFF) انجام دیتی ہے جو کہ اس مقصد کے لئے موزوں اور تجربہ کی حامل ہے۔

آڈٹ کمیٹی کے باضابطہ تشکیل شدہ اور منظور کردہ انٹرئل آڈٹ پلان کے مطابق اندرونی آڈٹ کیا جاتا ہے۔ انٹرئل آڈٹ پلان کو کمپنی کے ادارتی مقاصد اور ترجیحات کے حصول اور کمپنی کے مقاصد کو خطرات سے بچانے کے لئے بنایا گیا ہے۔ آڈٹ کمیٹی اندرونی گرفت کے نظام کی اثر پذیری کا جائزہ لیتی ہے جبکہ AFF باقاعدگی کے ساتھ اندرونی گرفت اور

ڈائریکٹرز رپورٹ

AGP لمیٹڈ کے بورڈ آف ڈائریکٹرز سالانہ رپورٹ کے ساتھ آڈٹ شدہ مالیاتی گوشوارے برائے مختتم مدت 31 دسمبر 2019 پیش کرتے ہوئے اظہار مسرت محسوس کرتے ہیں۔

بنیادی سرگرمی

کمپنی کی بنیادی سرگرمی دواساز اور طبی مصنوعات کی تیاری اور مقامی اور برآمدی بازاروں میں مارکیٹنگ اور فروخت ہے۔ سال کے دوران کمپنی نے سپر ہائی وے فیئر II کراچی پر جدید ٹیکنالوجی کی حامل نیوٹراسیوٹیکل مصنوعات کی تیاری کی سہولت حاصل کی ہے تاکہ تھرکانہ انداز طور پر بازار میں نیوٹراسیوٹیکل مصنوعات کی مارکیٹنگ کی جاسکے۔

بازار کا سرسری جائزہ

IQVIA فارما ریسرچ کمپنی (سابقہ کوآینٹا کزنز اینڈ IMS ہیلتھ انکارپوریٹڈ) کے مطابق پاکستان میں دواسازی کی صنعت تقریباً 454.5 ملین روپے ہے۔ جائزہ سال کے دوران دواسازی کے خوردہ فروشی کاروبار میں 15.6 فیصد اضافہ ہوا جس کی بنیادی وجہ ڈرگ ریگولیٹری اتھارٹی آف پاکستان (DRAP) کی جانب سے ایک مرتبہ قیمت کی موزونیت کے ساتھ ساتھ بالترتیب پاکستانی روپے کی قدر میں کمی اور مقامی افراط زر کی وجہ سے CPI کی بنیاد پر قیمت میں اضافہ شامل ہیں۔ DRAP کی جانب سے مذکورہ بالا تعاون کی وجہ سے تیزی سے بڑھتی ہوئی کاروباری لاگت میں صنعت کو سہارا ملا۔

مالیاتی نتائج

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

	دسمبر 2019	دسمبر 2018	اضافہ فیصد
فروخت - خالص	6,253	5,382	16.2%
خام منافع	3,659	3,041	20.3%
کاروباری منافع	2,052	1,626	26.2%
منافع قبل از ٹیکس	1,825	1,426	28.0%
منافع بعد از ٹیکس	1,446	1,207	19.9%
فی حصص آمدن	5.17	4.31	19.9%

فروخت 16.2 فیصد اضافے کے ساتھ بڑھ کر 6,253 ملین روپے ہو گئیں جس کی بنیادی وجہ مقامی خوردہ فروشی کی مصنوعات میں 23.1 فیصد اضافہ تھی۔ افغانستان کی فروخت میں تیز ترین 22.5 فیصد اضافہ سے بھی کل فروخت کو سہارا ملا۔ تاہم طبی نگہداشت کے خرچوں میں کمی کی وجہ سے اداریتی مصنوعات کا کردگی نہ دکھاسکیں اور ان میں 44 فیصد کمی ہوئی۔

مصنوعات کے بہتر مرکب اور مستعد کاروباری اخراجات کی وجہ سے خام منافع میں 200 بی پی ایس اضافہ ہوا یعنی کمپنی 56.5 سے بڑھا کر 58.5 فیصد کرنے میں کامیاب رہی۔

جائزہ سال کے دوران کمپنی کا کاروباری منافع 2,052 ملین روپے رہا جو کہ گزشتہ سال کی نسبت 26.2 فیصد زیادہ ہے۔ کاروباری افعال میں عمواور عمومی افراط زر میں اضافہ کے باوجود مارکیٹنگ اور فروخت کے اخراجات 12.2 فیصد رہے جبکہ انتظامی اخراجات میں 24.1 فیصد اضافہ ہوا کیونکہ کاروباری افعال کی وسعت کے لئے مضبوط افرادی قوت درکار تھی۔

مالیاتی سختی اور اس کے نتیجے میں سال کے دوران بلند شرح سود کی وجہ سے مالیاتی لاگت میں 13.5 فیصد اضافہ ہوا۔ فروخت میں قابل ذکر اضافہ کے ساتھ ساتھ لاگت کو

قابو کرنے کے اقدامات کی وجہ سے کمپنی کے منافع قبل از ٹیکس میں 270 بی پی ایس اضافہ ہوا یعنی 26.5 فیصد سے بڑھ کر 29.2 فیصد ہو گیا۔ ٹیکس میں اضافہ کی بنیادی وجہ منافع میں اضافہ اور گزشتہ سال کے سپرنٹیکس کے اختصاص میں تبدیلی تھی۔ بہترین نتائج کی وجہ سے فی حصص آمدن 5.17 روپے ہو گئی جو کہ 20 فیصد اضافہ کی عکاسی کرتی ہے۔

سرمایہ جاتی ڈھانچہ

سال کے اختتام پر کل ایکویٹی 7,463 ملین روپے رہی جبکہ گزشتہ سال 6,368 ملین روپے تھی۔ کمپنی نے طویل قرضہ جاتی سرمایہ کاری کی بروقت ادائیگی جاری رکھی اور سال کے دوران 474 ملین روپے واپس کئے جس کی وجہ سے واجب الادا قرضے کم ہو کر 1,208 ملین روپے رہ گئے۔

مستقبل کی ضروریات اور متحرکانہ کاروباری وسعت کو مد نظر رکھتے ہوئے کمپنی نے اپنے اندورنی پیدا کردہ فنڈز سے 433 ملین روپے کے سرمایہ جاتی اخراجات کئے۔ یہ رقومات نیوٹراسیوٹیکل مصنوعات کی پیداواری سہولت کے حصول، نئے آفس بلاک کی تعمیر اور موجودہ پلانٹس کی پیداواری گنجائش اور استعداد بڑھانے کے لئے از سر نو ڈھانچہ بندی، جدید اور متوازن بنانے پر خرچ ہوئی۔

سال کے دوران PACRA نے AGP کی طویل مدتی کریڈٹ ریٹنگ A سے بڑھا کر A+ کر دی جبکہ قلیل مدتی کریڈٹ ریٹنگ کو A1 پر برقرار رکھا۔

منافع کی تقسیم اور ذخائر

کمپنی کا غیر مصرف شدہ منافع سال کی ابتداء میں 3,568 ملین روپے تھا۔ 2019 کے بعد از ٹیکس منافع 1,447 ملین روپے پر 350 ملین روپے کا عبوری منافع منقسمہ ادا کیا گیا جبکہ کوئی رقم عمومی ذخائر کو منتقل نہیں کی گئی، جس سے غیر مصرف شدہ منافع کے ذخائر سال کے اختتام پر 4,663 ملین روپے ہو گئے جو کہ 31 فیصد اضافہ کی عکاسی کرتا ہے، ان مصارف کی تفصیل درج ذیل گوشوارہ میں بیان کی گئی ہے:

اختصاص	روپے ملین میں
ابتدائی غیر مصرف شدہ منافع	3,568
منافع بعد از ٹیکس	1,447
IFRS کو ابتدا میں لاگو کرنے سے اثرات	(1)
مصرف کے لئے دستیاب منافع	5,013
عبوری منافع منقسمہ 1.25 روپے فی حصص (350)	
انتظامی غیر مصرف شدہ منافع	4,663

منافع منقسمہ

کمپنی کے بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 12 مارچ 2020 میں 2 روپے فی حصص یعنی 20 فیصد کے حساب سے حتمی منافع منقسمہ کی سفارش کی ہے جس کی منظوری 05 مئی 2020 کو ہونے والے سالانہ اجلاس عام میں لی جائے گی۔ یہ عبوری منافع منقسمہ 1.25 روپے فی حصص کے علاوہ ہے جو کہ سال 2019 میں ادا کیا گیا تھا جس سے سال مختتمہ 2019 کے لئے کل منافع منقسمہ 3.25 روپے فی حصص ہو جائے گا۔

حصص داری کی ساخت

کمپنی کے حصص پاکستان اسٹاک ایکسچینج میں لسٹڈ ہیں۔ 31 دسمبر 2019 کو حصص داری کی ساخت اور دیگر معلومات بشمول ڈائریکٹران، سی ای او، بڑے حصص یافتگان یا اعلیٰ انتظامیہ اور/یا ان کے شریک حیات اور چھوٹے بچوں کی خرید و فروخت سالانہ رپورٹ کے صفحات ۲۰۰ تا ۲۰۲ پر موجود ہیں۔

Report of the Audit Committee >>

The members of the Audit Committee are pleased to present their report to the shareholders for the year ended December 31, 2019.

Composition of the Audit Committee

The audit committee (Committee) comprises of the four (4) members. The Chairman is an independent director, who is not the Chairman of the Board. The remaining three members are non-executive directors. All the members are qualified as financially literate professional and the Committee as a whole possesses significant economic, financial and business acumen.

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are not members of the Committee but attended all its meetings during the year at the invitation of the Chairman. The Committee has appointed company secretary as a secretary of the committee.

Meetings of the Audit Committee

The audit committee met once every quarter primarily to review and recommend quarterly / half yearly and annual financial statements to the Board for its considerations and approval. The details of all related party transactions were placed periodically before the Committee and upon satisfaction and recommendations of the Committee, the same were placed before the Board for review and approval.

The secretary of the Committee, circulates minutes of meetings to all members, directors, head of internal audit and where required to CFO prior to the next meeting of the Board. The Chairman provides updates of the significant matters discussed in the meeting to the Board.

Internal Audit Function

The internal audit function is outsourced to a well-reputed professional service firm, M/s A.F.Ferguson & Co., Chartered Accountants (AFF) who are suitably qualified and experienced for the purpose. The Company has also appointed a full-time employee other than CFO, as Head of Internal Audit (HOIA) holding equivalent qualification prescribed under the Code of Corporate Governance 2019 (Code). The HOIA functionally report to the Committee and administratively to the CEO and his performance appraisal was done jointly by the Chairman of the Committee and the CEO.

The internal audit is conducted as per the internal audit plan duly approved by the Committee. All internal audit reports are provided for the review of external auditors. The auditors also discussed major findings in relation to the reports with the Committee, and the Committee reports matters of significance to the Board.

At year-end meeting, the Committee met AFF along with HOIA without the presence CEO & CFO. The management supported internal audit activities and provided all the required information on timely basis. The recommendations of the auditors were agreed and there was no point of conflict between the management and the internal auditors.

Internal Audit and Risk Management

The Board has implemented the internal control system, the independent internal audit function of the Company regularly monitors the implementation of financial and operational controls, whereas the Committee reviews the effectiveness of the internal control framework. The Committee also reviewed the summary of risk assessment registers to ascertain that principal business risks are well identified and adequate action plans for mitigating risks are developed and implemented.

External Auditors

The statutory auditors of the Company, M/s EY Ford Rhodes, Chartered Accountants (EY), have completed their assignments of the audit of Company's financial statements and the statement of Compliance with the Code for the year ended December 31, 2019 and shall retire on the conclusion of the 6th Annual General Meeting of the Company.

The Chairman met the EY audit team along with engagement partner Mr. Arif Nazeer at the start of the audit to ensure appropriateness of audit planning and sufficiency of resources and also discussed the possible impact of new IFRSs on the Company's financial statements and other critical matters, if any. The Committee reviewed the Management Letter issued by external auditors along with Management's response / actions plans. At year-end meeting, the Committee met Mr. Arif Nazeer along with his

senior team members without the presence of CEO, CFO and HOIA. The Committee discussed the audit process and the observation, if any, regarding the audit of the financial statements and compliance with the applicable regulations or any other issues.

The Committee being satisfied with the performance of external auditors, has suggested their appointment for the year 2020 at the forthcoming Annual General Meeting of the Company.

Conclusion

The Committee has performed its duties and discharges its responsibilities in compliance with the Code and as per the Terms of Reference approved by the Board. The evaluation of the Committee was carried out by external independent consultant, Pakistan Institute of Corporate Governance.



Zafar Iqbal Sobani

Chairman – Board Audit Committee
March 11, 2020

Statement of Compliance >>

with Listed Companies (Code of Corporate Governance) Regulations, 2019

AGP LIMITED YEAR ENDED 31 DECEMBER 2019

The Company has complied with the requirements of the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 until 24 September 2019 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as the Regulations) effective from 25 September 2019 in the following manner:

1. The total number of Directors are 7 as per the following:

a.	Male	06
b.	Female	01

2. The composition of the Board is as follows:

a.	Independent Directors	02	Mr. Naved Abid Khan Mr. Zafar Iqbal Sobani
b.	Non-executive Directors	04	Mr. Tariq Moinuddin Khan Mr. Kamran Nishat Mr. Mahmud Yar Hiraj Mr. Muhammad Kamran Mirza
c.	Executive Director (Female Director)	01	Ms. Nusrat Munshi

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders

as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;

9. The Board has arranged Directors' Training program for Mr. Muhammad Kamran Mirza (Director) during the year;

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, no new appointment of Chief Financial Officer and Head of Internal Audit was made during the year;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a. Audit Committee
Mr. Zafar Iqbal Sobani - Chairman
Mr. Kamran Nishat
Mr. Mahmud Yar Hiraj
Mr. Muhammad Kamran Mirza

b. Human Resource and Remuneration Committee
Mr. Naved Abid Khan - Chairman
Ms. Nusrat Munshi
Mr. Mahmud Yar Hiraj
Mr. Muhammad Kamran Mirza

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committees were as per following:

- a) Audit Committee: Four meetings during the financial year ended December 31, 2019.
b) HR and Remuneration Committee: Three meetings during the financial year ended December 31, 2019;

15. The Board has outsourced the internal audit function to M/s. A.F. Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

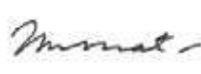
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all other requirements of regulations 3 (Number of Directorship), 6 (Independent Director), 7 (Female Director), 8 (Executive Director), 27 (Audit Committee), 32 (Terms of appointment of external auditor), 33 (Rotation of auditors) and 36 (Compliance Statement and Auditor Review) of the Regulations have been complied with; and

19. We confirm that all the requirements of repealed Listed Companies (Code of Corporate Governance), 2017 have been complied with until the date of its applicability.


Tariq Moinuddin Khan
Chairman of the Board


Nusrat Munshi
Chief Executive Officer

Independent Auditor's Review Report

Review Report on the Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'the Regulations'), prepared by the Board of Directors of AGP Limited for the year ended 31 December 2019 in accordance with the requirements of Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.


Chartered Accountants

Place: Karachi

Date: 13 April 2020

Outlook >

Performance Analysis

AGP continued to play its role in providing high quality pharmaceutical products, along with achieving its objective of enhancing shareholder value. The Company achieved sizeable growth in sales and went ahead with its plan of capitalizing on the existing product portfolio and building a robust product pipeline. During the year, the Company launched five new products and acquired a state of the art nutraceutical facility to increase its footprint in this market segment. The economic challenges, particularly escalation in costs due to PKR devaluation and monetary tightening were dealt with resilience and cost economization.

Source of Information and Assumptions

A holistic view of past trends, prevailing market conditions and future expectations are embedded in the framework for development of business plans and forecasts. Comprehensive information from critical functions of the Company, including but not limited to Marketing & Sales, Production & Operations, Quality Management, Finance along with external industry and market analysis is used to plan. External factors that are relevant and appropriate in the circumstances, such as macro and micro economic indicators, markets trends, availability of Active Pharmaceutical Ingredients (APIs), data from regulatory authorities and research companies and competitors' actions etc. are also taken into account when devising future plans.

These forecasts are adopted as budget after approval by the Board of Directors. Periodic reviews of performance against the budget is done, to ensure adequate monitoring and control. Corrective actions, including amendment of budget and reallocation of resources are initiated, if required. New ventures have to pass through an extensive due diligence process encompassing the technical, financial and regulatory feasibility studies with the involvement of core management team and external experts, if and when required.

Forward Looking Statement

The Company will strive for continued growth in revenue through development of a strong product

pipeline and geographical diversification. Ongoing focus on launch of new products and enhancing exports together with rigorous pursuit of the nutraceutical segment will open new avenues of growth for the Company. The inflow of foreign currency through exports will also hedge the risk of PKR devaluation.

The Company remains cautious of the geopolitical situation of the Country and global outbreak of COVID-19 pandemic. The outbreak has caused turmoil and fear in both domestic and international markets due to the uncertainty attached with the scale of the damage and the slowdown of the economy. The global pandemic has also caused significant disruptions amongst Company's supply chain partners, workforce, facilities and operations. The impact of this pandemic is expected to adversely affect all sectors, however the essential industries are relatively better positioned to weather this situation. The economy is expected to recover in the short to medium term, provided that the spillover impact of the Coronavirus outbreak is moderate and short-lived. We continue to monitor the rapidly evolving situation closely, including the potential impacts on revenue, our supply chain continuity, our employees and operations.

In view of above, the Company has taken effective measures for proactive inventory management to develop alternate and reliable vendor sources and build inventory levels to ensure supplies for the short term. China appears to have controlled the pandemic with fewer new cases and shipments of material supplies have resumed. The closure of the Pak-Afghan border is expected to have an impact on our sale to that segment. Furthermore, PKR devaluation coupled with domestic inflation is expected to remain a risk.

The Company 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 annual CPI linked price increase will continue to mitigate the impact devaluation and monetary tightening to some extent.

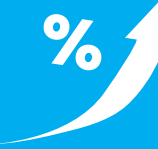


Financial Performance

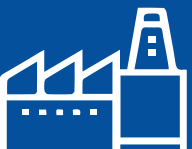
Demonstrating Ambition through Numbers

2019 in Numbers >>

Financial KPIs

	Revenue		
	2019	2018	INCREASE
	PKR 6,253 Million	PKR 5,382 Million	16.2%
	Gross Profit		
	2019	2018	INCREASE
	PKR 3,659 Million	PKR 3,041 Million	20.3%
	Operating Profit		
	2019	2018	INCREASE
	PKR 2,052 Million	PKR 1,626 Million	26.2%
	Profit Before Tax		
	2019	2018	INCREASE
	PKR 1,825 Million	PKR 1,426 Million	28.0%
	Earnings Per Share		
	2019	2018	INCREASE
	PKR 5.17	PKR 4.31	19.9%

Non-Financial KPIs

	Number of Manufacturing Facilities		
	2019	2018	REMARKS
	3	2	Acquired Nutraceutical Plant
	PACRA Rating		
	2019	2018	REMARKS
	A+	A	PACRA upgraded Long Term Credit Rating
	New Product Launches		
	2019	2018	REMARKS
	5	8	The Company continued to invest in new products
	Sales of Flagship Brand, Rigix		
	2019	2018	INCREASE
	PKR 1,155.6 Million	PKR 930.7 Million	24.2%
	Market Capitalization		
	2019	2018	INCREASE
	PKR 27,818 Million	PKR 24,480 Million	13.6%

Financial Ratios >>

KEY PERFORMANCE INDICATORS	Unit	2019	2018	2017	2016
Profitability Ratios					
Gross profit ratio	%	58.52	56.50	60.83	58.49
Net profit to sales	%	23.13	22.42	26.11	25.85
EBITDA margin to sales	%	34.91	32.14	36.37	38.86
EBIT/Operating Profit margin	%	32.81	30.20	34.08	36.35
Return on assets	%	15.06	13.46	14.47	12.77
Return on equity	%	19.38	18.95	22.39	25.42
Effective tax rate	%	20.74	15.36	7.47	6.92
Operating leverage ratio	Times	1.62	0.07	0.43	1.53
Return on capital employed	%	17.30	15.35	16.11	14.19
Liquidity Ratios					
Current ratio	Times	1.64	1.39	1.27	0.86
Quick / Acid test ratio	Times	0.89	0.80	0.75	0.60
Cash to Current Liabilities	Times	0.09	0.02	0.02	0.25
Cash flow from operations to Sales	Times	0.24	0.18	0.20	0.25
Activity / Turnover Ratios					
No. of days in inventory	Days	127	114	117	98
No. of days in receivables	Days	29	32	31	27
No. of days in payables	Days	106	114	143	113
Inventory Turnover	Times	2.87	3.19	3.13	3.73
Debtors Turnover	Times	12.43	11.33	11.64	13.65
Creditors Turnover	Times	3.45	3.20	2.54	3.24
Total assets turnover ratio	Times	0.65	0.60	0.55	0.49
Fixed assets turnover ratio	Times	0.85	0.76	0.69	0.62
Operating cycle	Days	51	33	4	12
Investment / Market Ratios					
Basic / Diluted Earnings per share	PKR	5.17	4.31	4.41	3.88
Price earning ratio	Times	19.23	20.29	N/A	N/A
Dividend yield ratio	%	1.26	1.43	N/A	N/A
Dividend pay out ratio	%	24.20	29.00	N/A	N/A
Dividend cover ratio	Times	4.13	3.45	N/A	N/A
Cash dividend per share	PKR	1.25	1.25	N/A	N/A
Break-up value per share	PKR	26.65	22.74	19.68	15.28
Market Value:					
- at the end of the year	PKR	99.35	87.43	N/A	N/A
- high during the year	PKR	99.71	107.15	N/A	N/A
- Low during the year	PKR	51.47	68.40	N/A	N/A

KEY PERFORMANCE INDICATORS	Unit	2019	2018	2017	2016
Capital Structure Ratios					
Interest cover ratio	Times	9.04	8.13	5.82	4.24
Debt to Equity	Times	0.16	0.26	0.39	0.79
Financial leverage ratio	Times	0.16	0.29	0.39	0.82
Equity Ratio	%	77.7	71	64.6	50.2
Expense Ratios					
Admin Expenses to Sales Ratio	%	2.5	2.4	2.8	2.6
Marketing & Promotional Expense to sales ratio	%	20.7	21.4	22.2	18.1

Ratio Analysis

Profitability Ratios

Despite challenging economic environment, the Company was able to achieve higher profitability margins. Due to proactive inventory management accompanied with focus on high growth profitable products and effective cost control measures, the Company reported an increase of 200 bps in gross profit margins as compared to last year. This impressive performance together with controlled operating expenses and effective treasury management delivered robust increase in net profit margins.

Liquidity Ratios

Current ratio of 1.64 times, improved over last four years and shows the stable position of current assets to current liabilities owing to increase in investment in working capital. Due to better management of working capital cycle, quick ratio is 0.89 times which is higher than last four years.

Activity / Turnover Ratios

The debtors turnover in days have reduced to 29 days in 2019 as compared to 32 days in 2018 due

to effective credit risk management. The creditors turnover in days have also decreased to 106 days in comparison to 114 days in 2018. Inventory turnover days have increased to 127 days in 2019 from 114 days in 2018. The Company's operating cycle increased to 51 days in 2019 from 33 days in 2018.

Investment / Market Ratios

The Company's share traded on Pakistan Stock Exchange between the range of PKR 51.47 to PKR 99.71, with year-end share price of PKR 99.35 compared to PKR 87.43 last year 2018. The earnings per share improved to PKR 5.17 as compared to PKR 4.31 per share owing to better sales performance couple with operational efficiencies.

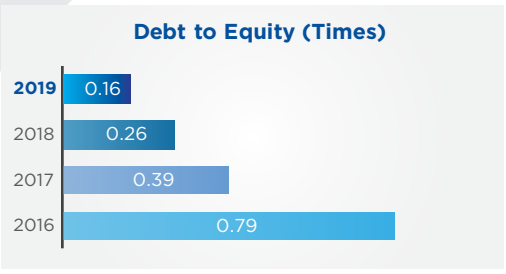
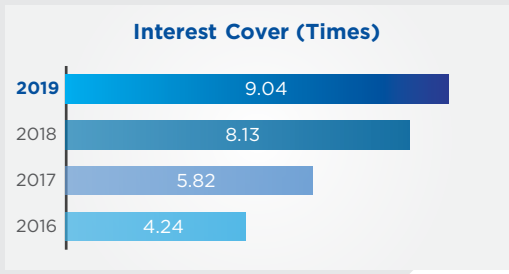
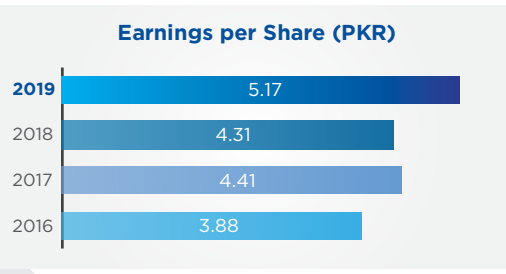
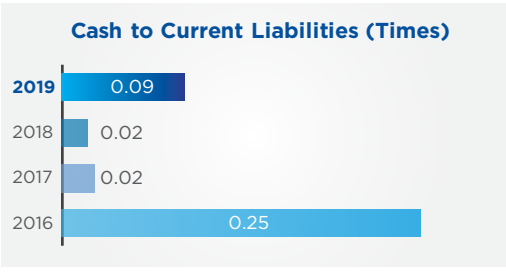
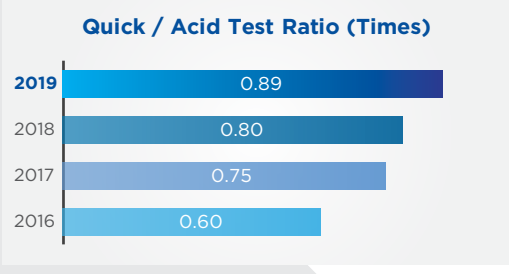
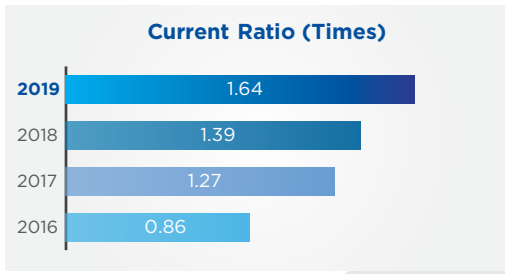
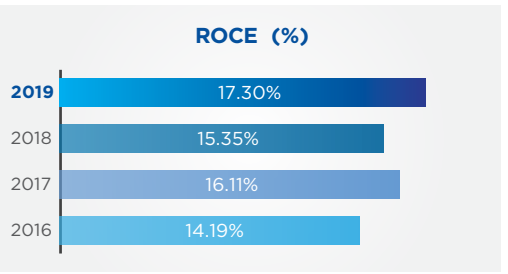
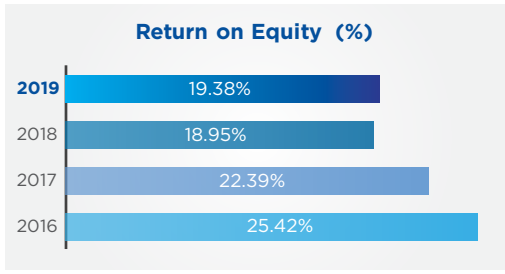
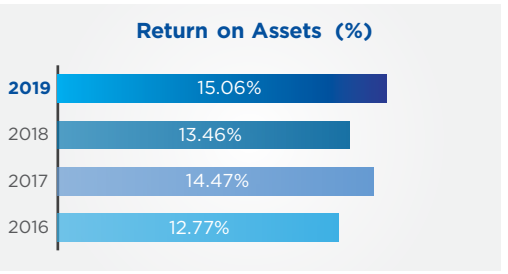
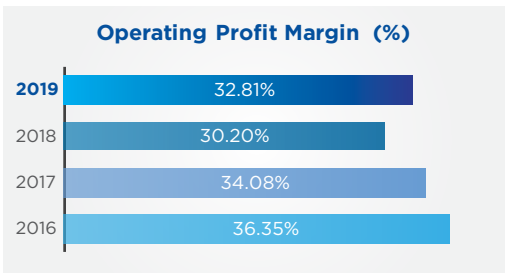
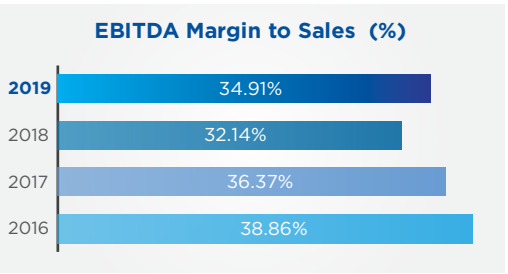
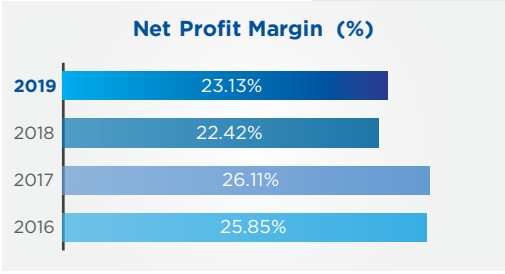
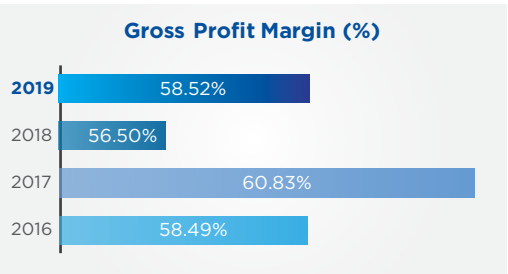
Capital Structure Ratios

Debt to equity ratio improved to 0.16:1 against 0.26:1 in 2018, owing to repayment of long term debt. Interest cover ratio is increased to 9.04 as the Company's ability to honor its debt payments improved due to timely repayment of long term loan and increase in profitability.

Methods and Assumptions Used in Compiling the Key Performance Indicators

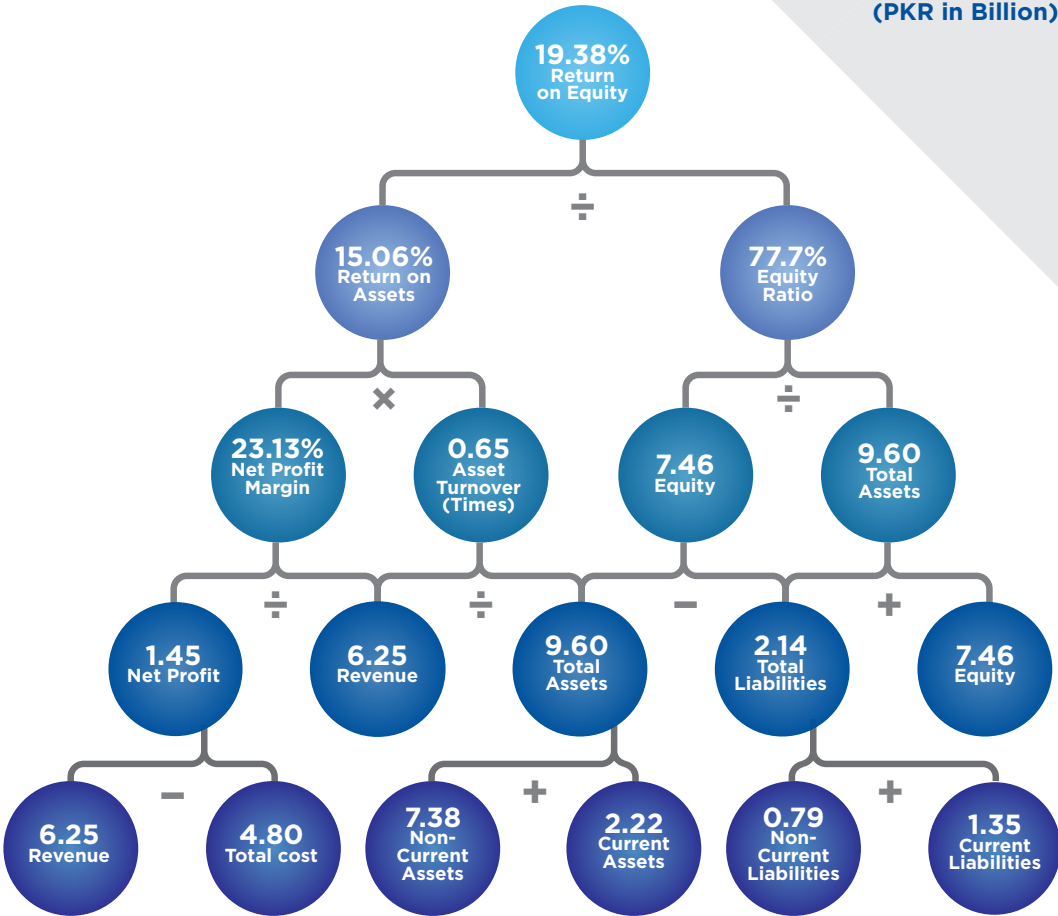
The Company has set financial and non-financial indicators to track progress against strategic objectives. Sales are monitored regularly and future lines of actions are decided accordingly. The Company analyses a number of internal and external factors including availability and quality of in-house resources, economic indicators, geopolitical situation, competitors' positioning and general market trends while compiling KPIs. These indicators have been compiled using methodologies widely used in the industry and are reviewed regularly by the Management Team and on quarterly basis by the Board, to take appropriate corrective actions when and where necessary.

Graphical Presentation of Financial Ratios >



DuPont Analysis >>

(PKR in Billion)



DuPont Analysis	2019	2018
Tax burden (%)	79.26	84.64
Interest burden (%)	89.31	88.01
EBIT margin (%)	32.81	30.20
Asset turnover (times)	0.65	0.60
Leverage (times)	1.34	1.47
Return on equity (%)	19.38	18.95

The topline was recorded at PKR 6.25 Billion, a growth of 16.2% over the last year, on the back of strong performance of the domestic retail portfolio supported by the robust growth in sales to Afghanistan. The cost of production and operations was contained due to proactive inventory management and efficient cost control measures despite currency devaluation, increase in interest rates and inflation. These efforts resulted in net profit margin of 23.1% (2018: 22.4%), asset turnover of 0.65 times (2018: 0.60) and return on assets of 15.06% (2018: 13.46%).

Total assets of the Company witnessed an increase of 7.1% driven mainly by capital investment for acquiring nutraceutical facility and balancing, modernization and restructuring of existing plants to enhance capacity and efficiencies. The stock in trade was increased to maintain inventory at an optimum level due to geopolitical risk during the year. The Company continued its settlement of long term financing on a timely basis.

Owners' equity increased to PKR 7.5 Billion, an increase of 17.2% on account of transfer of profit after tax to revenue reserves net of dividend paid during the year. This also improved equity ratio to 77.7% (2018: 71%). As a result, the Company recorded a return on equity of 19.38% compared to 18.95% in 2018.

Free Cash Flows >>

	2019	2018	2017	2016
----- PKR in Million -----				
Profit before taxation	1,825	1,426	1,333	1,168
Adjustment of non-cash items	494	382	450	537
Changes in working capital	(119)	(322)	(132)	43
	2,200	1,486	1,652	1,748
Less: Capital Expenditures	(433)	(337)	(194)	(125)
Free cash flows	1,767	1,149	1,458	1,662

Economic Value Added >>

Economic value added (EVA) is a measure of a Company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on cash basis (NOPAT).

	2019	2018
--- PKR in Million ---		
NOPAT	2,002	1,546
Cost of capital	(1,262)	(1,084)
Economic value added	740	462

Vertical Analysis >>

(PKR in Million)

	----- 2019 -----		----- 2018 -----		----- 2017 -----		----- 2016 -----	
	PKR	%	PKR	%	PKR	%	PKR	%
Statement of Financial Position								
Assets								
Non-Current Assets								
Property, plant and equipment	1,977	20.59	1,685	18.80	1,479	17.34	1,393	16.37
Intangible assets	5,395	56.19	5,398	60.23	5,385	63.16	5,402	63.46
Long-term loans, deposits and receivables	14	0.14	12	0.13	11	0.13	9	0.10
	7,385	76.92	7,095	79.16	6,875	80.63	6,804	79.93
Current Assets								
Stores, spares and loose tools	7	0.07	7	0.08	7	0.08	7	0.08
Stock-in-trade	1,013	10.55	797	8.89	670	7.85	513	6.02
Trade debts	523	5.44	483	5.39	467	5.47	345	4.05
Loans and advances	36	0.38	67	0.75	48	0.57	58	0.69
Trade deposits, prepayments and other receivables	85	0.89	5	0.06	7	0.08	4	0.04
Taxation – net	435	4.53	483	5.39	423	4.97	280	3.29
Cash and bank balances	117	1.22	24	0.27	30	0.36	502	5.90
	2,216	23.08	1,868	20.84	1,652	19.37	1,709	20.07
Total Assets	9,602	100.00	8,963	100.00	8,527	100.00	8,513	100.00
Equity & Liabilities								
Equity								
Share Capital	2,800	29.2	2,800	31.2	2,800	32.8	2,800	32.9
Revenue reserve	4,663	48.6	3,568	39.8	2,711	31.8	1,477	17.4
	7,463	77.7	6,368	71.0	5,511	64.6	4,277	50.2
Non-Current liabilities								
Deferred Taxation	71	0.7	59	0.7	41	0.5	26	0.3
Long-term financing	717	7.5	1,192	13.3	1,673	19.6	2,231	26.2
	788	8.2	1,251	14.0	1,714	20.1	2,257	26.5
Current liabilities								
Trade and other payables	846	8.8	660	7.4	801	9.4	692	8.1
Unclaimed dividend	0.97	0.01	31	0.3	-	-	-	-
Accrued interest	13.25	0.1	18	0.2	11	0.1	127	1.5
Short-term borrowings	-	-	145	1.6	-	-	22	0.3
Current maturity of long-term financing	491	5.1	490	5.5	490	5.7	1,138	13.4
	1,351	14.1	1,344	15.0	1,302	15.3	1,979	23.2
Total Equity & Liabilities	9,602	100.00	8,963	100.00	8,527	100.00	8,513	100.00
Statement of profit or loss								
Net sales	6,253	100.0	5,382	100.0	4,725	100.0	4,206	100.0
Cost of sales	2,594	41.5	2,341	43.5	1,851	39.2	1,746	41.5
Gross profit	3,659	58.5	3,041	56.5	2,874	60.8	2,460	58.5
Administration expenses	158	2.5	127	2.4	134	2.8	109	2.6
Marekting & selling expenses	1,294	20.7	1,153	21.4	1,050	22.2	763	18.1
Other expenses	167	2.7	152	2.8	100	2.1	102	2.4
Other income	11	0.2	17	0.3	20	0.4	42	1.0
Finance cost	227	3.6	200	3.7	277	5.9	361	8.6
Profit before tax	1,825	29.2	1,426	26.5	1,333	28.2	1,168	27.7
Taxation	378	6.0	219	4.1	100	2.1	81	1.9
Profit after tax	1,446	23.1	1,207	22.4	1,234	26.1	1,087	25.8

Horizontal Analysis >>

(PKR in Million)

	2019 PKR	19Vs18 %	2018 PKR	18Vs17 %	2017 PKR	17Vs16 %	2016 PKR
Statement of Financial Position							
Assets							
Non-Current Assets							
Property, plant and equipment	1,977	17.3	1,685	14	1,479	6.1	1,393
Intangible assets	5,395	(0.06)	5,398	0.2	5,385	(0.3)	5,402
Long-term loans, deposits and receivables	14	13.3	12	9.9	11	26.6	9
	7,385	4.1	7,095	3.2	6,875	1	6,804
Current Assets							
Stores, spares and loose tools	7	(9)	7	10.9	7	3.1	7
Stock-in-trade	1,013	27.1	797	19	670	30.6	513
Trade debts	523	8.1	483	3.6	467	35.1	345
Loans and advances	36	(45.7)	67	38.8	48	(17.5)	58
Trade deposits, prepayments and other receivables	85	1,467	5	(23.7)	7	100.6	4
Taxation – net	435	(10.1)	483	14.2	423	51.1	280
Cash and bank balances	117	379.7	24	(19.4)	30	(94)	502
	2,216	18.6	1,868	13.1	1,652	(3.3)	1,709
Total Assets	9,602	7.1	8,963	5.1	8,527	0.2	8,513
Equity & Liabilities							
Equity							
Share Capital	2,800	-	2,800	-	2,800	-	2,800
Revenue reserve	4,663	30.7	3,568	31.6	2,711	83.5	1,477
	7,463	17.2	6,368	15.6	5,511	28.9	4,277
Non-Current liabilities							
Deferred Taxation	71	20.3	59	43.7	41	57.9	26
Long-term financing	717	(39.8)	1,192	(28.8)	1,673	(25.0)	2,231
	788	(37.0)	1,251	(27.0)	1,714	(24.1)	2,257
Current liabilities							
Trade and other payables	846	28	660	(17.5)	801	15.7	692
Unclaimed dividend	0.97	(96.9)	31	100	-	-	-
Accrued interest	13.25	(28.6)	18	63.6	11	(91.3)	127
Short-term borrowings	-	(100)	145	100	-	(100)	22
Current maturity of long-term financing	491	0.3	490	-	490	(57)	1,138
	1,351	0.5	1,344	3.3	1,302	(34.2)	1,979
Total Equity & Liabilities	9,602	7.1	8,963	5.12	8,527	0.2	8,513
Statement of profit or loss							
Net sales	6,253	16.2	5,382	13.9	4,725	12.3	4,206
Cost of sales	2,594	10.8	2,341	26.5	1,851	6.0	1,746
Gross profit	3,659	20.3	3,041	5.8	2,874	16.8	2,460
Administration expenses	158	24.4	127	(5.3)	134	23.0	109
Marekting & selling expenses	1,294	12.2	1,153	9.8	1,050	37.6	763
Other expenses	167	9.9	152	52.5	100	(2.3)	102
Other income	11	(35.3)	17	(12.8)	20	(53.6)	42
Finance cost	227	13.5	200	(27.7)	277	(23.3)	361
Profit before tax	1,825	27.9	1,426	6.9	1,333	14.3	1,168
Taxation	378	72.6	219	120.0	100	22.9	81
Profit after tax	1,446	19.8	1,207	(2.2)	1,234	13.6	1,087

Four Year Analysis >>

Statement of Financial Position Analysis

Assets

Non-current assets have increased mainly on account of capital expenditures pertaining to balancing, modernization and replacement in property, plant and equipment aggregating PKR 311 Million. Other major projects include acquisition of Nutraceutical Plant of PKR 219 Million and construction of new office block of PKR 68 Million.

The increase in current assets is mainly attributable to stock-in-trade which have almost doubled over the last 4 years due to rise in normal business operations. Also in 2019, the Company maintained the inventory at an optimum level owing to geopolitical situation of the country. Trade debts have also increased in line with the growth in revenue.

Equity and Liabilities

The equity of the Company comprises of shareholder's equity and revenue reserves. The Company's equity increased due to transfer of profit after tax to revenue reserves net of dividend pay-out.

Non-current liabilities have almost reduced by one-third as the Company settled its long term financing on a timely basis through internally generated funds.

In June 2017, the Company has restructured its long terms debt to 5 years Sukuk bonds from syndicate financing arrangement. Resultantly, current liabilities have decreased mainly on account of current maturity of Sukuk bonds instead of long term syndicate financing. Trade payables have increased in line with the increase in business operations.

Statement of Profit or Loss Analysis

Net Revenue

Over the last 4 years, the revenue of Company has grown impressively with a Cumulative Average Growth Rate (CAGR) of 14.1%. The increase in sales is mainly on the back of strong performance of the domestic retail portfolio and was also supported by the robust growth in exports. The Company has always focused on extension of product line and launched 27 new products.

Cost of Sales

Due to concentration on a better product mix and efficient operations with economies of scale, the Company has done well to contain cost of sales in line with revenue growth, despite significant local currency devaluation, rise in interest rates and inflation.

Expenditures

The administrative expenses are strictly controlled, given the growth in business operations. The marketing expenses have increased to support growth in revenue. Finance costs have decreased substantially as the principal amount of outstanding loan has reduced due to timely payment of loan installments. Tax expenses were lower in 2016 and 2017 due to group tax benefit claimed on acquisition related losses.

Net profit

Resultantly, the profit after tax has increased with a CAGR of 10%, despite challenges being posed at economic and political fronts.

Cash flow Analysis

Operating Activities

Cash flow from operating activities has increased with a CAGR of 13.1% mainly on account of enhanced cash generation from operations due to higher revenues and profitability. Finance cost payments have reduced by almost one half because of decrease in principal amount of outstanding loan. Income tax and statutory charges have increased in line with increase in profitability.

Investing Activities

Cash flow from investing activities has increased mainly on account of capital expenditure incurred to meet the growing needs of the business and operations. In addition to capital expenditure on balancing, modernization and replacement of plant and machinery, intensive capital investment was made on two projects, acquisition of nutraceutical plant and construction of new office building.

Financing Activities

The Company paid a dividend of PKR 1.25 per share each year in 2018 and 2019 aggregating to PKR 699 Million. Yearly installments for repayment of long term financing have been reduced due to restructuring of long term syndicate financing to Sukuk bonds in the year 2017.

Summary of Statement of Financial Position >>

	2019	2018	2017	2016
	----- PKR in Million -----			
Property, plant and equipment	1,977	1,685	1,479	1,393
Intangible assets	5,395	5,398	5,385	5,402
Long-term loans, deposits and receivables	14	12	11	9
Non-Current Assets	7,385	7,095	6,875	6,804
Current Assets	2,216	1,868	1,652	1,709
Total Assets	9,602	8,963	8,527	8,513
Share Capital	2,800	2,800	2,800	2,800
Revenue reserve	4,663	3,568	2,711	1,477
Total Equity	7,463	6,368	5,511	4,277
Non-Current liabilities	788	1,251	1,714	2,257
Current liabilities	1,351	1,344	1,302	1,979
Total Liabilities	2,139	2,595	3,016	4,236
Total Equity & Liabilities	9,602	8,963	8,527	8,513

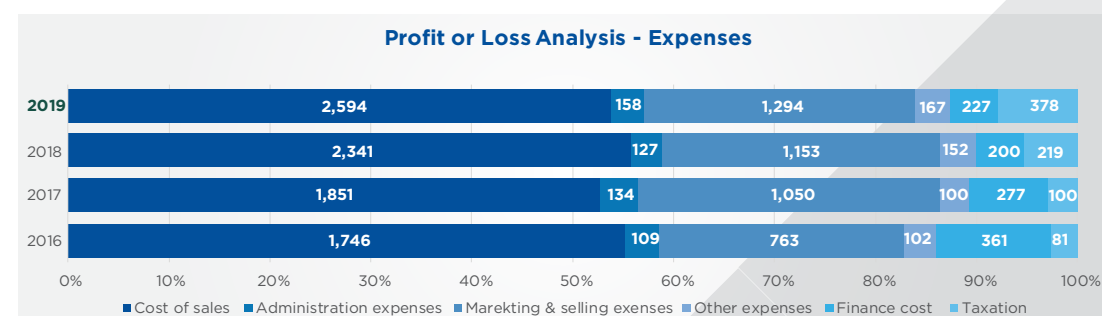
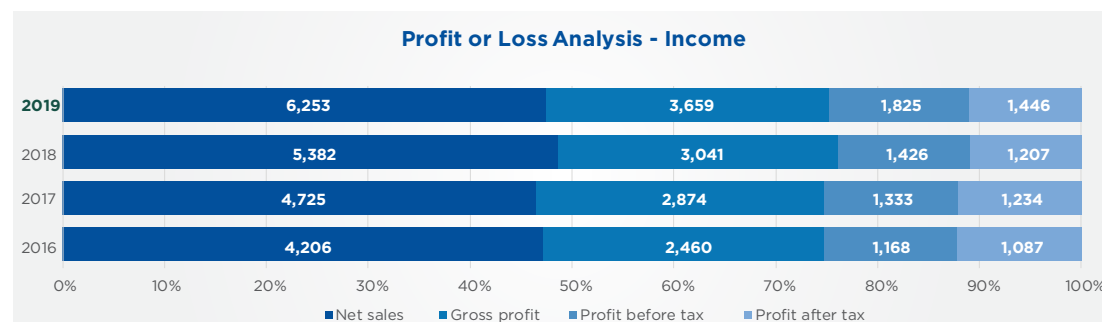
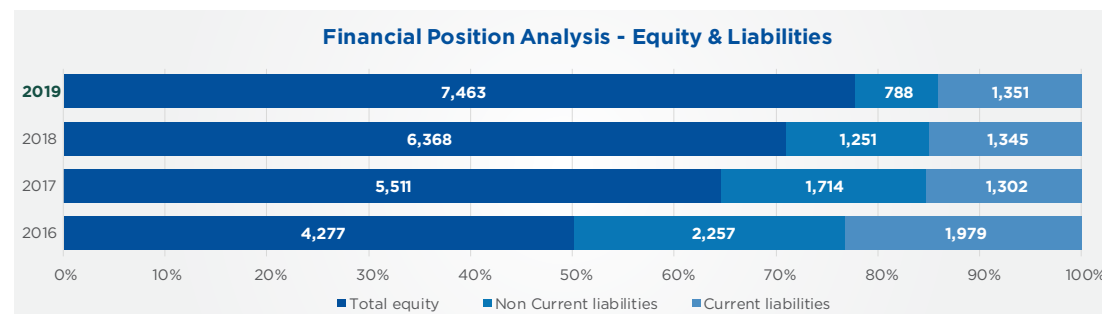
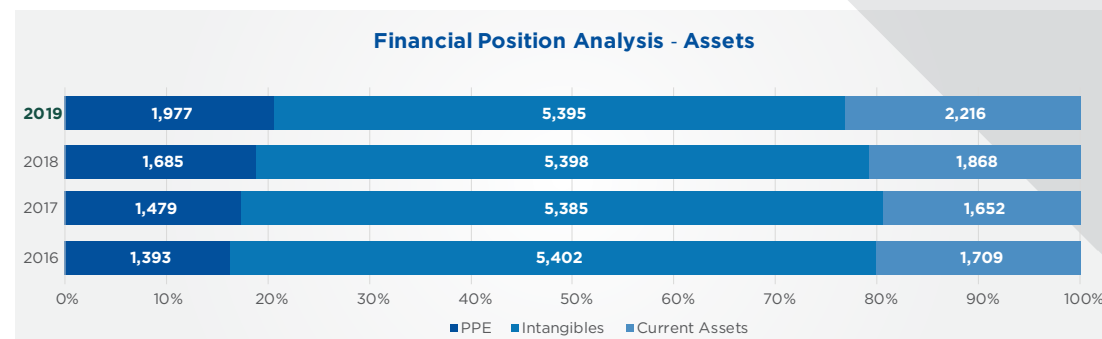
Summary of Statement of Profit or Loss >>

	2019	2018	2017	2016
	----- PKR in Million -----			
Net sales	6,253	5,382	4,725	4,206
Gross profit	3,659	3,041	2,874	2,460
Operating Profit	2,052	1,626	1,610	1,529
Profit before tax	1,825	1,426	1,333	1,168
Taxation	378	219	100	81
Profit after tax	1,446	1,207	1,234	1,087

Summary of Cash Flow Statement >>

	2019	2018	2017	2016
	----- PKR in Million -----			
Net cash flow from Operating Activities				
Net profit before taxation	1,825	1,426	1,333	1,168
Adjustments for non cash & other items	494	382	450	537
Changes in working capital	(119)	(322)	(132)	43
Cash generated from operations	2,200	1,486	1,652	1,748
Finance costs paid	(232)	(168)	(373)	(418)
Income tax paid	(318)	(261)	(228)	(214)
Statutory charges paid	(144)	(89)	(115)	(73)
	1,507	967	936	1,043
Net cash flow from Investing Activities				
Fixed capital expenditure	(433)	(337)	(194)	(125)
Proceeds from disposal of operating fixed assets	12	14	16	19
Others	5	5	(2)	-
	(415)	(318)	(180)	(106)
Net cash flow from Financing Activities				
Dividend paid	(380)	(319)	-	-
Long-term financing repaid - net	(474)	(480)	(1,206)	(1,116)
	(854)	(799)	(1,206)	(1,116)
Net increase / (decrease) in cash and cash equivalents	238	(151)	(450)	(179)
Cash and cash equivalents at the beginning of the year	(121)	30	480	659
Cash and cash equivalents at the end of the year	117	(121)	30	480

Graphical Presentation of Statement of Financial Position and Profit or Loss >>



Statement of Cash Flows - Direct Method >>

	2019	2018
	----- (PKR in '000) -----	

Cash Flows from Operating Activities

Cash received from customer - net	6,219,312	5,369,687
Cash paid to suppliers / employees / service providers	(4,018,563)	(3,884,858)
Finance costs paid	(232,161)	(168,313)
Income tax paid	(317,595)	(261,289)
Workers' Profit Participation Fund paid	(96,046)	(75,204)
Workers' Welfare Fund paid	(32,381)	-
Central Research Fund paid	(15,346)	(14,220)
Net cash flows generated from operating activities	1,507,220	965,803

Cash Flows from Investing Activities

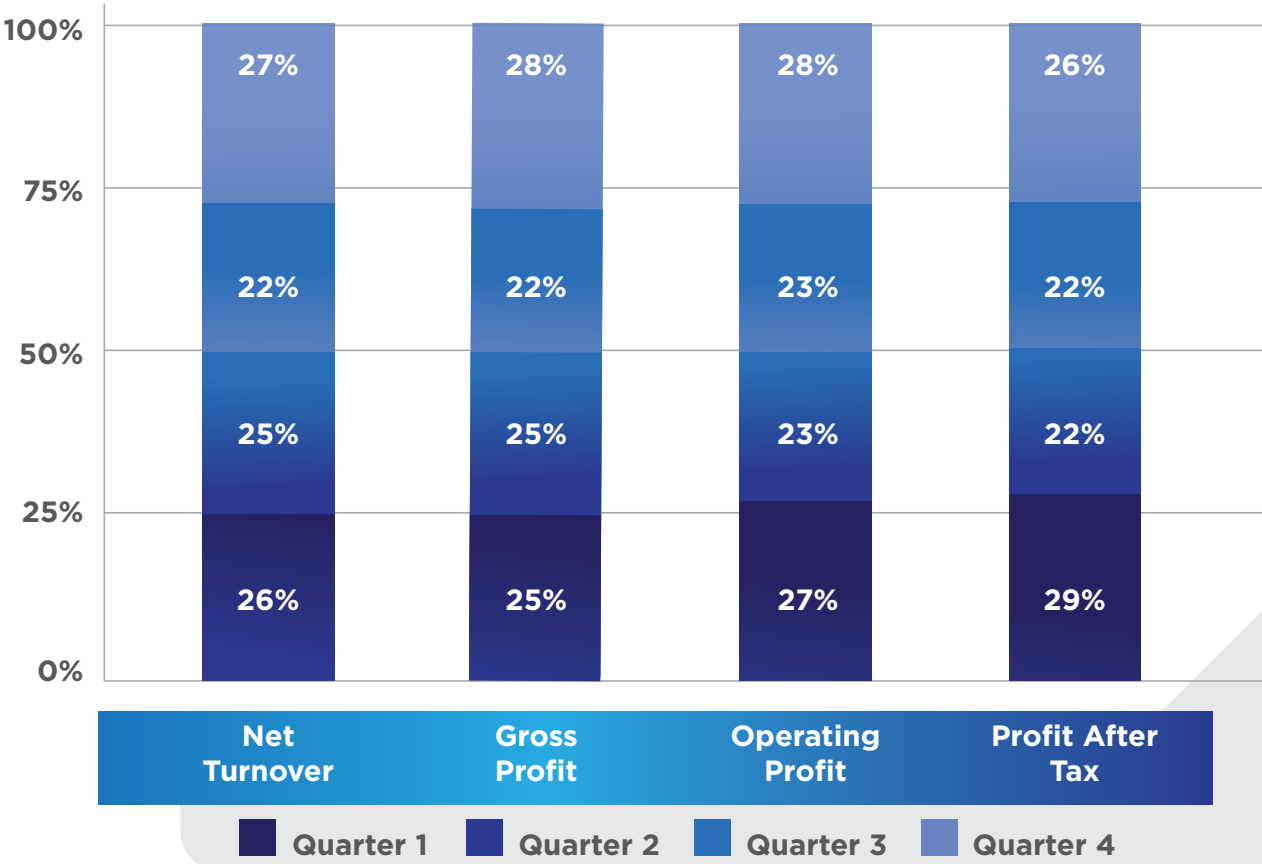
Purchase of Fixed Assets	(433,088)	(336,800)
Proceeds from disposal of operating fixed assets	12,465	13,617
Interest income received	5,138	5,873
Net cash flows used in investing activities	(415,485)	(317,310)

Cash Flows from Financing Activities

Dividend paid	(380,087)	(318,944)
Long term financing paid	(473,940)	(480,407)
Net cash flows used in financing activities	(854,027)	(799,351)
Net increase / (decrease) in cash and cash equivalents	237,708	(150,858)
Cash and cash equivalents at the beginning of the year	(120,554)	30,304
Cash and cash equivalents at the end of the year	117,154	(120,554)

Analysis of Interim Results >>

Quarters	Net Turnover	Gross Profit	Operating Profit	Profit After Tax
1 st	1,611,009	932,587	555,676	425,297
2 nd	1,558,545	914,339	466,355	317,800
3 rd	1,401,849	798,495	462,515	320,734
4 th	1,681,836	1,013,701	567,095	382,557
Total	6,253,239	3,659,122	2,051,641	1,446,388



The performance of the Company has been better than the last year in terms of both sales and profitability. The revenue has been consistently higher in all four quarters during the year mainly on account of robust growth in domestic retail portfolio. The growth in revenue is also supported by sizeable increase in exports. Better sales performance coupled with efficient product mix and effective cost control measures have led to enhanced profitability in all four quarters during the year. The performance declared in the interim periods is consistent with the performance shown in the audited financial statements for the year ended December 31, 2019. The quarterly performance of the Company in terms of sales and profitability is illustrated as below.

Quarters	Net Turnover	Gross Profit	Operating Profit	Profit After Tax
1 st	Net revenue was recorded at PKR 1.6 Billion, 4% higher than the corresponding period last year.	Gross profit (GP) was PKR 932.6 Million, 16% higher than the same period last year.	Operating profit (OP) was PKR 555.7 Million, 11% higher than the corresponding period last year.	Earned a Profit after tax (PAT) of PKR 425.3 Million, 8.5% higher than the same period last year. EPS was PKR 1.52.
2 nd	Net revenue was recorded at PKR 1.6 Billion, 4% higher than the corresponding period last year.	GP was PKR 914.3 Million showed a growth of 18% over the comparative period last year.	OP was recorded at PKR 466.4 Million, 18% higher than the same period last year.	Achieved a PAT of PKR 317.8 Million, 12% higher than the same period last year. EPS was PKR 1.13.
3 rd	Net revenue was recorded at PKR 1.6 Billion, 4% higher than the corresponding period last year.	GP was PKR 798.5 Million, 17% higher than the corresponding period last year.	OP was PKR 462.5 million, 27% higher than the comparative period last year.	Attained a PAT of PKR 320.7 million, 16% higher than the same period last year. EPS was PKR 1.15.
4 th	Net revenue was recorded at PKR 1.6 Billion, 4% higher than the corresponding period last year.	GP achieved a milestone of PKR 1 Billion, 30% higher than the corresponding period last year.	OP was PKR 567.1 Million, 2% higher than the corresponding period last year.	Recorded a PAT of PKR 382.6 Million 50.8% higher than the same period last year. EPS was PKR 1.37.

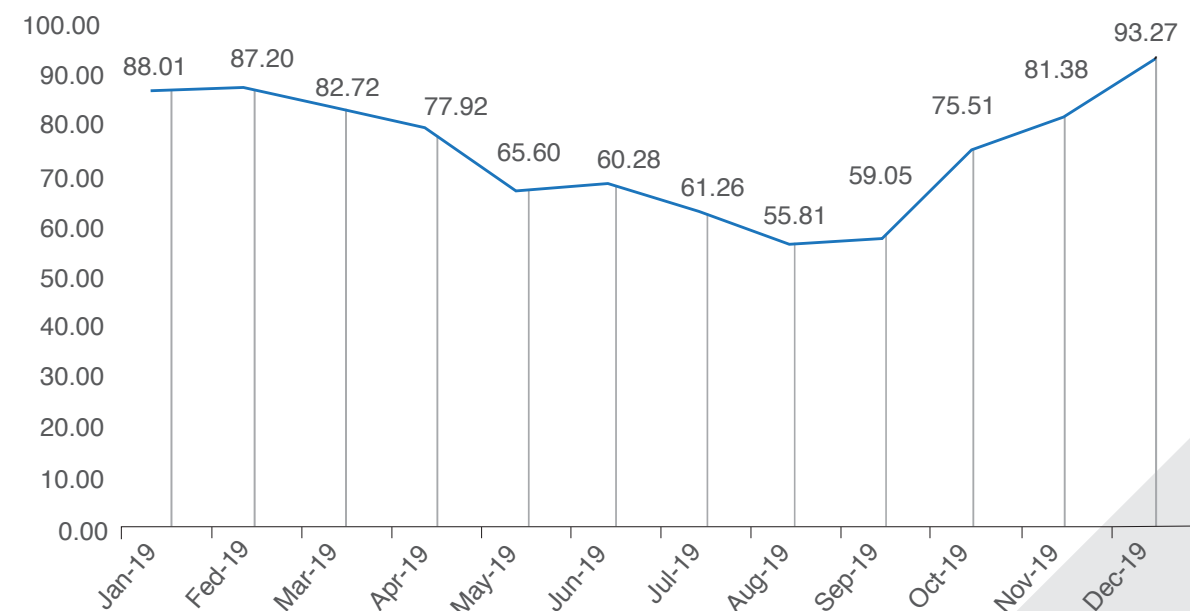
Share Price Sensitivity Analysis >

Share Price Information

The Company's shares are listed on the Pakistan Stock Exchange (PSX), which represents the Country's capital market. The Company's share price is affected by both internal and external factors. The Company's financial performance directly impacts its share price. External factors, such as economic and political environment of the

Country, Government regulations, macro-economic indicators and stakeholder sentiments impact the share price. During the year, AGP's share price remained an attraction for investors due to continuous improvement in revenue and profitability despite challenging economic environment. The movement of AGP's share price throughout the year is shown below.

Share Price Movement



Market Capitalization and Sensitivity Analysis

The capital market witnessed a slight improvement of 1.5% during the year, recording a market capitalization of PKR 7,812 Billion, up from PKR 7,693 Billion in the preceding year. KSE-100 index also rose from 37,064 points to 40,735 points at the end of the year, registering an increase of 9.9% compared to the last year. The share price of AGP outperformed the market and its market capitalization improved to PKR 27.8 Billion from PKR 24.5 Billion, an increase of 13.6%, while there has been no change in the number of shares outstanding of the Company throughout the year. The market capitalization will change by PKR 278.2 Million for every 1% change in market price of the share.

CAPEX Rationalization

During the year 2019, the Company made capital investment worth PKR 433 Million through internally generated funds. The funds were utilized to acquire a nutraceutical facility and its revamping, construction of new office block and for balancing, modernization and replacement (BMR) of plants and machineries.

The Company plans to incur capital expenditure to complete the nutraceutical plant and new office block in the next year. Further investment will be made in BMR for capacity enhancement and to increase plant efficiencies.



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INDEPENDENT AUDITORS' REPORT

To the members of AGP Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of AGP Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the Information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit, its comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Financial Statements >>

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Taxes related contingencies (Refer note 18.1.1 to the accompanying financial statements) The Company has contingent liabilities in respect of income tax related matters, which are pending adjudication at various levels with the taxation and other authorities. Contingencies require management to make judgments and estimates in relation to the interpretation of tax laws, statutory rules and regulations, and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgments and estimates to assess the same including related financial impacts, we considered contingent liabilities relating to income tax a key audit matter.	Our audit procedures in respect of income tax related contingencies included, amongst others, we obtained and reviewed details of the pending taxes related matters and discussed the same with the Company's management. We reviewed the correspondence of the Company with the relevant authorities, tax advisors, including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved. We obtained and reviewed confirmations from the Company's external tax advisors for their views on the probable outcome of the open tax assessments. We involved internal tax professionals to assess management's conclusions on contingent income tax matters and to evaluate the consistency of such conclusions with the views of the external tax advisors engaged by the Company. We also evaluated the requirement of making provision against any contingencies, and the adequacy of disclosures made in respect of income tax related contingencies in accordance with the requirements of the financial reporting standards as applicable in Pakistan.
2. First time adoption of IFRS 9 and IFRS 15 (Refer note 3.1 to the accompanying financial statements) The Company has changed its accounting policies due to the adoption of the following new accounting standards as of 01 January 2019: - IFRS 9 'Financial Instruments' (IFRS 9) addresses the classification, measurement, recognition and de-recognition of financial instruments and introduces a new impairment model for financial assets which requires the Company to make provision using expected credit loss (ECL) approach as against the incurred loss model previously applied by the Company. Determination of ECL requires significant judgment and assumptions including consideration of factors such as	Our key audit procedures amongst others, includes obtaining an understanding of the analysis performed by management to identify all significant differences between previous accounting standards and the new accounting standards which can impact the financial statements. We further considered the key decisions made by the Company with respect to accounting policies, estimates and judgments in relation to adoption of new accounting standards and assessed their appropriateness based on our understanding of the Company's business and its operations.

Key audit matter	How our audit addressed the key audit matter
historical credit loss experience and forward-looking macro-economic information. - IFRS 15 'Revenue Recognition' (IFRS 15) introduces a new five step model for recognition of revenue which is primarily based on the transfer of control to the customers along with detailed presentation and disclosure about contracts with customers, information about disaggregation of revenue, performance obligations, contract assets and contract liabilities. We have considered the first time application of IFRS 9 and IFRS 15 as a key audit matter due to significance of the change in accounting methodology, involvement of significant estimates and judgments resulting in adjustments, presentation and incremental quantitative and qualitative disclosures.	Our procedures to review the application of IFRS 9, amongst others, included the following: - Reviewed the methodology developed and applied by the management to estimate the allowance for ECL against the financial assets. - Considered and evaluated the approach and assumptions used in applying the ECL model based on historical information and qualitative factors as relevant for such estimates. - Assessed the integrity and quality of the data used for allowance for ECL computation based on the accounting records and information system of the Company as well as the external sources used for this purpose. - Checked the mathematical accuracy of the ECL model by performing recalculation on test basis. Our procedures with respect to review the application of IFRS 15, amongst others, included review of managements' impact assessment of all contracts with customers in light of application of the new standard. Our assessment included: - Inspecting terms for a sample of contracts to determine whether each performance obligation in the contract has been classified and accounted for separately; - For each performance obligation identified, we assessed whether revenue should be recognized at point in time or over a period of time; and - Reviewed if the allocation of transaction price between each performance obligation is appropriate. We further tested the adjustments made in the financial statements from initial application of IFRS 9 as a part of the transition process based on the differences identified, if any. We also assessed the adequacy and appropriateness of financial statements presentation and disclosures in accordance with the applicable financial reporting framework.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Arif Nazeer.

EY Farid Khodja
Chartered Accountants

Place: Karachi

Date: 13 April 2020

Statement of Financial Position

As At 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018 -----
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,976,564	1,685,034
Intangible assets	6	5,395,055	5,398,256
Long-term loans, deposits and receivables	7	13,514	11,924
		7,385,133	7,095,214
CURRENT ASSETS			
Stores, spares and loose tools		6,785	7,457
Stock-in-trade	8	1,013,401	797,017
Trade debts	9	522,535	483,439
Loans and advances	10	36,340	66,915
Trade deposits, prepayments and other receivables	11	85,463	5,454
Taxation – net		434,809	483,471
Cash and bank balances	12	117,154	24,423
		2,216,487	1,868,176
TOTAL ASSETS		9,601,620	8,963,390
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital			
Share capital	13	2,800,000	2,800,000
Revenue reserve - unappropriated profits		4,662,899	3,567,625
		7,462,899	6,367,625
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	14	70,920	58,786
Long-term financings	15	717,065	1,192,366
		787,985	1,251,152
CURRENT LIABILITIES			
Trade and other payables	16	845,557	660,428
Unclaimed dividend		969	31,056
Accrued interest		13,249	18,552
Short-term borrowings	17	-	144,977
Current maturity of long-term financings	15	490,961	489,600
		1,350,736	1,344,613
CONTINGENCIES AND COMMITMENTS	18		
TOTAL EQUITY AND LIABILITIES		9,601,620	8,963,390

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Statement of Profit or Loss

For The Year Ended 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018 -----
Revenue from contracts with customers - net	19	6,253,239	5,382,055
Cost of sales	20	(2,594,117)	(2,341,406)
Gross profit		3,659,122	3,040,649
Administrative expenses	21	(157,872)	(127,183)
Marketing and selling expenses	22	(1,293,946)	(1,153,352)
Other expenses	23	(166,927)	(151,519)
Other income	24	11,264	16,964
Finance costs	25	(226,858)	(199,937)
		(1,834,339)	(1,615,027)
Profit before taxation		1,824,783	1,425,622
Taxation	26	(378,395)	(218,932)
Net profit for the year		1,446,388	1,206,690
Earnings per share - basic and diluted	13.2	Rs. 5.17	Rs. 4.31

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Statement of Comprehensive Income

For The Year Ended 31 December 2019

	2019 ----- (Rupees in '000) -----	2018
Net profit for the year	1,446,388	1,206,690
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	1,446,388	1,206,690

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

Statement of Changes In Equity

For The Year Ended 31 December 2019

	Share capital	Revenue reserve Unappropriated profit	Total
	----- Rupees in ' 000-----		
Balance as at 01 January 2018	2,800,000	2,710,935	5,510,935
Profit for the year	-	1,206,690	1,206,690
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	1,206,690	1,206,690
Interim dividend for the period @ Rs. 1.25 per share		(350,000)	(350,000)
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 (note 4.1.1)	-	(1,114)	(1,114)
Balance as at 31 December 2018 - Restated	2,800,000	3,566,511	6,366,511
Profit for the year	-	1,446,388	1,446,388
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	1,446,388	1,446,388
Interim dividend for the period @ Rs. 1.25 per share	-	(350,000)	(350,000)
Balance as at 31 December 2019	2,800,000	4,662,899	7,462,899

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

Statement of Cash Flows

For The Year Ended 31 December 2019

CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2019 ----- (Rupees in '000) -----	2018
Cash generated from operations	29	2,200,428	1,485,904
Finance costs paid		(232,161)	(168,313)
Income tax paid		(317,597)	(261,290)
Workers' Profit Participation Fund paid		(96,046)	(75,204)
Workers' Welfare Fund paid		(32,381)	-
Central Research Fund paid		(15,346)	(14,220)
Net cash flows generated from operating activities		1,506,897	966,877

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(433,088)	(336,801)
Proceeds from disposal of operating fixed assets	12,465	13,617
Long-term loans, deposits and other receivables	(1,590)	(1,073)
Interest income received	7,051	5,873
Net cash flows used in investing activities	(415,162)	(318,384)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(380,087)	(318,944)
Long-term financing repaid - net	(473,940)	(480,407)
Net cashflows used in financing activities	(854,027)	(799,351)

Net increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

30 **117,154** (120,554)

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

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

Notes to The Financial Statements

For The Year Ended 31 December 2019

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.

1.3 Geographical location and addressess of major business units of the Company are as under:

Location	Purpose
B-23C, S.I.T.E. Karachi	Head Office and Production Plant
D-109, S.I.T.E. Karachi	Production Plant
F/46, S.I.T.E Superhighway Phase II, Karachi	Production plant

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan (ICAP), as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Standards, amendments, interpretations and improvements adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as described below:

New / amended standards and interpretations

IFRS 9	Financial Instruments
IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over Income Tax Treatments

Notes to The Financial Statements

For The Year Ended 31 December 2019

Improvements to accounting standards issued by IASB (Annual improvements 2015-2017 Cycle)

IFRS 3	Definition of Business (Amendments)
IFRS 11	Joint Arrangement previously held interest in a joint operation
IAS 12	Income Taxes - Income Taxes consequences of payment on financial instruments classified as equity
IAS 23	Borrowing costs - Borrowing costs eligible for capitalisation

The adoption of above standards, amendments, interpretations and improvement to standards did not have any material effect on these financial statements of the Company, except for the changes related to adoption of IFRS 9 ‘Financial Instruments’, IFRS 15 ‘Revenue From Contracts with Customers’ and IFRS 16 ‘Leases’ as explained in notes 4.1.1, 4.1.2 and 4.1.3 to these financial statements.

4.1.1 IFRS 9 - Financial Instruments

IFRS 9 ‘Financial Instruments’, has replaced IAS 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39) for annual periods beginning on or after 01 January 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 categorizes financial assets at (a) amortised cost; (b) fair value through other comprehensive income (FVTOCI); and (c) fair value through profit or loss (FVTPL) and their classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires to recognise a loss allowance for ECLs on debt instruments measured subsequently at amortised cost or at FVTOCI. There are no significant changes in the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As allowed under IFRS 9, the Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements and therefore, the information presented for prior periods does not reflect the requirements of IFRS 9, but rather those of IAS 39. The effect of initial application of IFRS 9 on the classification, measurement and impairment of the Company’s existing financial assets and financial liabilities as at 01 January 2019 is as follows:

i) Classification and measurement

At transition date to IFRS 9, the Company has financial assets (i.e. deposits, trade and other receivables and cash at banks’) previously classified as ‘loans and receivables’ under IAS 39 that were measured at amortised cost continue to be classified and measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist of Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. Therefore, the classification and measurement requirements of IFRS 9 does not have any material impact on the Company’s financial position, statement of profit or loss, statement of comprehensive income in the period of initial application.

ii) Impairment

For trade debts and receivables, the Company has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company has also considered a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 has resulted in an adjustment of Rs.1.114 million (net of tax). Accordingly, opening retained earnings as at 01 January 2019 has been restated to the extent of this adjustment. Deposits, other receivables and bank balances are assessed to have a low credit risk, as they are held with reputable banking institutions and third parties.

Notes to The Financial Statements

For The Year Ended 31 December 2019

Financial asset	Original category under IAS 39	New category under IFRS 9	Allowances for impairment under IAS 39 - 01 January 2019	Effect of initial application of IFRS 9	Allowances for expected credit losses under IFRS 9 - 01 January 2019
----- Rupees in '000 -----					
Long-term deposits and lease receivables	Loans & receivables	Amortised cost	-	-	-
Trade debts	Loans & receivables	Amortised cost	-	1,114	1,114
Trade deposits, lease and other receivables	Loans & receivables	Amortised cost	-	-	-
Bank balances	Loans & receivables	Amortised cost	-	-	-

The impact on basic and diluted earnings per share due to restatement of opening retained earnings as of 01 January 2019 is as follows:

	Rupees
- Basic and diluted decrease by	0.04

The accounting policies in respect of financial instruments and impairment of financial assets is stated in note 4.7 to these financial statements.

4.1.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 ‘Revenue from Contracts with Customers’ establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 ‘Revenue Recognition’, IAS 11 ‘Construction Contracts’ and related interpretations for annual periods beginning on or after 01 January 2019. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services and the determination of timing of the transfer of control – at a point in time or over time requires judgement. Further, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company enters into contracts with customers for sale of goods and related variable consideration (i.e. discounts) and has concluded that the first-time application of IFRS 15 by the Company does not have any significant effect with regard to the amount of revenue and variable consideration (i.e. discounts) recognised and when it is recognised. Accordingly, opening revenue reserves as at 01 January 2019 is not required to restated as of 01 January 2019. As allowed under IFRS 15, the Company has adopted the new standard on the required effective date using a modified retrospective method, therefore the information presented for prior periods has not been restated. i.e. it is presented, as previously reported, under IAS 18 and related interpretations and additional disclosure requirements in IFRS 15 have not been applied to comparative information.

The accounting policy in respect of revenue recognition is stated in note 4.15 to these financial statements.

4.1.3 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is lessor. Whereas, for lessees all leases will be classified as finance leases only.

Notes to The Financial Statements

For The Year Ended 31 December 2019

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 as of 01 January 2019. The Company does not have arrangement where the Company is acting as a lessee. The Company as a lessor have arrangement under finance lease only (i.e. for assets given to employees for use - note 7).

4.2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting estimates and judgments are disclosed in relevant notes to these financial statements and summarised below.

a) Impairment of goodwill and intangible assets having indefinite useful lives

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 recognised.

b) Allowances for expected credit losses

The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Any change might affect the carrying value and amount of expected credit loss charge to profit or loss.

c) Taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

Significant management judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The management consider tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to The Financial Statements

For The Year Ended 31 December 2019

4.3 Property, plant and equipment

(i) Operating fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land, which is stated at cost, if any.

Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to statement of profit or loss over its estimated useful life after taking into account residual value, if material. The cost of leasehold land is depreciated in equal installments over the lease period and charged to statement of profit or loss. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal. The rates of depreciation disclosed in note 5.1 to these financial statements. When a particular class of asset under property, plant and equipment includes an item having different useful life and is required to be replaced at different intervals, the Company depreciates it separately based on its specific useful life.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed at each reporting date and adjusted, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount, of the asset's carrying amount is greater than its estimated recoverable amount.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably and assets so replaced, if any, are derecognised or retired.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Gains and losses on disposal of assets are taken to the statement of profit or loss.

(ii) Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any and consists of costs incurred in respect of operating fixed assets in the course of their construction, installation and acquisition. Transfers are made to relevant asset category as and when assets are available for intended use.

4.4 Intangible assets

Intangible assets acquired separately (other than goodwill and intangible assets having indefinite useful lives) are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost of intangible assets acquired in business combinations is their fair value at the date of acquisition.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Full month's amortisation is charged in the month of addition when asset is available for use, whereas amortisation on disposals is charged upto the month in which the disposal takes place. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Intangible assets (goodwill and intangibles having an indefinite useful lives i.e trademarks) are stated at cost less accumulated impairment losses, if any. These are tested for impairment annually at year end and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of Cash Generating Unit (CGU) (i.e. the Company as a whole is considered to be a single CGU) to which the assets relate. When the recoverable amount of cash generating unit is less than its carrying amount, an impairment loss is recognised.

Notes to The Financial Statements

For The Year Ended 31 December 2019

4.5 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of weighted average cost and net realisable value (NRV). Cost comprises all costs of purchase, and other costs incurred in bringing the stores, spares and loose tools to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less net estimated costs to sell, which is generally equivalent to replacement cost and is also adjusted through systematic provision for damaged, obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

4.6 Stock-in-trade

These are valued at the lower of NRV and cost determined as follows:

- Raw and packing material - weighted average cost.
- Work-in-process and finished goods - cost of direct materials and labor plus attributable overheads.
- Finished goods (manufactured and trading products) - weighted average cost.
- Stock in transit - invoice price plus other charges paid thereon.

Cost of raw material and finished trading goods comprises purchases cost and other incidental charges incurred in bringing the inventories to their present location and condition. Manufactured finished goods and work-in-progress include prime cost and appropriate portion of production overheads based on the normal operating capacity but excluding borrowings costs. Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and the estimated costs necessary to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

4.7 Financial Instruments

4.7.1 Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

Notes to The Financial Statements

For The Year Ended 31 December 2019

a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in Statement of profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets designated at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI investments during the current and last year and as of reporting date.

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as dividend income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any equity investments during the current and last year and as of reporting date.

Notes to The Financial Statements

For The Year Ended 31 December 2019

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Statement of profit or loss. This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as dividend income in the Statement of profit or loss when the right of payment has been established

The Company does not have any listed equity investments during the current and last year and as of reporting date.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Notes to The Financial Statements

For The Year Ended 31 December 2019

iv) Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company applies a simplified approach in calculating ECLs for its trade debts and receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For deposits, other receivables and bank balances that are held with reputational banks and other third parties, the Company applies low credit risk simplifications. At each reporting date, the Company evaluates whether these assets are considered to have low credit risk using all reasonable and supportable information that is available without un-due cost or effort including their credit ratings assessed by reputable agencies and therefore assessed to have immaterial impact of allowances for ECL. For trade debts and receivables, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the third parties and the economic environment.

The Company considers a financial asset in default when contractual payments are past due over 180 days. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.7.2 Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of profit or loss. Gains or losses on liabilities held for trading are recognised in the Statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of profit or loss.

Notes to The Financial Statements

For The Year Ended 31 December 2019

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of profit or loss.

4.7.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.8 Impairment of non-financial assets (including goodwill and intangibles with indefinite useful lives)

The carrying amounts of non-financial assets (other than inventories and deferred tax) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for asset is required then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

In determining the fair value less cost of sell, recent market transaction are taken into account, if no such transaction can be identified appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Goodwill is tested for impairment annually at year end and when the circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognised.

Intangible assets with indefinite useful lives are tested for impairment annually at year end either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Impairment losses relating to goodwill are not reversed in future periods.

Notes to The Financial Statements

For The Year Ended 31 December 2019

4.9 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current and deposit accounts held with banks, which are subject to insignificant risk of change. Short-term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

4.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.11 Taxation

Income tax expense is recognised in the Statement of profit or loss, except to the extent that it relates to items recognised in Statement of profit or loss and other comprehensive income or directly in equity. In this case, the tax is also recognised in Statement of other comprehensive income or directly in equity.

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account the available tax credits and rebates, if any, in accordance with provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years. The charge for current tax includes adjustments to charge for prior years, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is recognised using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax is charged or credited to statement of profit or loss. However, deferred tax relating to items recognised directly in the other comprehensive income is recognised in the statement of comprehensive income or directly in equity.

Deferred tax asset and deferred tax liabilities are offset only if there is a legally enforceable right to offset current assets and liabilities and they relate to the income tax levied by same tax authority.

Notes to The Financial Statements

For The Year Ended 31 December 2019

4.12 Provisions

A provision is recognised in the statement of financial position when the Company has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. They are reviewed at each reporting date and adjusted prospectively to reflect current best estimate.

4.13 Employee benefits

4.13.1 Staff provident fund

The Company operates approved contributory provident fund for all its permanent staff. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of basic salary and cost of living allowance.

4.13.2 Compensated absences

Accrual for compensated absences is made to the extent of value of accrued absences of the employees at the reporting date using their current salary levels as per Company's policy.

4.14 Foreign currency translation

Transactions in foreign currencies are translated into Pakistani Rupee at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the reporting date. Exchange gains and losses are recognised in Statement of profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.15 Revenue recognition

4.15.1 Revenue from contracts with customers

a) Sale of goods

The Company is engaged in the manufacturing and selling of pharmaceutical products. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., discounts). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

b) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The contracts for the sale of goods provides certain customers with a right to return within a specified period.

Notes to The Financial Statements

For The Year Ended 31 December 2019

i) Right of return

The contracts for sales of goods provides certain customers with a right to return the products within a specified time. The Company uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Company will not be entitled. The Company applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e. amount not included in the transaction price). A right of return assets (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

ii) Discounts

The Company offers discounts to certain distributors, who shall pass the same onwards and accordingly accounted for as a reduction from the transaction price. A refund liability is recognised for the expected future discounts (i.e. the amount not included in the transaction price).

c) Contract balances

i) Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

ii) Trade debts

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to Accounting policies of financial assets as disclosed in note 4.7.1 'financial assets' to these financial statements.

iii) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

d) Assets and liabilities arising from rights of return

i) Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Returns for the Company comprise of expired products or near expiry products (i.e. within 6 months of expiry), which are of zero value by the time of return and are subject to disposition as per prevailing statutory laws.

Notes to The Financial Statements

For The Year Ended 31 December 2019

ii) Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

4.15.2 Other income

Other income is recorded on accrual basis and interest income is accounted for using the effective interest rate (EIR) method.

4.16 Dividends and other appropriations

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved. However, if these are approved after the reporting period but before the financial statement are authorised for issue, disclosure is made in these financial statements.

4.17 Segment reporting

The Company as a whole is considered to be a single cash generating unit. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

4.18 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.19 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4.20 Accounting policies applicable to the Company on and before year ended 31 December 2018

4.20.1 Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Notes to The Financial Statements

For The Year Ended 31 December 2019

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss.

4.20.2 Trade debts, loans, advances and other receivables

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified. These are recognised and carried at cost less impairment losses, if any.

4.20.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

4.20.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.20.5 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

4.20.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

4.20.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

Profit on short-term deposits is accounted for using the EIR method. Other incomes are recognised on accrual basis.

Notes to The Financial Statements

For The Year Ended 31 December 2019

4.20.8 Financial expense and financial income

Financial expenses are recognised using the EIR method and comprise foreign currency losses and markup / interest expense on borrowings.

Financial income comprises interest income on funds invested. Markup / interest income is recognised as it accrues in statement of profit or loss, using the EIR method.

4.21 Standards, interpretations, amendments and improvements to approved accounting standards that are not yet effective

The following standards, amendments, interpretations and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation or improvement:

Standards

		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 14	Long-term Interests in Associates and Joint Ventures (Amendments)	01 July 2019
IAS 1/ IAS 8	Definition of Material (Amendments)	01 January 2020

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition, IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

		Effective date (annual periods beginning on or after)
Standards		
IFRS 17	Insurance Contracts	01 January 2021

The Company expects that above new standards will not have any impact on the Company's financial statements in the period of initial application.

Notes to The Financial Statements

For The Year Ended 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018
Operating fixed assets	5.1	1,846,072	1,605,590
Capital work-in-progress	5.2	130,492	79,444
		<u>1,976,564</u>	<u>1,685,034</u>

5.1 Operating fixed assets

	Land Freehold	Leasehold	Buildings Factory	Office	Plant and machinery	Furniture and fixtures	Motor Vehicles	Office equipment	Gas and electrical fittings	Refrigerators and air- conditioners	Laboratory equipment	Computers and related accessories	Total
Rupees in ' 000													
Net carrying value basis Year ended 31 December 2019													
Opening net book value	369,000	162,454	335,371	15,017	331,889	16,351	149,704	15,155	3,318	88,422	108,976	9,933	1,605,590
*Transfers (note 5.2.1)	-	70,112	77,826	-	84,022	8,195	45,967	10,797	1,524	27,038	37,895	16,373	379,749
Disposals (at NBV)													
Cost	-	-	(272)	(131)	(11,601)	(465)	(24,495)	(467)	-	(1,313)	(7,224)	(4,489)	(50,457)
Depreciation	-	-	131	89	6,839	465	17,807	307	-	1,097	6,026	4,366	37,127
	-	-	(141)	(42)	(4,762)	-	(6,688)	(160)	-	(216)	(1,198)	(123)	(13,330)
Depreciation charge	-	(3,747)	(15,034)	(2,782)	(25,239)	(2,753)	(35,653)	(3,179)	(496)	(12,822)	(16,153)	(8,079)	(125,937)
Closing net book value	<u>369,000</u>	<u>228,619</u>	<u>398,022</u>	<u>12,193</u>	<u>385,910</u>	<u>21,793</u>	<u>153,330</u>	<u>22,613</u>	<u>4,346</u>	<u>102,422</u>	<u>129,520</u>	<u>18,104</u>	<u>1,846,072</u>
Gross carrying value basis As at 31 December 2019													
Cost	369,000	245,284	465,173	25,968	463,988	33,742	194,275	39,622	8,144	134,505	186,077	49,362	2,215,140
Accumulated depreciation	-	(16,465)	(67,151)	(13,775)	(76,068)	(11,949)	(40,945)	(17,009)	(3,798)	(32,083)	(56,557)	(31,258)	(367,058)
Accumulated impairment	-	-	-	-	(2,010)	-	-	-	-	-	-	-	(2,010)
Net book value	<u>369,000</u>	<u>228,619</u>	<u>398,022</u>	<u>12,193</u>	<u>385,910</u>	<u>21,793</u>	<u>153,330</u>	<u>22,613</u>	<u>4,346</u>	<u>102,422</u>	<u>129,520</u>	<u>18,104</u>	<u>1,846,072</u>
Net carrying value basis Year ended 31 December 2018													
Opening net book value	369,000	130,419	303,827	17,172	279,180	11,733	128,120	13,349	3,449	63,981	86,632	7,945	1,414,807
*Transfers (note 5.2.1)	-	35,172	42,915	615	79,835	6,795	56,735	4,996	392	34,680	37,029	7,731	306,895
Disposals (at NBV)													
Cost	-	-	-	-	(9,921)	(39)	(25,144)	(576)	-	(4,867)	(131)	(2,125)	(42,803)
Depreciation	-	-	-	-	(4,008)	(12)	(6,384)	(274)	-	(542)	-	(34)	(11,254)
Depreciation charge	-	(3,137)	(11,371)	(2,770)	(21,108)	(2,165)	(28,767)	(2,916)	(523)	(9,697)	(14,685)	(5,709)	(102,848)
Impairment loss	-	-	-	-	(2,010)	-	-	-	-	-	-	-	(2,010)
Closing net book value	<u>369,000</u>	<u>162,454</u>	<u>335,371</u>	<u>15,017</u>	<u>331,889</u>	<u>16,351</u>	<u>149,704</u>	<u>15,155</u>	<u>3,318</u>	<u>88,422</u>	<u>108,976</u>	<u>9,933</u>	<u>1,605,590</u>
Gross carrying value basis As at 31 December 2018													
Cost	369,000	175,172	387,620	26,099	391,566	26,012	172,802	29,292	6,618	108,781	155,406	37,479	1,885,847
Accumulated depreciation	-	(12,718)	(52,249)	(11,082)	(57,667)	(9,661)	(23,098)	(14,137)	(3,300)	(20,358)	(46,430)	(27,546)	(278,247)
Accumulated impairment	-	-	-	-	(2,010)	-	-	-	-	-	-	-	(2,010)
Net book value	<u>369,000</u>	<u>162,454</u>	<u>335,371</u>	<u>15,017</u>	<u>331,889</u>	<u>16,351</u>	<u>149,704</u>	<u>15,155</u>	<u>3,318</u>	<u>88,423</u>	<u>108,976</u>	<u>9,933</u>	<u>1,605,590</u>
Annual rate of depreciation (%)	-	60 / 91 years	3.33	5	5	10	20	10	10	10	10	33	

* Represents assets transfers from capital work-in-progress (note 5.2.1)

5.1.1 Particulars of immovable assets (freehold / leasehold lands and buildings for factory and office premises) of the Company are as follows:

Location	Addresses	Usage of immovable property	Covered Area (Acres)
Karachi	B-23C, S.I.T.E Karachi	Head Office and Production Plant	2.809
Karachi	D-109, S.I.T.E Karachi	Production Plant	1.25
Karachi	F/46, S.I.T.E Superhighway Phase II, Karachi	Production Plant	0.50
Karachi	E-134, SITE Area, Super Highway Phase II, Karachi	Future expansion	0.50

Notes to The Financial Statements

For The Year Ended 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018
5.1.2 Depreciation for the year has been allocated as follows:			
Cost of sales	20	86,900	71,922
Administrative expenses	21	6,439	4,570
Marketing and selling expenses	22	32,598	26,356
		<u>125,937</u>	<u>102,848</u>

5.1.3 The cost of fully depreciated assets of the Company amounted to Rs. 237.89 million (2018: Rs. 206.22 million). In addition, land includes leasehold land having cost of Rs.35.17 million remains idle as of 31 December 2019 and 2018.

5.1.4 Details of operating fixed assets disposed off during the year are as follow:

Description	Mode of disposal	Cost	Accumulated Depreciation	Net book value	Sales proceeds	Gain / (loss)	Relationship of purchaser with the Company	Particulars of buyers
----- Rupees in '000 -----								
Aggregate amount of asset disposed off having NBV exceeding Rs. 5 million								
Motor vehicles - Assets having NBV exceeding Rs.500,000								
- Suzuki Cultus	Insurance claim	1,204	318	886	1,095	209	Insurance Claim	IGI Insurance Limited
- Honda City	Company's policy	1,535	711	824	768	(57)	Employee	Humayoun Mughal
- Suzuki Cultus	Company's policy	1,039	500	539	511	(28)	Employee	Zaki Akhtar
- Honda Civic	Company's policy	2,705	2,177	528	1,013	485	Employee	Ahmed Bin Qasim
Aggregate assets having NBV less than Rs. 500,000		18,012	14,101	3,911	7,525	3,614		
		24,495	17,807	6,688	10,912	4,223		
Aggregate amount of assets disposed off having NBV not exceeding Rs. 5 million								
		25,962	19,320	6,642	1,554	(5,088)		
2019		50,457	37,127	13,330	12,466	(865)		
2018		42,803	31,549	11,254	13,617	2,363		

	2019 Addition during the period	2018	2019 Closing balance as at Dec 31	2018
----- (Rupees in '000) -----				
Land	70,112	35,171	-	-
Buildings - factory / office	135,861	40,644	83,504	25,470
Plant and machinery	79,570	98,251	40,129	44,581
Furniture and fixtures	7,723	6,649	-	472
Motor vehicles	43,998	57,965	-	1,969
Office equipment	10,660	4,805	-	137
Gas & electrical fittings	1,524	392	-	-
Refrigerators and air conditioners	26,734	38,917	5,059	5,363
Laboratory equipments	36,499	34,748	-	1,396
Computer and related accessories	18,116	7,788	1,800	56
Softwares	2,291	11,470	-	-
	<u>433,088</u>	<u>336,800</u>	<u>130,492</u>	<u>79,444</u>

Notes to The Financial Statements

For The Year Ended 31 December 2019

5.2.1 The following is the movement in capital work-in-progress during the year:

	Note	2019 ----- (Rupees in '000) -----	2018
Opening balance		79,444	63,834
Additions during the year		433,088	336,800
Transferred during the year to:			
- operating fixed assets	5.1	(379,749)	(306,895)
- intangible assets	6.1	(2,291)	(14,295)
Closing balance		<u>130,492</u>	<u>79,444</u>
6. INTANGIBLE ASSETS			
Goodwill	6.2	743,226	743,226
Trademarks - (indefinite lives)	6.2	4,641,087	4,641,087
Computer software		10,742	13,943
		<u>5,395,055</u>	<u>5,398,256</u>

6.1 Intangible assets

Goodwill	Trademarks Indefinite	Trademarks finite	Computer softwares	Total
----- Amount in Rupees '000 -----				

**Net carrying value basis
Year ended 31 December 2019**

Opening net book value	743,226	4,641,087	-	13,943	5,398,256
Transfers (note 5.2.1)	-	-	-	2,291	2,291
Amortisation charge	-	-	-	(5,492)	(5,492)
Closing net book value	<u>743,226</u>	<u>4,641,087</u>	<u>-</u>	<u>10,742</u>	<u>5,395,055</u>

**Gross carrying value basis
As at 31 December 2019**

Cost	743,226	4,641,087	365,930	43,627	5,793,870
Accumulated amortisation	-	-	(365,930)	(32,885)	(398,815)
Net book value	<u>743,226</u>	<u>4,641,087</u>	<u>-</u>	<u>10,742</u>	<u>5,395,055</u>

**Net carrying value basis
Year ended 31 December 2018**

Opening net book value	743,226	4,641,087	259	868	5,385,440
Transfers (note 5.2.1)	-	-	-	14,295	14,295
Amortisation charge	-	-	(259)	(1,220)	(1,479)
Closing net book value	<u>743,226</u>	<u>4,641,087</u>	<u>-</u>	<u>13,943</u>	<u>5,398,256</u>

Notes to The Financial Statements

For The Year Ended 31 December 2019

Goodwill	Trademarks Indefinite	Trademarks finite	Computer softwares	Total
-----Amount in Rupees '000-----				

Gross carrying value basis As at 31 December 2018

Cost	743,226	4,641,087	365,930	41,336	5,791,579
Accumulated amortisation	-	-	(365,930)	(27,393)	(393,323)
Net book value	<u>743,226</u>	<u>4,641,087</u>	<u>-</u>	<u>13,943</u>	<u>5,398,256</u>
Annual rate of amortisation (%)	<u>-</u>	<u>-</u>	<u>10-20</u>	<u>33</u>	

6.2 Impairment testing of goodwill and intangible assets (i.e. trademarks) having indefinite lives

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). The Company 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 analysis, 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.

6.3 Amortisation for the year has been allocated as follows:	Note	2019 ----- (Rupees in '000) -----	2018
Cost of sales	20	<u>363</u>	73
Administrative expenses	21	<u>4,796</u>	813
Marketing and selling expenses	22	<u>333</u>	593
		<u>5,492</u>	<u>1,479</u>

7. LONG-TERM LOANS, DEPOSITS AND RECEIVABLES

Receivables from employees - secured, considered good	7.1	<u>6,232</u>	7,105
Less: Recoverable within one year		<u>(2,477)</u>	(2,401)
		<u>3,755</u>	4,704
Security deposits - unsecured, considered good		<u>9,759</u>	7,220
		<u>13,514</u>	<u>11,924</u>

7.1 Represents interest free receivables from the employees of the Company on account of purchase of vehicles (i.e. motor bikes) and laptops, in accordance with their employment terms. These receivables are secured against the title of said assets and are recoverable within five and three years in equal monthly installments respectively. The discounting impact of these receivables to their present value is not considered by the management of the Company, as the financial impact is immaterial.

Notes to The Financial Statements

For The Year Ended 31 December 2019

8. STOCK-IN-TRADE

Note	2019 ----- (Rupees in '000) -----	2018
Raw and packing materials		
- In hand	<u>521,864</u>	376,020
- In transit	<u>35,005</u>	93,415
	<u>556,869</u>	469,435
Work-in-process	<u>58,022</u>	43,601
Finished goods		
- Manufacturing	<u>217,846</u>	216,385
- Trading	<u>201,774</u>	84,825
	<u>419,620</u>	301,210
Provision for obsolescence and slow moving stock	<u>(21,110)</u>	(17,229)
	<u>1,013,401</u>	<u>797,017</u>

8.1 Included herein items having value of of Rs. 21.51 million (2018: Rs. 9.88 million), representing stock held by third parties.

8.2 Stock in trade includes items having cost of Rs. 4.88 million (2018: Rs. 5.91 million) write-down to net realisable value of Rs. 3.98 million (2018: Rs. 3.88 million) resulting in a write-down of Rs. 0.90 million (2018: Rs. 2.03 million).

8.3 Provision for obsolescence and slow moving stock is as follows:	Note	2019 ----- (Rupees in '000) -----	2018
Opening balance		<u>17,229</u>	9,517
Provision made / during the year-net		<u>11,900</u>	11,195
Written off during the year		<u>(8,019)</u>	(3,483)
		<u>21,110</u>	<u>17,229</u>

9. TRADE DEBTS - unsecured

Related parties (associated companies)

- OBS Pakistan (Private) Limited	<u>625</u>	8,048
- Aspin Pharma (Private) Limited	<u>1,054</u>	-
- Muller & Phipps Pakistan (Private) Limited	<u>491,824</u>	417,829

9.2 493,503 425,877

Others than related parties

	<u>30,256</u>	57,562
9.1 <u>523,759</u>	483,439	
9.4 <u>(1,224)</u>	-	
	<u>522,535</u>	<u>483,439</u>

Less: Allowances for expected credit losses

Notes to The Financial Statements

For The Year Ended 31 December 2019

9.1 The credit risk exposure on the Company's trade debts using provision matrix at year end is as follows:

	Days past due			
	TOTAL	Current	1-30 days	30- 90 days
	(Rupees in '000)			
				90 and above days
2019				
Expected credit loss rate	0.23%	0%	0%	0%
Estimated total gross carrying amount at default	523,759	432,408	27,181	39,323
Expected credit loss	1,224	-	-	-
2018				
Estimated total gross carrying amount at default	483,439	442,495	17,695	15,052

9.2 The ageing analysis of unimpaired trade debts due from related parties is as follows:

	Days past due			
	TOTAL	Current	1-30 days	30- 90 days
	(Rupees in '000)			
				90 and above days
2019				
OBS Pakistan (Private) Limited	625	312	313	-
Aspin Pharma (Private) Limited	1,054	937	48	69
Muller & Phipps Pakistan (Private) Limited	491,824	428,041	22,530	27,178
	493,503	429,290	22,891	27,247
2018				
OBS Pakistan (Private) Limited	8,048	7,743	152	153
Muller & Phipps Pakistan (Private) Limited	417,829	402,702	11,695	-
	425,877	410,445	11,847	153

9.3 The maximum amount outstanding from related parties at any time during the year calculated by reference to month end balances are as follows:

	2019	2018
	(Rupees in '000)	(Rupees in '000)
Related parties - associated companies		
OBS Pakistan (Private) Limited	10,696	12,645
Aspin Pharma (Private) Limited	10,759	1,705
Muller and Phipps Pakistan (Private) Limited	647,644	522,616

9.4 The movement in allowances for expected credit losses

Adjustments due to initial application of IFRS 9	1,114	-
Allowances for expected credit losses for the year	110	-
Closing balance	1,224	-

Notes to The Financial Statements

For The Year Ended 31 December 2019

		2019	2018
	Note	(Rupees in '000)	(Rupees in '000)
10. LOANS AND ADVANCES - Considered good			
Current portion of receivables from employees - secured	7	2,477	2,401
Advances - unsecured			
Suppliers		33,863	64,514
		36,340	66,915

11. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - considered good, unsecured			
Security deposits		6,178	3,907
Margin on letters of credit		76,509	72
		82,687	3,979
Prepayments - insurance		240	192
Other receivables - considered good, unsecured		2,536	1,283
		85,463	5,454

12. CASH AND BANK BALANCES

Cash at banks

Current accounts			
- local currency		4,448	2,069
- foreign currency		346	231
Deposit accounts	12.1	111,716	21,943
		116,510	24,243
Cash in hand		644	180
		117,154	24,423

12.1 These carry markup at the rates ranging from 4.22% to 12.30% (2018: 1.35% to 7.5%) per annum.

13. SHARE CAPITAL

Authorised share capital

	2019	2018
	(Rupees in '000)	(Rupees in '000)
Number of shares		
350,000,000	350,000,000	350,000,000
Ordinary shares of Rs. 10 each fully paid in cash	3,500,000	3,500,000

Issued, subscribed and paid-up capital

	2019	2018
	(Rupees in '000)	(Rupees in '000)
Number of shares		
280,000,000	280,000,000	280,000,000
Ordinary shares of Rs. 10 each fully paid in cash	2,800,000	2,800,000

13.1 Voting rights, board selection and similar rights of shareholders are in proportion to the shareholding of the Company.

Notes to The Financial Statements

For The Year Ended 31 December 2019

	2019 ----- (Rupees in '000) -----	2018
13.2 Basic and diluted earnings per share (EPS)		
Net profit for the year	<u>1,446,388</u>	<u>1,206,690</u>
	-----Number of shares -----	
Weighted average number of ordinary shares outstanding during the year	<u>280,000,000</u>	<u>280,000,000</u>
Basic and diluted earnings per share (EPS)	<u>5.17</u>	<u>4.31</u>

13.3 The Board of Directors in the meeting held on 12 March 2020 has proposed a final cash dividend for the year 2019 of Rs. 2 per share (aggregating to Rs. 560 million) subject to approval of shareholders in the Annual General Meeting of the Company to be held on 05 May 2020. This is in addition to the interim cash dividend of Rs. 1.25 per share aggregating to the total dividend for the year of Rs. 3.25 per share.

	Note	2019 ----- (Rupees in '000) -----	2018
14. DEFERRED TAX LIABILITIES - net			
<i>Taxable temporary differences</i>			
Accelerated tax depreciation / amortisation		<u>76,691</u>	<u>63,924</u>
<i>Deductible temporary differences</i>			
Provisions		<u>(5,771)</u>	<u>(5,138)</u>
		<u>70,920</u>	<u>58,786</u>

15. LONG-TERM FINANCING - secured			
Long-term financings	15.1	<u>1,208,026</u>	<u>1,681,966</u>
Less: currently maturity		<u>(490,961)</u>	<u>(489,600)</u>
		<u>717,065</u>	<u>1,192,366</u>

15.1 Long-term financings			
Sukuk [net of transaction cost of Rs. 22.44 million (2018:31.63 million)]	15.1.1	<u>1,201,559</u>	<u>1,681,966</u>
Diminishing musharikhah	15.1.2	<u>6,467</u>	<u>-</u>
		<u>1,208,026</u>	<u>1,681,966</u>

15.1.1 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.

15.1.2 During the year 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 installments 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.

Notes to The Financial Statements

For The Year Ended 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018
16. TRADE AND OTHER PAYABLES			
Creditors		<u>464,112</u>	<u>345,956</u>
Accrued liabilities		<u>275,578</u>	<u>217,681</u>
Compensated absences		<u>23,377</u>	<u>22,681</u>
Contract liabilities (advances from customers)		<u>-</u>	<u>1,062</u>
Retention money		<u>8,955</u>	<u>-</u>
Payable to the provident fund	16.1	<u>4,647</u>	<u>4,240</u>
Infrastructure Cess payable		<u>13,801</u>	<u>13,801</u>
Workers' Profit Participation Fund	16.2	<u>2,335</u>	<u>1,043</u>
Workers' Welfare Fund	16.3	<u>24,096</u>	<u>32,178</u>
Central Research Fund	16.4	<u>19,664</u>	<u>15,346</u>
Withholding tax		<u>3,898</u>	<u>2,270</u>
Sales tax payable		<u>3,489</u>	<u>2,827</u>
Others		<u>1,605</u>	<u>1,343</u>
		<u>845,557</u>	<u>660,428</u>

16.1 Payable to the provident fund

16.1.1 Investments of provident fund have been made in accordance with the provisions of Section 218 of the Act and the rules formulated for this purpose.

16.1.2 During the year, the Company's contribution to provident fund amounted to Rs. 22.83 million (2018: Rs. 20.47 million).

	2019 ----- (Rupees in '000) -----	2018
16.2 Workers' Profits Participation Fund		
Balance at the beginning of the year	<u>1,043</u>	<u>285</u>
Allocation for the year	<u>97,338</u>	<u>75,961</u>
	<u>98,381</u>	<u>76,246</u>
Payments made during the year	<u>(96,046)</u>	<u>(75,203)</u>
	<u>2,335</u>	<u>1,043</u>

16.3 Workers' Welfare Fund

Balance at the beginning of the year	<u>32,178</u>	<u>14,846</u>
Charge for the year	<u>24,299</u>	<u>17,332</u>
	<u>56,477</u>	<u>32,178</u>
Payments made during the year	<u>(32,381)</u>	<u>-</u>
	<u>24,096</u>	<u>32,178</u>

16.4 Central Research Fund

Balance at the beginning of the year	<u>15,346</u>	<u>14,220</u>
Charge for the year	<u>19,664</u>	<u>15,346</u>
	<u>35,010</u>	<u>29,566</u>
Payments made during the year	<u>(15,346)</u>	<u>(14,220)</u>
	<u>19,664</u>	<u>15,346</u>

Notes to The Financial Statements

For The Year Ended 31 December 2019

		2019	2018
17.	SHORT-TERM BORROWINGS	Note	----- (Rupees in '000) -----
	Running finance under mark-up arrangements	17.1	- 548
	Running musharka arrangements	17.2	- 144,429
			<u>- 144,977</u>

17.1 As of reporting date, the facilities obtained from commercial banks of Rs.1,150 million remained utilised (2018: facility limit of Rs. 950 million and unutilised limit of Rs. 949 million) carrying markup at the rate of 1 - 3 months KIBOR plus 0.30% to 1.50% (2018: 1-3 months KIBOR plus 0.40% to 1.50%) per annum payable quarterly. The facility is secured by way of hypothecation charge over current assets of the Company.

17.2 As of reporting date, the facilities obtained from islamic banks of Rs.700 million remained utilised (2018: facility limit of Rs. 750 million and unutilised limit of Rs. 635.57 million) carrying markup at rate of 1 - 3 months KIBOR plus 0.70% to 1% (2018: 3 months KIBOR plus 0.40% to 1% per annum payable quarterly). The facility is secured by way of hypothecation charge over current assets of the Company.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 In year 2018, the Company received a demand for tax year 2017 from the taxation authorities of Rs.145.93 million in respect of amortisation of goodwill and the payment made by the Company towards Sindh Revenue Board (SRB) in respect of Workers Welfare Fund (WWF) disallowed. The Company filed an appeal before Commissioner Inland Revenue Appeals [CIR(A)] against the above mentioned demand and the case was decided in favor of the Company in respect of amortisation of goodwill allowed, whereas WWF has been rejected. During the year, the Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) to allow expense in respect of WWF. Whereas during the 2018, the taxation authority filed an appeal before ATIR against amortisation of goodwill allowed by CIR(A), for which no hearing is fixed till date. The Company, in view of a tax advice, expects a favorable outcome, accordingly, no provision has been made in these financial statements.

18.1.2 In year 2014, the Company imported an active pharmaceutical material namely Ossein Mineral Complex (OMC) which is exempt from sales tax. Customs duty and advance income tax paid at applicable rates by the Company on the import. No discrepancy and irregularity was made out against the Company at the time of release of its consignments of OMC. However, after the release of its consignments the tax authorities made demand of short-paid duties and taxes which includes 30% custom duty, 17% sales tax and 5% advance income tax on the imported value, amounted to Rs.5.11 million, without issuing any show cause notice. The Company has filed a petition before High Court of Sindh (SHC) which is pending adjudication. The Company, in view of a legal advice, expects a favorable outcome, accordingly, no provision has been made in these financial statements.

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

Notes to The Financial Statements

For The Year Ended 31 December 2019

	2019	2018
18.1.4	Guarantees	----- (Rupees in '000) -----
	Bank guarantees	<u>25,861</u> 26,265
	-limit	<u>260,000</u> 260,000
	-unutilised portion	<u>234,139</u> 233,735

18.2 COMMITMENTS

18.2.1 As at 31 December 2019 capital expenditure contracted for but not incurred amounted to Rs 92.550 million (2018: Rs 4.462 million).

	2019	2018
18.2.2	Letters of credit	----- (Rupees in '000) -----
	Letters of credit	<u>390,146</u> 4,462
	-limit	<u>2,320,000</u> 2,120,000
	-unutilised portion	<u>1,929,854</u> 2,115,538

19. REVENUE FROM CONTRACT WTH CUSTOMERS - net

	Sale of goods (at a point in time)		
	Local		
	-Manufacturing	<u>5,743,682</u>	4,803,622
	-Trading	<u>730,293</u>	1,374,133
		<u>6,473,975</u>	6,177,755
	Export	<u>352,755</u>	48,904
	Less: Trade discounts	<u>(557,409)</u>	(827,785)
	Sales returns	<u>(14,111)</u>	(14,641)
	Sales tax	<u>(1,971)</u>	(2,178)
		<u>(573,491)</u>	(844,604)
		<u>6,253,239</u>	5,382,055

19.1 & 19.2

19.1 Included herein sales of Rs. 5,403 million (2018: Rs. 4,402 million) made to related parties (see note 31).

19.2 Revenue recognised during the year includes Rs. 1.06 million (2018:0.20 million) included in contract liabilities at the beginning of the year.

Notes to The Financial Statements

For The Year Ended 31 December 2019

20. COST OF SALES

Cost of sales – manufacturing

Raw and packing materials consumed

	Note	2019 ----- (Rupees in '000) -----	2018
Opening stock	8	469,435	279,948
Purchases		1,709,718	1,471,993
Available for consumption		2,179,153	1,751,941
Closing stock	8	(556,869)	(469,435)
Raw and packing material consumed		1,622,284	1,282,506

Manufacturing cost

Salaries, wages and other benefits	20.1	378,784	335,061
Stores and spares consumed		23,740	19,202
Provision against slow moving and obsolete materials - net	8.3	11,900	11,195
Processing charges		7,651	11,090
Freight		5,050	4,095
Fuel, gas and electricity		105,460	73,598
Repairs and maintenance		71,482	60,316
Travelling and conveyance		20,079	11,469
Insurance		6,040	3,980
Laboratory expenses		17,914	24,633
Rates and taxes		4,016	1,862
Depreciation	5.1.2	86,900	71,922
Amortisation	6.3	363	73
Impairment loss on property plant and equipment	5.1	-	2,010
Postage, telegraph and telephones		2,651	1,669
Printing and stationery		3,161	2,664
		745,191	634,839
		2,367,475	1,917,345

Work-in-process

Opening stock	8	43,601	48,783
Closing stock	8	(58,022)	(43,601)
		(14,421)	5,182
		2,353,054	1,922,527

Cost of goods manufactured

Finished goods

Opening stock	8	216,385	156,548
Closing stock	8	(217,846)	(216,385)
		(1,461)	(59,837)
		2,351,593	1,862,690

Cost of samples for marketing and sales promotion

	22	(54,145)	(53,511)
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Cost of sales – trading

Opening stock	8	84,825	104,118
Purchases		413,618	512,934
Closing stock	8	(201,774)	(84,825)
		296,669	532,227
		2,594,117	2,341,406

Notes to The Financial Statements

For The Year Ended 31 December 2019

20.1 Included herein Rs. 6.79 million (2018: Rs. 6.49 million) in respect of staff retirement benefits.

21. ADMINISTRATIVE EXPENSES

	Note	2019 ----- (Rupees in '000) -----	2018
Salaries and other benefits	21.1	91,942	80,226
Travelling and conveyance		479	537
Printing and stationery		1,871	921
Directors' remuneration		1,125	1,050
Postage, telegrams and telephones		485	480
Legal and professional		24,468	14,281
Research cost		1,679	3,930
Repairs and maintenance		5,003	2,003
Software license renewals and maintenance fee		12,555	8,815
Subscription and fee		662	301
Advertisement		221	1,155
Auditors' remunerations	21.2	3,878	4,933
Donations	21.3	1,580	2,551
Insurance		405	349
Depreciation	5.1.2	6,439	4,570
Amortisation	6.3	4,796	813
Vehicle running expenses		284	268
		157,872	127,183

21.1 Included herein Rs. 2.81 million (2018: Rs. 2.16 million) in respect of staff retirement benefits.

21.2 Auditors' remunerations

	2019 ----- (Rupees in '000) -----	2018
Statutory audit fee	1,512	1,512
Special audit fee	1,188	1,134
Half yearly review and other certifications	875	1,944
Out of pocket expenses	303	343
	3,878	4,933

21.3 No donation was paid to a single party that exceeds 10% of Company's total of donation and Rs. 1 million, whichever is higher.

21.3.1 None of the directors of the Company or their spouses had any interest in the donee.

Notes to The Financial Statements

For The Year Ended 31 December 2019

22. MARKETING AND SELLING EXPENSES

	Note	2019 ----- (Rupees in '000) -----	2018
Salaries and other benefits	22.1	598,786	508,432
Travelling and conveyance		184,251	175,685
Repairs and maintenance		4,808	5,474
Insurance		4,708	4,737
Depreciation	5.1.2	32,598	26,356
Amortisation	6.3	333	593
Printing and stationery		3,756	4,442
Samples	20	54,145	53,511
Sales promotion expenses		267,378	275,320
Meeting and conferences		79,547	48,410
Communication		10,879	13,618
Subscription		9,658	7,396
Freight, handling and transportation		43,099	29,312
Advertisement		-	66
		<u>1,293,946</u>	<u>1,153,352</u>

22.1 Included herein Rs.13.24 million (2018: Rs. 12.14 million) in respect of staff retirement benefits.

23. OTHER EXPENSES

	Note	2019 ----- (Rupees in '000) -----	2018
Workers' Profit Participation Fund	16.2	97,338	75,961
Workers' Welfare Fund	16.3	24,299	17,332
Central Research Fund	16.4	19,664	15,346
Exchange loss - net		24,651	42,880
Allowances for expected credit loss		110	-
Loss on disposal of operating fixed assets - net		865	-
		<u>166,927</u>	<u>151,519</u>

24. OTHER INCOME

Income from financial assets

Markup on deposit accounts	6,095	5,872
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Income from non-financial assets

Gain on sale of operating fixed assets	-	2,363
Liabilities no longer payable written back	-	4,161
Scrap sales	5,032	4,465
Others	137	103
	<u>5,169</u>	<u>11,092</u>
	<u>11,264</u>	<u>16,964</u>

Notes to The Financial Statements

For The Year Ended 31 December 2019

25. FINANCE COSTS

	2019 ----- (Rupees in '000) -----	2018
Mark-up on:		
- long-term financing	209,833	175,089
- short term borrowings	8,481	19,041
Bank charges	8,544	5,807
	<u>226,858</u>	<u>199,937</u>

26. TAXATION

Current	278,738	186,072
Prior	87,523	15,127
Deferred	12,134	17,733
	<u>378,395</u>	<u>218,932</u>

26.1 Relationship between income tax expense and accounting profit is as follows:

Profit before taxation	1,824,783	1,425,622
Tax at the applicable tax rate of 29% (2018: 29%)	529,187	413,430
Prior year charge	87,523	15,127
Effect of lower tax rate	(171,956)	(157,814)
Effect of tax credits	(69,535)	(61,039)
Others	3,176	9,228
	<u>378,395</u>	<u>218,932</u>
Effective tax rate	<u>20.74%</u>	<u>15.36%</u>

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Managerial remuneration	14,458	13,144	-	-	157,896	97,577
Bonus	1,971	1,788	-	-	11,209	9,409
Performance incentive	31,902	33,947	-	-	4,604	4,025
Reimbursement of expenses	300	205	-	-	13,731	5,690
Provident fund	985	894	-	-	7,115	5,611
Others	1,316	1,194	-	-	15,452	7,525
	<u>50,932</u>	<u>51,172</u>	<u>-</u>	<u>-</u>	<u>210,007</u>	<u>129,837</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>41</u>	<u>32</u>

Notes to The Financial Statements

For The Year Ended 31 December 2019

27.1 In addition, the chief executive and certain executives are provided with free use of Company maintained car in accordance with their entitlements.

27.2 During the year, fee paid to two (2018: two) independent directors for attending board and other meetings amounted Rs. 1.13 million (2018: Rs. 1.05 million). Travelling and boarding expenses of executive and non-executive directors borne by the Company amounted to Rs. 9.49 million (2018: Rs. 4.83 million). Number of non-executive directors at year end were four (2018: four).

27.3 No remuneration was paid/payable to any of the directors other than chief executive.

28. PRODUCTION CAPACITY

The capacity and production of the Company's plants is indeterminable as these are multi-product plants involving varying processes of manufacture. The Company's production is based on market demand.

		2019	2018
	Note	----- (Rupees in '000) -----	
29. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,824,783	1,425,622
Adjustments for non-cash items:			
Depreciation	5.1.2	125,937	102,848
Amortisation	6.3	5,492	1,479
Allowances for expected credit losses		110	-
Impairment loss on property, plant and equipment	5.1	-	2,010
Loss / (gain) on disposal of operating fixed assets		865	(2,363)
Mark-up on deposits accounts		(6,095)	(5,872)
Finance costs		226,858	175,089
Workers' Profit Participation Fund	23	97,338	75,961
Workers' Welfare Fund	23	24,299	17,332
Central Research Fund	23	19,664	15,346
		494,468	381,830
Operating profit before working capital changes		2,319,251	1,807,452
Working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		673	(735)
Stock-in-trade		(216,384)	(127,368)
Trade debts		(40,321)	(16,935)
Loans and advances		30,575	(18,718)
Trade deposits, prepayments and other receivables		(80,967)	1,694
		(306,426)	(162,062)
Increase / (decrease) in current liabilities			
Trade and other payables		187,601	(190,542)
Unclaimed dividend		-	31,056
		187,601	(159,486)
		2,200,428	1,485,904

Notes to The Financial Statements

For The Year Ended 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018
30. CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	117,154	24,423
Short term borrowings	17	-	(144,977)
		117,154	(120,554)

31. 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. All transactions with related parties are executed into at agreed terms duly approved by the Board of Directors of the Company. Transactions with related parties, other than those disclosed elsewhere in these financial statements, are as follows:

Name and country of Incorporation	Basis of relationship	% of shares held by related parties	Nature of transactions	2019 ----- (Rupees in '000) -----	2018
Parent company					
Aitkenstuart Pakistan (Private) Limited - Pakistan	Parent company	52.98% (2018: Nil)	Dividend paid	176,857	-
Associated companies					
OBS Pakistan (Private) Limited - Pakistan	Common directorship	Nil (2018: 50.53%)	Sale of goods	6,926	37,763
			Expenditure incurred / paid by the Company on behalf of associate	3,362	17,406
			Expenditure incurred / paid by associate on behalf of the Company	9,569	34,204
			Dividend paid	-	176,857
Aspin Pharma (Private) Limited - Pakistan	Common directorship	4.79%	Sale of goods	29,322	-
			Expenditure incurred / paid by the Company on behalf of associate	2,243	4,370
			Expenditure incurred / paid by associate on behalf of the Company	-	1,073
			Dividend paid	16,750	16,750
Muller and Phipps Pakistan (Private) Limited - Pakistan	Common directorship	13.54%	Sale of goods	5,422,654	4,364,626
			Expenditure incurred / paid by the Company on behalf of the associate	-	2,983
			Settlement of amount incurred by the associate on behalf of the Company	58,085	39,453
			Dividend paid	47,400	47,400
Staff retirement benefits - AGP Limited staff provident fund				22,444	20,054
Key management personnel (other than Chief Executive)					
			Managerial remuneration	58,426	26,938
			Bonus	4,266	3,296
			Performance incentives	236	532
			Reimbursement of expenses	1,511	620
			Provident fund	2,027	1,647
			Dividend paid	40	47
			Others	2,523	2,031
Directors			Dividend paid	789	751
			Board and other meeting fee	1,125	1,050

31.1 The related parties status of outstanding receivables / payables as at 31 December 2019 and 2018 is disclosed in respective notes to these financial statements.

32. 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. No changes were made in the risk management framework and capital management of the Company during the year ended 31 December 2019.

Notes to The Financial Statements

For The Year Ended 31 December 2019

32.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

32.1.1 Financial assets and liabilities by category and their respective maturities are as follows:

	Interest bearing			Non-Interest bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
	(Rupees in '000)						
Financial assets (at amortised cost)							
Receivables and deposits	-	-	-	85,164	13,514	98,678	98,678
Trade debts	-	-	-	522,535	-	522,535	522,535
Other receivables	-	-	-	2,536	-	2,536	2,536
Cash and bank balances	111,716	-	111,716	4,794	-	4,794	116,510
December 31, 2019	111,716	-	111,716	615,029	13,514	628,543	740,259
Financial liabilities (at amortised cost)							
Long-term financings	490,961	717,065	1,208,026	-	-	-	1,208,026
Trade and other payables	-	-	-	778,274	-	778,274	778,274
Unclaimed dividends	-	-	-	969	-	969	969
Accrued interest	-	-	-	13,249	-	13,249	13,249
Short-term borrowings	-	-	-	-	-	-	-
December 31, 2019	490,961	717,065	1,208,026	792,492	-	792,492	2,000,518
	Interest bearing			Non-Interest bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
	(Rupees in '000)						
Financial assets (at amortised cost)							
Receivables and deposits	-	-	-	6,380	11,924	18,304	18,304
Trade debts	-	-	-	483,438	-	483,438	483,438
Other receivables	-	-	-	1,283	-	1,283	1,283
Cash and bank balances	21,943	-	21,943	2,300	-	2,300	24,243
December 31, 2018	21,943	-	21,943	493,401	11,924	505,325	527,268
Financial liabilities (at amortised cost)							
Long-term financings	489,600	1,192,366	1,681,966	-	-	-	1,681,966
Trade and other payables	-	-	-	592,963	-	592,963	592,963
Unclaimed dividends	-	-	-	31,056	-	31,056	31,056
Accrued interest	-	-	-	18,552	-	18,552	18,552
Short-term borrowings	144,977	-	144,977	-	-	-	144,977
December 31, 2018	634,577	1,192,366	1,826,943	642,571	-	642,571	2,469,514

Notes to The Financial Statements

For The Year Ended 31 December 2019

32.1.2 The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

32.2 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital includes issued capital and reserves and the Company is not subject to any regulatory capital requirements. The Company is currently financing majority of its operations / investing activities through long-term financing and short-term borrowings in addition to its equity.

Note	2019 ----- (Rupees in '000) -----		2018
Long-term financings	15	1,208,026	1,681,966
Accrued interest		13,249	18,552
Short-term borrowings		-	144,977
Total debts		1,221,275	1,845,495
Less: Cash and bank balances	12	117,154	24,423
Net debts		1,104,121	1,821,072
Total capital		7,462,899	6,367,625
Gearing ratio		15%	29%

32.3 Credit risk

Credit risk is the risk of financial loss to the Company of one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

32.3.1 Credit risk is the risk of financial loss to the Company if one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economical, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. Credit risk of the Company arises principally from the trade debts, deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The management continuously monitors the credit exposure towards the customers and records an allowance for expected credit loss. The credit risk on liquid funds such as balances with banks is limited because the counter parties are banks with reasonably high credit ratings. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities, where applicable. The maximum exposure to credit risk at the reporting date is:

Notes to The Financial Statements

For The Year Ended 31 December 2019

	Note	2019 ----- (Rupees in '000) -----	2018
Receivables and deposits	7	15,991	14,325
Trade debts	9	522,535	483,439
Trade deposits and other receivables	11	85,223	5,262
Bank balances	12	116,510	24,243
		<u>740,259</u>	<u>527,269</u>
Secured		6,232	7,105
Unsecured		734,027	520,164
		<u>740,259</u>	<u>527,269</u>
Not past due		<u>427,800</u>	<u>434,326</u>

32.3.2 The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as follows:

	2019 ----- (Rupees in '000) -----	2018
Trade debts (note 9)		
Customers with no defaults in the past one year	<u>522,535</u>	<u>483,439</u>
Bank Balances (note 12)		
A1+	-	22,731
A-1+	115,801	299
A-1	709	882
A1	-	331
	<u>116,510</u>	<u>24,243</u>

32.3.3 As at reporting date, there are no financial assets that could otherwise be past due or impaired whose terms have been renegotiated.

32.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient bank balances and the availability of funding through an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Notes to The Financial Statements

For The Year Ended 31 December 2019

31 December 2019

Long-term financings
Trade and other payables
Unclaimed dividends
Accrued interest

	on demand	less than 3 months	3 to 12 months	More than 12 months	Total
	----- Rupees in '0000 -----				
Long-term financings	-	122,740	368,221	717,065	1,208,026
Trade and other payables	23,377	744,337	10,560	-	778,274
Unclaimed dividends	-	969	-	-	969
Accrued interest	-	13,249	-	-	13,249
	<u>23,377</u>	<u>881,295</u>	<u>378,781</u>	<u>717,065</u>	<u>2,000,518</u>

31 December 2018

Long-term financings
Trade and other payables
Unclaimed dividends
Accrued interest
Short-term borrowings

Long-term financings	-	122,400	367,200	1,192,366	1,681,966
Trade and other payables	22,681	567,877	2,405	-	592,963
Unclaimed dividends	-	31,056	-	-	31,056
Accrued interest	-	18,552	-	-	18,552
Short-term borrowings	-	-	144,977	-	144,977
	<u>22,681</u>	<u>739,885</u>	<u>514,582</u>	<u>1,192,366</u>	<u>2,469,514</u>

32.5 Market risk

Market risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and equity price risk.

32.5.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's long-term financing and short-term borrowings at a floating rate to meet its business operations requirements. The Company manages interest rate risk by maintaining arrangement with number of financial institutions to have access to the best possible rate, if financing from banks is required. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Company's profit before tax by Rs.15.66 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

32.5.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company is mainly exposed to such risk in respect of foreign currency receivables from customers, bank balances and payable to suppliers amounting. The Company manages currency risk by carefully selecting countries for purchasing which pose minimum risk for foreign currency fluctuations. Moreover, the Company's exports in foreign currency are pursued to offset the adverse currency fluctuations.

Notes to The Financial Statements

For The Year Ended 31 December 2019

The currency exposure at the year end is as follows:

	2019				2018			
	USD	EURO	CNY	CHF	USD	EURO	CNY	CHF
Financial asset								
Trade debts	103,516	-	-	-	145,163	-	-	-
Cash and bank balances	-	1,992	-	-	-	-	-	-
	<u>103,516</u>	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>145,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities								
Trade payables	(1,435,744)	(40,848)	(1,439,589)	(45,000)	(996,780)	-	(255,500)	(30,060)
	<u>(1,435,744)</u>	<u>(40,848)</u>	<u>(1,439,589)</u>	<u>(45,000)</u>	<u>(996,780)</u>	<u>-</u>	<u>(255,500)</u>	<u>(30,060)</u>
	----- Equivalent Rs '000 -----							
Financial asset								
Trade debts	16,121	-	-	-	20,075	-	-	-
Cash and bank balances	-	346	-	-	-	-	-	-
	<u>16,121</u>	<u>346</u>	<u>-</u>	<u>-</u>	<u>20,075</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities								
Trade payables	(222,756)	(7,061)	(31,883)	(7,035)	(135,939)	-	(5,146)	(4,058)
	<u>(222,756)</u>	<u>(7,061)</u>	<u>(31,883)</u>	<u>(7,035)</u>	<u>(135,939)</u>	<u>-</u>	<u>(5,146)</u>	<u>(4,058)</u>

The exchange rates applied during the year and at year end were as follows:

	Average rate for the the year		Spot rate as at 31 December	
	2019	2018	2019	2018
	-----Rupees-----		-----Rupees-----	
US Dollar	150.06	121.80	154.85	138.86
Chinese Yuan	21.79	18.35	22.24	20.19
Euro	168.75	144.90	173.48	158.84
Swiss Franc	151.25	124.17	160.08	141.02

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase profit before tax for the year by Rs 2.52 million (2018: Rs 1.25 million).

32.5.3 Equity price risk

Equity price risk is the risk of loss arising from uncertainties about future values of investments securities movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity securities.

32.6 Fair values of financial assets and liability

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Notes to The Financial Statements

For The Year Ended 31 December 2019

33 INFORMATION ABOUT OPERATING SEGMENTS

33.1 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 financial statements are related to the Company's only reportable segment in Pakistan.

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

33.3 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:

	2019	2018
	----- (Rupees in '000) -----	
- Muller & Phipps Pakistan (Private) Limited	<u>5,422,654</u>	<u>4,364,626</u>

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

34. DATE OF AUTHORISATION

These financial statements were authorised for issue on 12 March 2020 by the Board of Directors of the Company.

35. GENERAL

35.1 The number of persons employed as at year end were 900 (2018: 880) and the average number of persons employed during the period were 901 (2018: 877).

35.2 Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary. However, there are no material transactions to report.

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

Chief Financial Officer

Chief Executive Officer

Director



Shareholders' Information >

Notice of 6th Annual General Meeting >

NOTICE is hereby given that the 6th Annual General Meeting (Meeting) of the Shareholders of AGP Limited (the Company) will be held on Tuesday, May 5, 2020 11.30 A.M. at the registered office of AGP Limited situated at B-23-C, S.I.T.E., Karachi through video link facility to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Annual General Meeting held on April 17, 2019.
2. To consider, approve and adopt the audited financial statements of the Company together with Directors' and Auditors' Reports thereon for the year ended December 31, 2019.
3. To appoint Auditors for the year ending December 31, 2020 and fix their remuneration.
4. To consider and approve the payment of final dividend at the rate of Rs. 2 per share (i.e. 20%) as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.
Dated: April 10, 2020

Umair Mukhtar
Company Secretary

NOTES:

1. Closure of share transfer books

The share transfer books of the Company will remain closed from April 24, 2020 to May 05, 2020 (both days inclusive). Transfers received in order at the office of our Registrar, namely CDC Share Registrar Services Limited situated at CDC House, 99-B, Block B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi - 74400 by the close of business (5:00 p.m.) on April 23, 2020 will be treated as being in time for the purposes of payment of final cash dividend to the transferees and to attend and vote at the Meeting.

2. Appointment of proxy holder

A member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the registered office of the Company or emailed at corp.affairs@agp.com.pk not later than forty-eight (48) hours before the time of holding

the Meeting. In calculating the aforesaid time period, no account shall be taken of any day that is not a working day. A member shall not be entitled to appoint more than one proxy. Proxy form is available at Company's website www.agp.com.pk and also attached at the end of the annual report.

3. Guidelines for CDC Account Holders

Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his/her original Computerized National Identity Card (CNIC) to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

I. For attending the Meeting

- In case of individuals, the account holder or sub-account holder and their registration details are uploaded as per the regulations, shall authenticate identity by showing his/her original CNIC or original passport at the time of attending the meeting.
- Members registered on CDC are also requested to bring their particulars, I.D. Numbers and account numbers in CDS.
- In case of corporate entity, Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

II. For appointing Proxies

- In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration detail is uploaded as per the regulations shall submit the proxy form as per the above requirement.
- The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form to the Company.

In pursuance of the arrangement of the meeting through video link and the attendances

accordingly, the above requirements and corporate fulfillments shall apply mutatis mutandis.

4. Participation in the Annual General Meeting

In view of the recent outbreak of Covid-19 pandemic, the SECP, through its Circular No. 05 of 2020 dated March 17, 2020, has advised the listed companies to avoid large gathering at one place and consider the provision of video link facility. Accordingly, in the best health interest of our valued shareholders and to ensure maximum participation, the Company has convened this AGM through video link facility.

To attend the AGM through video link, members are requested to register their following particulars by sending an e-mail at corp.affairs@agp.com.pk.

Folio / CDC account no.	No. of shares held	Name	CNIC	Cell No.	Email address

The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on April 30, 2020. The shareholders are also encouraged to send their comments / suggestions, related to the agenda items of the AGM on the above mentioned e-mail address by the close of business hours (5:00 p.m.) April 30, 2020.

5. Electronic transmission of notices and annual report

In pursuance to Circular No. 10 of 2020 dated April 01, 2020 issued by SECP and considering the difficulties in communicating with the shareholders through postal means due to COVID-19 pandemic, the Company will circulate the notice of AGM along with Annual Report 2019 through electronic means.

In this regard, the notice of AGM along with Annual Report 2019 will be uploaded on the official website of the Company. Further the same shall also be posted at PUCAR system of Pakistan Stock Exchange Limited and e-mailed to the members who have provided their valid email addresses to the Company or Registrar. Other members who wish to receive the Annual Report 2019 through email may send us the request at corp.affairs@agp.com.pk as per the standard request form available at the Company's website.

Members are requested to intimate any change in their registered email addresses on a timely manner, to ensure effective communication by the Company.

6. E- Voting

Members can exercise their right to poll subject to meeting of requirement of Section 143 to 145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

7. Video Conference Facility

Pursuant to Section 132(2) of the Companies Act, 2017, if the Company receives consent from members holding in aggregate ten percent (10%) or more shareholding residing at geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. The Company will intimate Members regarding venue of video conference facility at least five (5) days before the date of the Meeting along with complete information necessary to enable them to access such facility. In order to avail this facility please provide the following information to our Registrar:

"I/We, _____ of _____ being a member of AGP Limited holder of _____ Ordinary Share(s) as per Register Folio No./ CDC Account No. _____ hereby opt for video conference facility at _____ (Please insert name of the City).

Signature of member"

8. Electronic payment of cash dividend

In accordance with the provisions of section 242 of the Companies Act 2017, a listed Company is required to pay cash dividend only through electronic mode directly in to the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the website of the Company to the Registrar. The CDC account holders must submit their information directly to their broker (participant) / CDC.

9. Withholding tax on dividends

Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as under:

- For filers of income tax returns 15%
- For non-filers of income tax returns 30%

The 'Filer' is defined as a taxpayer whose name appears in the Active Tax-payers List (ATL) issued by Federal Board of Revenue (FBR), Central Board of Revenue of Azad Jammu and Kashmir or Gilgit Baltistan Council Board of Revenue from time to time. To enable the Company to withhold tax @ 15% for filers, all the shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted @ 30% for non-filers.

۸- نقد منافع منقسمہ کی برقی طریقے سے ادائیگی

کمپنیز ایکٹ 2017 کی دفعہ 242 کے تحت لسٹڈ کمپنی کی جانب سے کوئی بھی واجب الادا نقد منافع منقسمہ صرف برقی طریقہ کار کے مطابق بلا واسطہ اہل حصص یافتگان کے نامزد بینک اکاؤنٹ میں منتقل کیا جائے گا۔ لہذا حصص یافتگان سے درخواست ہے کہ کمپنی کی ویب سائٹ پر موجود اپنا ای ڈیوٹنڈ میڈیٹ فارم کمپنی کے رجسٹرار کو فراہم کر دیں۔ CDC کے کھاتے دار اپنی معلومات بلا واسطہ اپنے بروکر (شرکاء) / CDC کو فراہم کر دیں۔

۹- منافع منقسمہ پر دھوڑنگ ٹیکس کٹوتی

فنانس ایکٹ 2019 کی شقیں جو کہ یکم جولائی 2019 سے نافذ العمل ہیں کے مطابق آئٹم ٹیکس آرڈیننس کے تحت منافع منقسمہ کی ادائیگیوں پر آئٹم ٹیکس کی کٹوتی کے نرخ میں ترمیم کردی گئی جو کہ درج ذیل ہیں:

الف-	فائلرز کے لئے ٹیکس کٹوتی	15 فیصد
ب-	نان فائلرز کے لئے ٹیکس کٹوتی	30 فیصد

’فائلرز‘ کی تعریف یہ ہے کہ ایسا ٹیکس دہندہ جس کا نام فیڈرل بورڈ آف ریونیو (FBR)، سینٹرل بورڈ آف ریونیو آف آزاد جموں اینڈ کشمیر یا گلگت بلتستان کونسل بورڈ آف ریونیو کی وقتاً فوقتاً جاری کردہ فعال ٹیکس دہندگان کی فہرست (ATL) میں موجود ہو۔ لہذا فائلرز سے 15 فیصد کٹوتی کے لئے تمام حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ اس بات کو یقینی بنائیں کہ ان کا نام FBR کی ویب سائٹ پر دستیاب فعال ٹیکس دہندگان کی حالیہ فہرست (ATL) میں موجود ہو، بصورت دیگر انہیں نان فائلرز تصور کرتے ہوئے ان کے منافع منقسمہ میں سے 30 فیصد کٹوتی کر لی جائے گی۔

مشترکہ حصص یافتگان کی صورت میں ہر حصص یافتہ کو انفرادی طور پر فائلرز یا نان فائلرز تصور کیا جائے گا اور ہمارے رجسٹرار کو تحریری طور پر فراہم کردہ ہر حصص یافتہ کی حصص داری کے تناسب سے کٹوتی کی جائے گی، اگر ایسی کوئی معلومات فراہم نہ کی گئی تو ہر حصص یافتہ کے حصص کو مساوی تصور کیا جائے گا۔

فولیو/ CDC اکاؤنٹ نمبر	کل حصص	بنیادی حصص یافتہ	مشترکہ حصص یافتہ
	نام اور CNIC نمبر	حصص داری کا تناسب (حصص کی تعداد)	نام اور CNIC نمبر
		حصص داری کا تناسب (حصص کی تعداد)	نام اور CNIC نمبر

درکار معلومات شیئرز رجسٹرار کو کتنا ہیں بند ہونے سے قبل 23 اپریل 2020 کو (شام 5:00 بجے تک) لازمی فراہم کر دیں بصورت دیگر بنیادی حصص یافتہ اور مشترکہ حصص یافتگان کے حصص کو مساوی تصور کیا جائے گا۔

FBR کی وضاحت کے مطابق آئٹم ٹیکس آرڈیننس 2001 کے سینڈ شیلڈول کے حصہ IV کی شق 47B کے تحت دھوڑنگ ٹیکس پر استثناء کے دعوے کے لئے آرڈیننس کی دفعہ 159 کے درست ٹیکس استثنائی سرٹیفکیٹ لازمی ہے۔ حصص یافتگان جو کہ منافع پر مندرجہ بالا شق کے زمرے میں آتے ہوں وہ لازمی طور پر ٹیکس استثنائی سرٹیفکیٹ ہمارے شیئرز رجسٹرار کو فراہم کر دیں بصورت دیگر آئٹم ٹیکس آرڈیننس 2001 کی دفعہ 150 کے تحت لاگو نرخوں کے مطابق منافع منقسمہ سے ٹیکس کٹوتی کر لی جائے گی۔

۱۰- غیر دعویٰ شدہ منافع منقسمہ

کمپنیز ایکٹ 2017 کی دفعہ 244 کے تحت کمپنی کے کوئی بھی جاری کردہ حصص یا اعلان کردہ منافع منقسمہ جو کہ اپنے واجب الادا ہونے کی تاریخ سے تین (3) سال غیر ادا شدہ یا غیر دعویٰ شدہ رہا ہو کمپنیز ایکٹ 2017 میں بتائے گئے طریقہ کار کے مطابق وفاقی حکومت کو منتقل کر دیا جائے گا۔

In case of joint shareholder, each shareholder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each shareholder as may be notified by the shareholders, in writing as follows, to our Registrar, or if no such notification is received each shareholder shall be assumed to have an equal number of shares:

Folio/CDS Account No.	Total Shares	Principal shareholder		Joint shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach the share registrar of the Company by the close of business (5:00 p.m.) on April 23, 2020 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint shareholder(s).

As per FBR's clarification, the valid exemption certificate under section 159 of the ordinance is mandatory to claim exemption of withholding tax under clause 47B of part IV of 2nd Schedule of the Income Tax Ordinance, 2001. Those who fall in the category mentioned in the aforesaid clause must provide valid tax exemption certificate to our share registrar, otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Income Tax Ordinance, 2001.

10. Unclaimed Dividend

Pursuant to Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three (3) years from the date it becomes due/payable shall vest with the Federal Government after compliance of procedures prescribed under the Companies Act, 2017.

پراکسی کی صورت میں حصص یافتہ کی CNIC کی مصدقہ نقل پراکسی فارم کے ساتھ منسلک کی جائے گی۔ جبکہ اس مقصد کے لئے کارپوریٹ ممبران کے نمائندگان اپنے ساتھ عمومی دستاویزات لائیں گے۔

CDC کے کھاتے دار مزید سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر 1 مورخہ 26 جنوری 2000 میں دیئے گئے درج ذیل رہنما اصولوں کی پاسداری کریں گے۔

I- اجلاس میں حاضری کے لئے

الف- انفرادی صورت میں کھاتے دار یا ذیلی کھاتے دار جن کی رجسٹریشن کی تفصیلات ریگولیشنز کے تحت اپ لوڈ کر دی گئی ہوں، وہ اپنی شناخت کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ اجلاس میں حاضر ہوتے وقت پیش کریں گے۔

ب- ممبران جو کہ CDC میں رجسٹرڈ ہیں ان سے درخواست ہے کہ اپنی تفصیلات، آئی ڈی نمبر اور CDS کے اکاؤنٹ نمبر ساتھ لائیں۔

ج- کارپوریٹ انٹیٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختیار نامہ بمع نامزد فرد کے نمونہ دستخط اجلاس میں حاضری کے وقت پیش کئے جائیں گے (اگر پہلے پیش نہ کئے ہوں)

II- پراکسی کی تقرری کے لئے

الف- انفرادی صورت میں کھاتے دار یا ذیلی کھاتے دار اور/یا وہ افراد جن کے حصص گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات ریگولیشنز کے تحت اپ لوڈ کر دی گئی ہوں، وہ مندرجہ بالا ضرورت کے تحت اپنا پراکسی فارم پیش کریں گے۔

ب- پراکسی فارم پر دو گواہان کے دستخط ہونگے جن کے نام، پتے اور CNIC نمبرز فارم پر درج کئے جائیں گے۔

ج- انتفاعی مالکان اور پراکسی کی CNIC یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ساتھ پیش کی جائے گی۔

د- پراکسی اپنا اصل CNIC یا اصل پاسپورٹ اجلاس میں حاضر ہوتے وقت پیش کرے گا/کرے گی۔

ہ- کارپوریٹ انٹیٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختیار نامہ بمع نامزد فرد کے نمونہ دستخط پراکسی فارم کے ساتھ پیش کئے جائیں گے (اگر پہلے پیش نہ کئے ہوں)

لہذا اجلاس میں وڈیولنک کے اہتمام اور حاضری کے لئے مندرجہ بالا مطلوبات اور کارپوریٹ ضروریات میں مناسب تبدیلیاں لاگو ہوں گی۔

۳- سالانہ اجلاس عام میں شرکت

Covid-19 کی حالیہ وبا پھیلنے کے بعد SECP نے اپنے سرکلر نمبر 05 سن 2020 مورخہ 17 مارچ 2020 میں لسٹڈ کمپنیوں کو ایک جگہ پر بڑے اجتماع سے منع کیا ہے اور وڈیولنک کی سہولت استعمال کرنے کا مشورہ دیا ہے۔ لہذا ہمارے حصص یافتگان کے بہترین مفاد میں اور ان کی زیادہ سے زیادہ شرکت کو یقینی بنانے کے لئے کمپنی وڈیولنک سہولت کے ذریعے AGM منعقد کرے گی۔

A G M میں بذریعہ وڈیولنک حاضر ہونے کے لئے ممبران سے درخواست کی جاتی ہے کہ اپنی مندرجہ ذیل تفصیلات بذریعہ ای میل corp.affairs@agp.com.pk پر فراہم کر دیں:

فولیو/سی ڈی سی اکاؤنٹ نمبر	حصص کی تعداد	نام	CNIC	سیل نمبر	ای میل ایڈریس

وڈیولنک اور لاگ ان کی معلومات ان حصص یافتگان کو فراہم کی جائیں گی جنہوں نے اپنی ای میل اور تفصیلات دیئے گئے ای میل ایڈریس پر 30 اپریل 2020 (شام 5:00 بجے) تک دفتری اوقات میں فراہم کر دیئے ہونگے۔ حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ اجلاس کے ایجنڈے سے متعلق اپنی آراء/تجاویز مذکورہ بالا ای میل ایڈریس پر 30 اپریل 2020 (شام 5:00 بجے) تک فراہم کر دیں۔

۵- آڈٹ شدہ مالیاتی گوشواروں اور نوٹسوں کی برقی ترسیل

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ سرکلر نمبر 10 سن 2020 مورخہ یکم اپریل 2020 اور COVID-19 کی وبا پھیلنے کے نتیجے میں ڈاک کے ذریعے ترسیل میں مشکلات پیش آ رہی ہیں جس کے پیش نظر کمپنی AGM کانوٹس بمع سالانہ رپورٹ 2019 بذریعہ برقی ذرائع تقسیم کرے گی۔

اس سلسلے میں AGM کانوٹس بمع سالانہ رپورٹ 2019 کمپنی کی دفتری ویب سائٹ پر اپ لوڈ کر دی جائے گی۔ مزید اسے پاکستان اسٹاک ایکسچینج لمیٹڈ کے PUCAR سسٹم کے ذریعے ترسیل کیا جائے گا اور جن ممبران نے اپنے ای میل ایڈریس کمپنی یا رجسٹرار کو فراہم کر دیئے ہیں انہیں ای میل کے ذریعے فراہم کیا جائے گا۔ دیگر ممبران جو کہ سالانہ رپورٹ 2019 بذریعہ ای میل موصول کرنا چاہیں تو ان سے درخواست ہے کہ کمپنی کی ویب سائٹ پر دستیاب معیاری درخواست فارم بھر کے corp.affairs@agp.com.pk پر اپنی درخواست بھیج سکتے ہیں۔

ممبران سے درخواست ہے کہ اپنے رجسٹرڈ ای میل ایڈریس میں کسی تبدیلی سے بروقت مطلع کر دیں تاکہ کمپنی موثر خط و کتابت کو یقینی بنا سکے۔

۶- ای وونگ

ممبران کمپنیز ایکٹ 2017 کی دفعہ 143 سے 145 اور کمپنیز (پوسٹل بیٹ) ریگولیشنز 2018 کی لاگوشتوں کے تحت اجلاس میں اپنا حق رائے وہی استعمال کر سکتے ہیں۔

۷- وڈیو کانفرنس کی سہولت

کمپنیز ایکٹ 2017 کی دفعہ 132(2) کے تحت اگر کمپنی کو ایسے ممبران سے رضامندی موصول ہو جن کی حصص داری کل حصص داری کا 10 فیصد یا اس سے زیادہ ہے اور وہ کسی جغرافیائی مقام پر رہائش پذیر ہوں اور بذریعہ وڈیو کانفرنس اجلاس میں شرکت کرنا چاہتے ہوں تو ان سے درخواست ہے کہ اجلاس سے 7 دن قبل مطلع کر دیں تو کمپنی ان کے لئے ان کے شہر میں وڈیو کانفرنس کی سہولت کا اہتمام کرے گی بشرطیکہ یہ سہولت ان کے شہر میں دستیاب ہو۔ کمپنی اجلاس سے پانچ (5) دن قبل وڈیو کانفرنس کے مقام کے ساتھ مکمل معلومات فراہم کرے گی تاکہ وہ اس سہولت تک رسائی حاصل کر سکیں۔ اس سہولت سے استفادہ کے لئے برائے مہربانی مندرجہ ذیل معلومات ہمارے رجسٹرار کو فراہم کر دیں۔

”میں/ہم..... ساکن..... جو کہ AGP لمیٹڈ کے ممبر ہونے کے ناتے..... عمومی حصص کے فولیو نمبر/ CDC اکاؤنٹ نمبر..... کے تحت حامل ہیں، وڈیو کانفرنس کی سہولت سے استفادہ کرنا چاہتے ہیں۔ (برائے مہربانی یہاں پر شہر کا نام لکھیں)

ممبر کے دستخط‘

اطلاع برائے چھٹا سالانہ اجلاس عام

نوٹس ہذا کے ذریعے مطلع کیا جاتا ہے کہ AGP لمیٹڈ (کمپنی) کے حصص یافتگان کا چھٹا سالانہ اجلاس عام 5 مئی 2020 بروز منگل صبح 11:30 بجے AGP لمیٹڈ کے رجسٹرڈ آفس واقع C-23-B، سائٹ، کراچی پر بذریعہ وڈیو لنک سہولت مندرجہ ذیل امور کی انجام دہی کے لئے منعقد ہوگا۔

عمومی امور

- ۱- 17 اپریل 2019 کو منعقد کئے گئے سالانہ اجلاس عام کی کارروائی کی توثیق
- ۲- آڈٹ شدہ مالیاتی گوشواروں کے ساتھ ڈائریکٹرز رپورٹ، آڈیٹرز رپورٹ برائے سال ختمہ مدت 31 دسمبر 2019 کی وصولی، غور و خوص اور منظوری
- ۳- 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین
- ۴- بورڈ آف ڈائریکٹرز کا سفارش کردہ حتمی منافع منقسمہ بحساب 2 روپے فی حصص (یعنی 20 فیصد) کی ادائیگی پر غور و خوص اور منظوری
- ۵- صدر مجلس کی اجازت سے دیگر کسی امور کی انجام دہی

حسب الحکم بورڈ

عمیر مختار

کمپنی سیکریٹری

کراچی مورخہ 10 اپریل 2020

گزارشات:

۱- حصص منتقلی کی کتابوں کی بندش

کمپنی کی حصص منتقلی کی کتابیں 24 اپریل 2020 سے 05 مئی 2020 (بشمول دونوں دن) بند رہیں گی۔ کتابیں بند ہونے سے قبل یعنی 23 اپریل 2020 (شام 5:00 بجے) تک ہمارے رجسٹرار بنام CDC شیئر رجسٹرار سروسز لمیٹڈ واقع CDC ہاؤس، B-99، بلاک B، S.M.C.H.S، مین شاہراہ فیصل کراچی-74400 کو حصص یافتگان سے موصول ہونے والی منتقلیوں کو حتمی منافع منقسمہ کے لئے بروقت تصور کیا جائے گا اور وہی اجلاس میں حاضر ہونے اور ووٹ دینے کے حقدار ہونگے۔

۲- پراکسی ہولڈر کی تقرری کے لئے

کمپنی کا وہ ممبر جو اجلاس میں حاضر ہونے اور ووٹ دینے کا حق رکھتا ہو وہ اپنی جگہ پر حاضر ہونے اور ووٹ دینے کے لئے پراکسی مقرر کر سکتا ہے۔ پراکسی کے موثر ہونے کے لئے ضروری ہے کہ کمپنی کے رجسٹرڈ آفس میں یا ای میل corp.affairs@agp.com.pk پر اجلاس سے 48 گھنٹے قبل موصول ہو جائے۔ اس مدت کا تخمینہ لگانے میں ایسا کوئی بھی یوم نہیں لیا جائے گا جو دفتری یوم نہ ہو۔ ایک ممبر ایک سے زیادہ پراکسی مقرر نہیں کر سکتا۔ پراکسی فارم کمپنی کی ویب سائٹ www.agp.com.pk پر دستیاب ہے اور سالانہ رپورٹ کے آخر میں بھی منسلک ہے۔

۳- CDC کے کھاتے داروں کے لئے رہنما اصول

CDC کے انفرادی انتقالی مالکان جو کہ اجلاس میں ووٹ دینے کے اہل ہیں وہ اپنی شناخت کے لئے اپنے ساتھ اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) لائیں اور

Pattern of Shareholding >>

As of December 31, 2019

No of Shareholders	Shareholdings		Total Shares Held
	From	To	
206	1	100	5,879
1691	101	500	823,076
719	501	1000	709,238
563	1001	5000	1,441,502
123	5001	10000	964,514
40	10001	15000	501,758
19	15001	20000	334,662
9	20001	25000	209,617
15	25001	30000	417,371
4	30001	35000	134,500
4	35001	40000	150,500
5	40001	45000	217,864
1	45001	50000	50,000
2	50001	55000	105,500
1	55001	60000	56,000
4	60001	65000	255,613
3	65001	70000	203,000
1	70001	75000	75,000
1	80001	85000	83,500
4	95001	100000	400,000
2	100001	105000	207,661
2	105001	110000	216,250
3	110001	115000	339,501
1	120001	125000	124,750
1	130001	135000	132,000
1	135001	140000	140,000
2	145001	150000	295,500
1	155001	160000	160,000
2	160001	165000	325,500
1	165001	170000	168,500
1	180001	185000	183,000
1	185001	190000	187,500
1	220001	225000	223,000
2	240001	245000	486,500
1	265001	270000	266,500
1	350001	355000	350,250
1	380001	385000	385,000
1	390001	395000	392,000
1	480001	485000	480,750
1	525001	530000	526,000
1	595001	600000	600,000
1	665001	670000	668,500
1	855001	860000	858,500
2	1195001	1200000	2,398,750
1	3215001	3220000	3,215,500
1	4900001	4905000	4,901,500
1	5285001	5290000	5,289,000
1	5355001	5360000	5,359,500
1	5470001	5475000	5,472,500
1	12040001	12045000	12,042,000
1	13395001	13400000	13,400,000
1	26790001	26795000	26,794,560
1	37915001	37920000	37,920,000
1	148350001	148355000	148,350,434
3457			280,000,000

Pattern of Shareholding >

As of December 31, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
Mr. Tariq Moinuddin Khan	1	600,000	0.21
Mr. Muhammad Kamran Mirza	1	30,500	0.01
Mrs. Faiza Kamran - Spouse of Mr. Muhammad Kamran Mirza	1	5,000	0.00
Mr. Zafar Iqbal Sobani	1	500	0.00
Mr. Naved Abid Khan	1	1	0.00
Mr. Kamran Nishat	1	1	0.00
Ms. Nusrat Munshi	1	1	0.00
Mr. Mahmud Yar Hiraj	1	1	0.00
Associated Companies, undertakings and related parties			
Aitkenstuart Pakistan (Private) Limited	1	148,350,434	52.98
Muller & Phipps (Pakistan) (Private) Limited	1	37,920,000	13.54
Aspin Pharma (Pvt.) Limited	1	13,400,000	4.79
Executives and their spouse(s)			
	3	1,375	0.00
Public Sector Companies and Corporations			
	NIL	-	-
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	16	13,746,417	4.91
Mutual Funds			
CDC - Trustee PICIC Investment Fund	1	183,000	0.07
CDC - Trustee PICIC Growth Fund	1	242,000	0.09
CDC - Trustee Alhamra Islamic Stock Fund	1	100,000	0.04
CDC - Trustee Atlas Stock Market Fund	1	223,000	0.08
CDC - Trustee Meezan Balanced Fund	1	526,000	0.19
CDC - Trustee Faysal Stock Fund	1	65,000	0.02
CDC - Trustee Alfalah GHP Value Fund	1	12,500	0.00
CDC - Trustee AKD Index Tracker Fund	1	20,400	0.01
CDC - Trustee Al Meezan Mutual Fund	1	1,198,750	0.43
CDC - Trustee Meezan Islamic Fund	1	4,901,500	1.75
CDC - Trustee Faysal Asset Allocation Fund	1	40,000	0.01
CDC - Trustee Atlas Islamic Stock Fund	1	66,000	0.02
CDC - Trustee NBP Stock Fund	1	385,000	0.14
CDC - Trustee Askari Asset Allocation Fund	1	15,000	0.01
CDC - Trustee APF-Equity Sub Fund	1	26,500	0.01
CDC - Trustee Alfalah GHP Islamic Stock Fund	1	162,000	0.06
CDC - Trustee HBL - Stock Fund	1	266,500	0.10
CDC - Trustee NBP Islamic Sarmaya Izafa Fund	1	109,000	0.04
CDC - Trustee APIF - Equity Sub Fund	1	26,500	0.01
CDC - Trustee HBL Multi - Asset Fund	1	17,000	0.01
CDC - Trustee Alfalah GHP Stock Fund	1	37,000	0.01
CDC - Trustee Alfalah GHP Alpha Fund	1	26,500	0.01
CDC - Trustee NIT-Equity Market Opportunity Fund	1	100,000	0.04
CDC - Trustee NBP Sarmaya Izafa Fund	1	10,000	0.00
CDC-Trustee HBL Islamic Stock Fund	1	107,250	0.04
CDC - Trustee HBL Equity Fund	1	36,000	0.01
CDC - Trustee HBL IPF Equity Sub Fund	1	16,375	0.01

CDC - Trustee HBL PF Equity Sub Fund	1	27,875	0.01
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	15,000	0.01
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	1	35,000	0.01
CDC - Trustee National Investment (Unit) Trust	1	56,000	0.02
CDC - Trustee HBL Islamic Equity Fund	1	83,500	0.03
CDC - Trustee Nafa Islamic Principal Protected Fund - II	1	3,000	0.00
CDC - Trustee NIT Islamic Equity Fund	1	100,000	0.04
CDC - Trustee Faysal Islamic Asset Allocation Fund	1	70,000	0.03
CDC - Trustee NBP Islamic Active Allocation Equity Fund	1	13,500	0.00
CDC - Trustee HBL Islamic Asset Allocation Fund	1	22,000	0.01
CDC - Trustee Meezan Asset Allocation Fund	1	187,500	0.07
CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	1	12,000	0.00
CDC Trustee - Meezan Dedicated Equity Fund	1	147,500	0.05
CDC - Trustee Alfalah GHP Islamic Value Fund	1	4,000	0.00
MCBFSL - Trustee HBL Islamic Dedicated Equity Fund	1	37,500	0.01
CDC - Trustee Atlas Islamic Dedicated Stock Fund	1	16,000	0.01

General Public

a. Local	3,343	6,640,604	2.37
b. Foreign	6	149,000	0.05

Foreign Companies

Others

Totals	3,457	280,000,000	100.00
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Shareholders holding 5% or more

	Shares Held	Percentage
Aitkenstuart Pakistan (Private) Limited	148,350,434	52.98
Muller & Phipps (Pakistan) (Private) Limited	37,920,000	13.54
Baltoro Growth Fund	26,794,560	9.57

Details of trading in shares by the Substantial shareholder, Executives and their spouses during the year

Substantial shareholder

Aitkenstuart Pakistan (Private) Limited	No. of shares bought
	6,865,000

Executives and their spouse

	No. of shares sold
Mr. Shakil Ahmed - Executive	20,955
Mr. Junaid Aslam - Executive	4,000
Mrs. Asma Yasmeen - Spouse of Mr. Shakil Ahmed	500

Executive means the CEO, Chief Operating Officer, CFO, HOIA, Company Secretary and employees of the Company whose annual basic salary exceeds the threshold of PKR 5 Million as determined by Board of Directors.

AGP Limited

I/We _____ of _____, being a Member of AGP Limited holding _____ ordinary shares, HEREBY APPOINT _____ of _____, or falling him/her _____ of _____ as my/our proxy in my/our absence to attend and to vote and act for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, May 5, 2020 at 11:30 a.m. at the registered office of AGP Limited situated at B-23-C, S.I.T.E., through video link facility and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2020.

Ten Rupees
Revenue
Stamps

Signed in the presence of:

<u>Witness 1</u> Signature: _____ Name: _____ CNIC No.: _____ Address: _____	<u>Witness 2</u> Signature: _____ Name: _____ CNIC No.: _____ Address: _____
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Name of Shareholder: _____

Folio No. / CDC Account No.: _____

Signature of the Shareholder: _____

Notes:

1. The Member is requested:
 - a. to affix Revenue Stamp of Rs. 10/- at the place indicated above;
 - b. to sign in the same style of signature as is registered with the Company;
 - c. to write down his/her Folio Number/CDC Account Number.
2. For the appointment of the above Proxy to be valid, this instrument of proxy must be received at the Share Registrar of the Company, CDC Share Registrar Services Limited, CDC House, 99-B, Block - B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi 74400, at least 48 hours before the time fixed for the Meeting.
3. Any alteration made in this instrument of proxy should be initialed by the person who signs it.
4. In addition to the above, the following requirements have to be met for CDC Account Holders / Corporate Entities:
 - a. Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy form.
 - b. The Proxy must produce his original CNIC or original passport at the time of the Meeting.
 - c. In case of corporate entities, the Board of Directors' resolution/power of attorney and specimen signature must be submitted (unless it has been provided earlier) along with proxy forms to the Share Registrars.

اے جی بی لمیٹڈ

چھٹا سالانہ اجلاسِ عام

میں / اہم ساکن _____، بحیثیت اے جی بی کے ایک ممبر،

_____ عدد عام شیئرز کا اکے مالک، بذریعہ ہذا محترم امترمه _____

ساکن _____ ان کے شریک نہ ہونے پر محترم / محترمہ _____

ساکن _____، بطور میرا اہارا نمائندہ بروز منگل ۵ مئی ۲۰۲۰، صبح ۱۱:۳۰ بجے،

بی-23-سی، سائٹ میں واقع اے جی پی لیٹڈ کے رجسٹرڈ آفس میں، ویڈیو لنک کی سہولت کے ذریعہ منعقدہ یا بصورت التوا کسی متبادل تاریخ

کو کمپنی کے سالانہ اجلاس عام میں ووٹ دینے کے لیے نامزد کرنا چاہتا ہوں / چاہتے ہیں۔

آج بروز _____ بتاریخ _____ ۲۰۲۰ء بذریعہ دست خود دستخط کئے گئے۔

درج ذیل گواہان کی موجودگی میں دستخط کئے گئے۔

گواہ ۱

گواہ ۲

_____ و سخط _____

نام _____ نام _____

کیسٹرو ایڈڈ ڈیو می شناختی کارڈ نمبر

شیر ہولڈر کا نام _____

(فولیو نمبر اسی ڈی سی اکاؤنٹ نمبر)

نوٹس: شیر ہولڈرز کے دستخط

نوٹس:

۱۔ ممبران سے درخواست ہے کہ:

(i) مندرجہ بالا دی گئی جگہ پر ۱۰ روپے کارپونیا اسٹیپ چیکائیں

(ii) اسی انداز میں دستخط کریں جو کمپنی کے پاس رجسٹرڈ ہے،

(iii) اپنا فلیو نمبر اسی ڈی سی اکاؤنٹ نمبر تحریر کریں۔

۲۔ نمائندگی کے موثر ہونے کے لیے ضروری ہے کہ نمائندگی کا نام اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل کمپنی کے شیئر رجسٹرار CDC شیئر رجسٹرار سروس لیٹیڈ کو بمقام ۹۹-بی، بلاک بی،

ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی 74400، کو لازماً موصول ہو جائیں۔

۳۔ اس نمائندگی نامے میں کیے گئے کسی رد و بدل کی صورت میں دستخط کنندہ اپنے مختصر دستخط ثبت کرے۔

۳۔ مندرجہ بالا کے علاوہ، سی ڈی سی اکاؤنٹ ہولڈرز/ کاروباری اداروں کے لیے درج ذیل تقاضے پورے کرنے ہوں گے:

i- نمائندگی نامے کے ہمراہ اصل مالکان (beneficial owner) اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول مہیا کی جائیں۔

ii- نمائندے کو اجلاس کے موقع پر اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

iii- کاروباری اداروں کی صورت میں اجلاس کے موقع پر نمائندگی نامے کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ نمائندے

انٹرنی کے دستخط کے نمونے کے ساتھ شیئر رجسٹرار کو پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔

Standard Request Form

Circulation of Annual Audited Accounts

The Company Secretary
AGP Limited,
B-23-C, S.I.T.E.,
Karachi-75700,
Pakistan

Subject: **Circulation of Annual Audited Accounts via Email/CD/USB/DVD or Any Other Media**

The Securities and Exchange Commission of Pakistan through its SRO 787(1)/2014 dated September 8, 2014 and SRO 470(1)/2016 dated May 31, 2016 that have allowed the companies to circulate its Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Statements of Comprehensive Income, Cash Flow Statement, Notes to the Financial Statements, Auditor’s and Director’s Report) to its members/shareholders, along with the Notice of the Annual General Meeting (AGM) through Email/CD/DVD/USB/ or any other Electronic Media at their registered Addresses.

Shareholders who wish to receive the hard copy of Audited Annual Financial Statements along with a Notice of the AGM via e-mail, shall have to fill the below form and send us to Company address.

I/We hereby consent Option 1 or Option 2 in pursuance to the above said SROs for Audited Annual Accounts and Notice of General Meeting(s) delivered to me via Email or in hard form instead of CD/DVD/USB or any other Electronic Media.

OPTION 1 – VIA EMAIL

Name of the Members/ Shareholders:	
CNIC /SNIC #:	
Folio / CDC Account Number:	
Valid Email Address (to receive Audited Annual Accounts along with Notice of General Meeting(s) instead of hard copy/CD/DVD/USB):	

OPTION 2 – HARD COPY

Name of the Members/ Shareholders:	
CNIC /SNIC #:	
Folio / CDC Account Number:	
Valid mail Address (to receive Audited Annual Accounts along with Notice of General Meeting(s) instead of Email/CD/DVD/USB):	

I/We hereby confirm that the above – mentioned information is correct and in case of any change therein, I/we will immediately intimate to the Company’s Share Registrar. I/we further confirm that the transmission of Company’s Annual Audited Financial Statements and Notice of General Meeting(s) through my/our above address would be taken as compliance with the Companies Act, 2017.

SHAREHOLDER SIGNATURE

E - Dividend Mandate Form

I hereby communicate to receive my future dividends directly in my bank account as detailed below:

Shareholder’s Detail	
Name of Company	AGP Limited
Name of Shareholder	
Folio No./CDC Participants ID A/c No.	
CNIC No. (for individual shareholders) / NTN (for corporate shareholders) (please attach a photocopy)	
Passport No. (for foreign shareholders)	
Cell Number & Land Line Number	
Email Address	

Shareholder’s Bank Detail	
Title of Bank Account	
International Bank Account Number (IBAN)	
Bank’s Name	
Branch Name and Address	

It is stated that the above mentioned information is correct and in case of any change therein, I will immediately intimate Participant / Share Registrar accordingly.

Date: _____ (Signature of Shareholder)

Notes:

1. Please provide complete IBAN Number (24 digits), after checking with your concerned branch to enable electronic credit directly into your bank account.
2. Signature must match with specimen signature registered with the Company.
3. The Shareholder who hold shares in physical form are requested to submit the above-mentioned information to the Share Registrar. The Shareholders who hold shares in Central Depository Company are requested to submit the above-mentioned information to their Broker (Participant) with a copy of E-Dividend Mandate Form to the Share Registrar.
4. The name and address of the Share Registrar of the Company is as follows:
CDC Share Registrar Service Limited
CDC House 99-B, Block B, S.M.C.H.S.
Main Shahra-e-Faisal Karachi 74400 Pakistan



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