

Gulf Pharmaceutical Industries P.S.C.

**Condensed consolidated interim financial information
(Unaudited) for the three month period ended 31 March
2017**

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim financial information for the three month period ended 31 March 2017

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Report on review of the condensed consolidated interim financial information to the Board of Directors of Gulf Pharmaceutical Industries P.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Gulf Pharmaceutical Industries P.S.C. (the "Company"), and its subsidiaries (the "Group"), as at 31 March 2017 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

PricewaterhouseCoopers
14 May 2017

Jacques Fakhoury
Registered Auditor Number 379
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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Gulf Pharmaceutical Industries P.S.C.

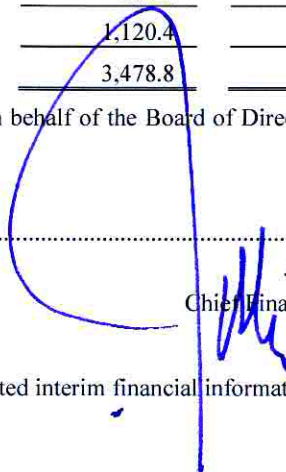
Condensed consolidated interim statement of financial position

		<u>31 March</u>	<u>31 December</u>
		2017	2016
		(Unaudited)	(Audited)
	Note	AED m	AED m
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,158.0	1,162.8
Intangible assets		49.6	49.9
Investment in an associate	6	269.7	263.7
Available-for-sale investments	7	16.5	47.2
		<u>1,493.8</u>	<u>1,523.6</u>
Current assets			
Inventories		366.4	387.2
Financial assets at fair value through profit and loss	8	19.5	19.0
Trade receivables	9	1,414.0	1,334.1
Other receivables	9.1	65.5	45.5
Cash and bank balances	10	119.6	164.0
		<u>1,985.0</u>	<u>1,949.8</u>
Total assets		<u><u>3,478.8</u></u>	<u><u>3,473.4</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	1,092.0	1,092.0
Statutory reserve	12	546.0	546.0
Voluntary reserve	13	184.8	184.8
Foreign currency translation reserve		(125.7)	(120.0)
Fair value reserve		4.2	2.7
Retained earnings		506.9	462.1
		<u>2,208.2</u>	<u>2,167.6</u>
Capital and reserves attributable to shareholders of the company		<u>2,208.2</u>	<u>2,167.6</u>
Non-controlling interest		150.2	138.6
Total equity		<u>2,358.4</u>	<u>2,306.2</u>
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service indemnity		46.4	44.3
Bank borrowings	14	259.1	304.0
		<u>305.5</u>	<u>348.3</u>
Current liabilities			
Bank borrowings	14	438.6	487.7
Trade payables and accruals		376.3	331.2
		<u>814.9</u>	<u>818.9</u>
Total liabilities		<u>1,120.4</u>	<u>1,167.2</u>
Total equity and liabilities		<u><u>3,478.8</u></u>	<u><u>3,473.4</u></u>

This condensed consolidated interim financial information was signed on behalf of the Board of Directors on 10th May 2017 by:



 H.H. Faisal Bin Saqr Al Qasimi
 Chairman



 Jerome Carle
 Chief Financial Officer

The notes on pages 7 to 26 are an integral part of this condensed consolidated interim financial information. (2)

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of income

	Note	Three month ended 31 March	
		2017 (Unaudited) AED m	2016 (Unaudited) AED m
Sales		369.3	370.0
Cost of sales		(180.3)	(166.2)
Gross profit		189.0	203.8
General and administrative expenses		(27.5)	(23.6)
Selling and distribution expenses		(123.9)	(113.8)
Other income		1.8	2.3
Gain from investments and others		3.0	7.3
Share of profit from investment accounted for using the equity method	6	6.0	6.4
Operating profit		48.4	82.4
Finance income		-	1.7
Finance costs		(4.3)	(5.1)
Finance costs – net		(4.3)	(3.4)
Profit for the period		44.1	79.0
Attributable to:			
Owners of the company		44.8	78.6
Non-controlling interest		(0.7)	0.4
		44.1	79.0
Basic and diluted earnings per share (in UAE fils)	15	3.9	6.9

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of comprehensive income

	Three month ended 31 March	
	2017 (Unaudited) AED m	2016 (Unaudited) AED m
Profit for the period	44.1	79.0
Other comprehensive income/(loss):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in the fair value of available-for-sale investments	-	(9.1)
Reclassification adjustment on disposal of available for sale investments	1.5	-
Currency translation differences	(5.7)	1.9
Total other comprehensive loss	(4.2)	(7.2)
Total comprehensive income for the period	39.9	71.8
Attributable to:		
Owners of the company	40.6	71.4
Non-controlling interest	(0.7)	0.4
	39.9	71.8

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Condensed consolidated interim statement of changes in equity

	Share capital AED m	Statutory reserve AED m	Voluntary reserve AED m	Foreign currency translation reserve AED m	Fair value reserve AED m	Retained earnings AED m	Attributable to owners of the Company AED m	Non-controlling interest AED m	Total AED m
At 1 January 2016 (Audited)	1,050.0	532.0	184.8	(3.3)	16.6	421.5	2,201.6	91.2	2,292.8
Profit for the three month period ended 31 March 2016	-	-	-	-	-	78.6	78.6	0.4	79.0
Other comprehensive income/(loss) for the period	-	-	-	1.9	(9.1)	-	(7.2)	-	(7.2)
Total comprehensive income for the period	-	-	-	1.9	(9.1)	78.6	71.3	0.4	71.8
Balance at 31 March 2016 (Unaudited)	<u>1,050.0</u>	<u>532.0</u>	<u>184.8</u>	<u>(1.3)</u>	<u>7.4</u>	<u>500.1</u>	<u>2,272.9</u>	<u>91.6</u>	<u>2,364.6</u>
At 1 January 2017 (Audited)	1,092.0	546.0	184.8	(120.0)	2.7	462.1	2,167.6	138.6	2,306.2
Profit for the three month period 31 ended March 2017	-	-	-	-	-	44.8	44.8	(0.7)	44.1
Other comprehensive income/(loss) for the period	-	-	-	(5.7)	1.5	-	(4.2)	-	(4.2)
Total comprehensive income for the period	-	-	-	(5.7)	1.5	44.8	40.6	(0.7)	39.9
Movement in non-controlling interest	-	-	-	-	-	-	-	12.3	12.3
Balance at 31 March 2017 (Unaudited)	<u>1,092.0</u>	<u>546.0</u>	<u>184.8</u>	<u>(125.7)</u>	<u>4.2</u>	<u>506.9</u>	<u>2,208.2</u>	<u>150.2</u>	<u>2,358.4</u>

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of cash flows

	Note	Three month ended 31 March	
		2017 (Unaudited) AED m	2016 (Unaudited) AED m
Cash flows from operating activities:			
Profit for the period		44.1	79.0
Adjustments for:			
Depreciation of property, plant and equipment	5	21.9	21.4
Amortisation for intangible assets		1.4	1.0
Share of profit from investment in associate		(6.0)	(6.5)
Provision for slow-moving inventories		1.2	-
Provision for doubtful debts	9	2.6	5.0
Gain on revaluation of financial asset at FVTPL	8	(0.5)	(5.1)
Gain on sale of available-for-sale investments		(4.3)	-
Recycled loss/(gain) on available-for-sale investments		1.5	(0.1)
Provision for employees' end of service indemnity		2.1	2.6
Finance costs		4.3	5.1
Operating cash flow before changes in working capital and payment of EOSB		68.3	102.5
Employees' end of service benefits paid		-	(1.0)
Changes in working capital:			
Trade and other receivables		(102.5)	(175.0)
Inventories		19.6	45.5
Trade payables and accruals		45.1	62.5
Net cash generated from operating activities		30.5	34.5
Cash flows from investing activities:			
Additions to property, plant and equipment	5	(17.6)	(32.3)
Sales proceeds from disposal of available-for-sale financial assets		34.8	0.1
Net cash flows provided by/(used in) investing activities		17.2	(32.2)
Cash flows from financing activities:			
Proceeds from bank borrowings		0.5	-
Repayment of loans		(95.2)	(10.3)
Non-controlling interest		12.3	-
Interest paid		(4.3)	(5.1)
Net cash used in financing activities		(86.7)	(15.4)
Net decrease in cash and cash equivalents		(39.0)	(13.1)
Currency translation differences		(5.4)	2.0
Cash and cash equivalents at the beginning of the period		164.0	151.5
Cash and cash equivalents at the end of the period	10	119.6	140.3

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017

1 General information

Gulf Pharmaceutical Industries is a Public Shareholding Company (“the Company”) domiciled in Digdaga - Ras Al Khaimah. It was incorporated by the Emiri decree No.5/80 issued by H.H. The Ruler of the Emirate of Ras Al Khaimah and its dependencies on March 30, 1980 and the Emiri decree No.9/80 on May 4, 1980. The Company’s registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates. The Company commenced its commercial activities effective from November 1984. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

The main activities of the Company and its subsidiaries (“the Group”) are the manufacturing and selling of medicines, drugs and various other types of pharmaceutical and medical compounds in addition to cosmetic compounds.

The condensed consolidated interim financial information of the Group for the three month period ended 31 March 2017 was authorised for issue in accordance with the resolution of the Board of Directors on 10 May 2016.

The condensed consolidated interim financial information is reviewed, not audited.

The Company has the following major subsidiaries:

Serial No.	Name of subsidiary	Place of incorporation and operation	Percentage of ownership		Principle activity
			2017	2016	
1.	Mena Cool F.Z.E	Ras Al Khaimah UAE	<u>100%</u>	<u>100%</u>	Transportation
2.	Julphar Pharmaceuticals P.L.C	Ethiopia	<u>55%</u>	<u>55%</u>	Manufacturing of medicines, wrapping and packing materials
3.	Julphar Pharma GMBH	Germany	<u>100%</u>	<u>100%</u>	Manufacturing of medical supplies – Discontinued
4.	Gulf Inject L.L.C.	Dubai – UAE	<u>51%</u>	<u>51%</u>	Manufacturing of medical supplies

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

1 General information (continued)

Serial No.	Name of subsidiary	Place of incorporation and operation	Percentage of ownership		Principle activity
			2017	2016	
5.	RAK Pharmaceuticals Pvt. Ltd.	Dhaka – Bangladesh	<u>50.5%</u>	<u>50.5%</u>	Manufacturing of medicines
6.	Julphar Saudi Arabia L.L.C.	Rabigh – Saudi Arabia	<u>51%</u>	<u>51%</u>	Manufacturing of medicines
7.	Julphar Egypt Company L.L.C.	Cairo – Egypt	<u>100%</u>	<u>100%</u>	Distributors of Julphar’s products in Egypt
8.	Julphar Diabetes L.L.C.	Ras Al Khaimah – U.A.E.	<u>100%</u>	<u>100%</u>	Manufacturer of insulin products
9.	Julphar General Trading L.L.C.	Ras Al Khaimah – U.A.E.	<u>100%</u>	<u>100%</u>	General Trading
10.	Mena Cool Machinery Trading	Ras Al Khaimah – U.A.E.	<u>100%</u>	<u>100%</u>	General Trading

2 Summary of significant accounting policies

2.1 Statement of compliance

The Group prepares its financial statements in accordance, and comply with, International Financial Reporting Standards (“IFRSs”) and IFRS’s Interpretations Committee (“IFRICs”). This condensed consolidated interim financial information for the three month period ended 31 March 2017 has been prepared in accordance with IAS 34, ‘Interim Financial Reporting’.

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for investments carried at fair value through profit or loss and available for sale investments, which have been measured at fair value.

2.2 Accounting policies

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016 which have been prepared in accordance with IFRSs and IFRICs. In addition, results for the three month period ended 31 March 2017, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

2 Summary of significant accounting policies (continued)

2.2 Accounting policies (continued)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

(a) *New and amended standards adopted by the Group*

There were no new standards, amendments or interpretations which are effective for the financial period commencing on 1 January 2017, which have a material impact on the Group's condensed consolidated interim financial statements.

(b) *New standards and amendments not early adopted by the Group*

- IFRS 9, 'Financial instruments', (effective from 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers', (effective from 1 January 2018); and
- IFRS 16, 'Leases', (effective from 1 January 2019).

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to property, plant and equipment, investment in associate and investments in securities have been disclosed in the condensed consolidated interim financial information.

2.3 Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery, installations, furniture and fixtures, motor vehicles, tools and equipments, leasehold improvements and capital work-in-progress.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the purchase of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation of assets is calculated using the straight-line method at rates calculated to allocate the cost of assets to their estimated residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Assets	Life (years)
Buildings	10-50
Plant and machinery	3-17
Installations	4-25
Motor vehicles	3-10
Furniture and fixtures	4-10
Tools and equipments	3-10
Land improvements	10-25

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and included in the consolidated statement of income.

Capital work in progress is stated at cost. When ready for intended use, capital work in progress is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the Group's policy.

2.4 Intangible assets

(a) *Developed Products*

Currently marketed products represent the composite value of acquired intellectual property, patents and distribution rights and product trade names that have been acquired as part of a business combination and are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortization and impairment if any. These are amortised using the straight-line basis over the useful life ranging from the 15 to 20 years.

(b) *Licenses and permits*

Licenses, registrations and permits comprise of rights to distribute Julphar's products in certain countries that have been acquired as part of a business combination and are recognised at fair value at the acquisition date. The amount is arrived at by calculating the present value of the expected future economic benefits to arise from these licenses and permits. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 5 to 20 years.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

2 Summary of significant accounting policies (continued)

2.5 Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in consolidated other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) from equity accounted associates in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

The balance sheet dates of the associates and the Group are identical and their accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

2.6 Financial assets

2.6.1 Classification

The Group classifies its financial assets as loans and receivables (Note 9), available-for-sale investments (Note 7) and financial assets at fair value through profit and loss (Note 8). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial assets (continued)

2.6.1 Classification (continued)

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short to medium term.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise, 'Trade and other receivables (excluding prepayments and advances)' (Note 9), 'due from related parties' (Note 18) and 'cash and cash equivalents' (Note 10) in the consolidated statement of financial position.

The Group's exposure to various risks associated with holding these financial instruments is discussed in note 3.1. A detailed breakdown for the classification of financial instruments is given on note 30 to the consolidated financial statements.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category and are not classified in any other categories. They are included in non-current assets unless management intends to dispose off the investment within 12 months after the balance sheet date.

2.7 Basis of consolidation

The condensed consolidated interim financial information as at, and for the three-month period ended 31 March 2017, comprises results of the Group. The condensed interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

3 Critical accounting estimates and judgments

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were consistent with the financial statements as at 31 December 2016.

(a) Useful lives of intangible assets

The Group carries its intangibles, at cost less accumulated amortisation and impairment losses. The intangible assets are amortised over their useful lives.

The determination of these useful lives of intangibles requires the use of assumptions of the manner in which the assets will be realised by the Group. These assumptions are based on historical experience, contractual terms of agreements related to the intangibles and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The key assumption on which management has based its estimations of the useful lives of the assets is the likelihood of renewal of licenses and registration of products and management's future plans for continued use of licenses and registrations.

(b) Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances. Also, specific provisions for individual accounts are recorded when the Group becomes aware of the customer's inability to meet its financial obligations.

(c) Allowance for slow moving and obsolete inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues. Based on the factors, management has identified inventory items as slow and non-moving to calculate the allowance for slow moving and obsolete inventories. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

3 Critical accounting estimates and judgments (continued)

(d) Useful lives of property, plant and equipment

Management reviews the residual values and estimated useful lives of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16. Management determined that current expectations do not differ from previous estimates based on its review.

(e) Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

These condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2016. There have been no changes in the risk management department or in any risk management policies since the year end.

4.2 Liquidity risk

Compared to year end 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5 Property, plant and equipment

- Property, plant and equipment additions during the current period amounted to AED 17.6 million (Three months period ended 31 March 2016: AED 32.3 million).
- Depreciation charges for the current period amounted to AED 21.9 million (Three months period ended 31 March 2016: AED 21.4 million).

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

6 Investment in associate

The Company has 40% shareholding in Planet Pharmacies which is the distributor of the Company's products and has a wide distribution of retail and wholesale pharmacies in UAE, Saudi Arabia and Oman.

Details of the Company's investment in Planet Pharmacies which is accounted for using the equity method is as follows:

<u>Name of associate</u>	<u>Place of incorporation and operation</u>	<u>Percentage of ownership</u>	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Planet Pharmacies L.L.C.	UAE	40%	<u>269.7</u>	<u>263.7</u>

Movements in the account of net investment in an associate during the period/year were as follows:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Balance at the beginning of the period/year	263.7	241.6
Share of the associate's profit	<u>6.0</u>	<u>22.1</u>
	<u>269.7</u>	<u>263.7</u>

7 Available-for-sale investments

Movements in available-for-sale investments were as follows:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Balance at the beginning of the period/year	47.2	73.4
Written off during the period/year	(0.4)	-
Disposals during the period/year	(30.3)	(20.6)
Net decrease in fair value	<u>-</u>	<u>(5.6)</u>
	<u>16.5</u>	<u>47.2</u>

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

7 Available-for-sale investments (continued)

Available-for-sale investments comprise investments in equity shares as follows:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
<i>Investments within United Arab Emirates</i>		
Quoted U.A.E. equity securities	-	30.3
Mutual funds - quoted	4.9	5.0
Unquoted U.A.E. equity securities	6.8	7.1
	<u>11.7</u>	<u>42.4</u>
<i>Investments outside United Arab Emirates</i>		
Quoted equity investments	4.8	4.8
	<u>16.5</u>	<u>47.2</u>

8 Financial assets at fair value through profit and loss

Movements in financial assets at fair value through profit and loss are as follows:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
At 1 January	19.0	22.4
Disposals during the period/year	-	(11.4)
Net gains/(loss) on revaluation during the period/year	0.5	8.0
	<u>19.5</u>	<u>19.0</u>

Financial assets at fair value through profit and loss which are denominated in AED, are all held for trading in equity securities and include the following:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
In U.A.E. markets	19.4	18.9
In other G.C.C. markets	0.1	0.1
	<u>19.5</u>	<u>19.0</u>

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

9 Trade receivables

Trade receivables comprise the following:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Trade receivable	1,127.1	1,119.4
Less: Allowance for doubtful debts	(53.2)	(50.6)
	<hr/>	<hr/>
	1,073.9	1,068.8
Due from a related party (Note 18(b))	340.1	265.3
	<hr/>	<hr/>
	1,414.0	1,334.1

Movement in the allowance for doubtful receivables during the period was as follows:

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
At 1 January	50.6	34.1
Provision for receivables impairment during the period/year	2.6	16.7
Receivables written off	-	(0.2)
	<hr/>	<hr/>
At 31 March 2017 and 31 December 2016	53.2	50.6

9.1 Other receivables

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Staff receivables	1.9	3.2
Prepaid expenses	0.8	0.7
Advances to suppliers	56.1	35.2
Other receivables	6.5	6.4
	<hr/>	<hr/>
	65.5	45.5

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

10 Cash and cash equivalents

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Bank balances:		
Current accounts	115.4	159.9
Short term bank deposits *	0.7	0.3
	<u>116.1</u>	<u>160.2</u>
Cash in hand	3.5	3.8
Cash and cash equivalents	<u>119.6</u>	<u>164.0</u>

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
By geographical area:		
In the U.A.E.	63.9	116.1
In other countries	55.7	47.9
	<u>119.6</u>	<u>164.0</u>

* The margin deposits maturity dates range from one to three month from the placement dates.

11 Share capital

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Issued and fully paid up 1,092,000,000 ordinary shares (1,092,000,000 ordinary shares as of 31 December 2016) at par value of AED 1 each	<u>1,092.0</u>	<u>1,092.0</u>

12 Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year. This appropriation shall cease once its balance reaches 50% of the share capital.

This reserve is not available for distribution except in the circumstances stipulated by the law.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

13 Voluntary reserve

Appropriations to the voluntary reserve account represents appropriation of 10% of the profit for each year. Appropriations to the voluntary reserve may be stopped as proposed by the Board of Directors and approved by the Shareholders general assembly, or once its balance reaches 20% of the share capital. This reserve is distributable based on a recommendation by the Board of Directors and approval of the Shareholders general assembly.

The Company adjusts the statutory and voluntary reserve at the yearend as required.

14 Bank borrowings

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Overdraft	143.0	136.9
Loans	554.7	654.8
	<u>697.7</u>	<u>791.7</u>
Bank borrowings shall be repaid as follows:		
Current		
On demand or within one year	438.6	487.7
Non current		
In the second year	162.3	198.8
In third to sixth year	96.8	105.2
	<u>259.1</u>	<u>304.0</u>
	<u>697.7</u>	<u>791.7</u>

The principal features of the bank borrowings are as follows:

Bank overdraft:

- Bank overdraft is repayable on demand. In general, such banking facilities are renewable on a regular basis.
- Interest on overdraft accounts is computed and added to the account on a monthly basis.

Loans:

The Group has obtained long and short term loans from local banks to finance the purchase of the factory's machinery and equipment and to secure working capital requirements. Interest on these loans is calculated on monthly basis and paid separately or added to the loan balances. The loan balances is repaid in monthly installments, over periods ranging from one month to six years, until full settlement.

The Group has obtained banking facilities against the following securities:

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

14 Bank borrowings (continued)

1. Assignment of insurance policies in favor of banks and maintainance of certain financial ratios as agreed with the respective banks.
2. Irrevocable general power of attorney (duly notarized) favoring the bank authorizing to sell/foreclose the hypothecated machinery (to be imported) without further reference to the court in the case of default.

Interest rates on bank borrowings during 2017 ranged from 1.5% to 3.5% above one month EIBOR (2015: 1.5% to 3.5%).

15 Basic and diluted earnings per share

Basic earnings per share of AED 3.9 fils is calculated by dividing the profit for the period attributable to the shareholders of the Parent company of AED 44.8 million (2016: AED 78.6 million) by the weighted average number of shares outstanding during the year of 1,092.0 million (2016: 1,092.0 million) as adjusted for 32,760 thousand bonus shares issued pursuant to Board Meeting held on 19 March 2017. The Company does not have any potential equity shares and accordingly the basic and diluted earnings per share is the same.

The basic earnings per share of AED 6.9 fils as reported for the period ended 31 March 2016 (previously reported as AED 7.5 for the period ended 31 March 2016) has been adjusted for the effect of the shares issued in 2017 as a result of the bonus shares dividends approved by shareholders as per Note 16.

16 Dividends

At the Board of Directors meeting held on 19 March 2017, a dividend was proposed of AED 3 fils per share to be distributed as bonus share dividends at 3% of share capital and the distribution of cash dividends at AED 16 fils per share, or 16% cash dividends, totalling AED 174.7 million. This was subsequently approved by the shareholders at the Annual General Meeting held on 16 April 2017.

At the Board of Directors meeting held on 30 March 2016, a dividend was proposed of AED 4 fils per share to be distributed as bonus share dividends at 4% of share capital and the distribution of cash dividends at AED 11 fils per share, or 11% cash dividends, totalling AED 115.5 million.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

17 Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

For management purposes, the Group is organised into business units based on their products and services and the following reportable segments:

- 1) Manufacturing
- 2) Investments

There are no sales between segments during the year.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

17 Segment information (continued)

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components (i.e. combination of all products and services) by distribution and by region. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors rely mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

	For the three month period ended 31-March-2017 (Unaudited)				For the three month period ended 31-March-2016 (Unaudited)			
	Manufacturing AED m	Investments AED m	Other segments AED m	Total AED m	Manufacturing AED m	Investments AED m	Other segments AED m	Total AED m
Segment revenue	369.3	-	-	369.3	370.0	-	-	370.0
Segment result	45.4	3.0	(4.3)*	44.1	75.1	7.3	(3.4)*	79.0
Depreciation expense	21.9	-	-	21.9	21.5	-	-	21.5
Share of associate's profit	-	6.0	-	6.0	-	6.4	-	6.4
	31-March-2017 (Unaudited)				31-December-2016 (Audited)			
	Manufacturing AED m	Investments AED m	Other segments AED m	Total AED m	Manufacturing AED m	Investments AED m	Other segments AED m	Total AED m
Segment assets	3,053.5	305.7	119.6*	3,478.8	2,979.5	329.9	164.0*	3,473.4
Segment liabilities	422.7	-	697.7	1,120.4	375.5	-	791.7*	1,167.2

*Other segment represents corporate functions of the group

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

17 Segment information (continued)

Information by geographical region

The geographical information on net sales is provided in Note 19. In accordance with IFRS 8, non current assets below are based on the geographical location in which the company holds assets. In accordance with IFRS 8, the non-current assets reported below exclude financial instruments.

(AED m)	2017 (Unaudited)			
	Total	UAE	Saudi Arabia	Others
Non-current assets				
Property, plant and equipment	1,158.0	939.3	159.3	59.4
Intangible Assets	49.6	7.3	-	42.3

Three month period ended March 2017 (Unaudited)

Revenue	369.3	81.0	145.8	142.5
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(AED m)	2016 (Audited)			
	Total	UAE	Saudi Arabia	Others
Non-current assets				
Property, plant and equipment	1,162.1	956.1	146.2	60.5
Intangible Assets	49.9	7.7	-	42.2

Three month period ended March 2016 (Unaudited)

Revenue	370.0	39.0	95.0	236.0
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The Company has sales to 2 customers whose sales individually are more than 10% of the total external sales. Total amount of sales for the three month period ended 31 March 2017 to these customers amounts to AED 226.9 million (2016: AED 134.0 million). These revenues are included under manufacturing segment. Included under “others” intangibles amounting to AED 25.0 million (2016: AED 24.6 million) in Egypt and AED 17.3 million (2016: AED 17.6 million) in Bangladesh. There are no other non-current assets or revenue included in “Others” which are more than 10% of the total segment non currents assets or total revenue.

18 Related party balances and transactions

Related parties comprise the company’s majority shareholders, key management personnel, subsidiaries, associates, directors and other businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred as “affiliates”). In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either Group management, or its Board of Directors.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

18 Related party balances and transactions (continued)

(a) Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business as per mutually agreed terms:

	Three months period ended 31 March 2017 (Unaudited) AED m	Three months period ended 31 March 2016 (Unaudited) AED m
Sales to associate	<u>93.2</u>	<u>51.8</u>
Purchases from affiliates	<u>3.6</u>	<u>5.1</u>
Compensation to key management personnel		
Short term benefits	<u>1.7</u>	<u>2.1</u>
Long term benefits	<u>0.1</u>	<u>0.1</u>
 <i>(b) Due from a related party</i>		
Planet Pharmacies L.L.C. (Associate)	<u>340.1</u>	<u>265.3</u>
 <i>(c) Due to a related party</i>		
Majan Printing and Packaging Company L.L.C. (Affiliate)	<u>8.5</u>	<u>12.6</u>

No bank guarantees are received from/provided to related parties against balances due from/ to them.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

19 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

19 Fair value measurements (continued)

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2016.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

	Fair Value as at		Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m				
Quoted equity investments – AFS	4.8	35.0	Level 1	Refer to Page 26	None.	NA
Mutual funds - AFS	4.9	5.0	Level 3	Refer to Page 26	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	19.5	18.9	Level 1	Refer to Page 26	None.	NA

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2017 (continued)

19 Fair value measurements (continued)

Fair value measurement

Fair value hierarchy

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

20 Commitments and contingent liabilities

	31 March 2017 (Unaudited) AED m	31 December 2016 (Audited) AED m
Capital commitments	21.2	24.4
Letters of credit	40.2	13.2
Letters of guarantee	61.5	60.1

21 Reclassification

Certain prior year numbers have been reclassified to conform to current year presentation.

	Period ended 31 March 2016 (as previously stated) (Unaudited) AED m	Reclassification AED m	Period ended 31 March 2016 (Unaudited) AED m
Cost of Sales	(154.1)	(12.1)	(166.2)
Selling and distribution expenses	(125.9)	12.1	(113.8)