

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF PHARMACEUTICAL INDUSTRIES P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Pharmaceutical Industries P.S.C. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 September 2020, which comprises the interim condensed consolidated statement of financial position as at 30 September 2020, and the related interim condensed consolidated statements of profit or loss and interim condensed consolidated statements of comprehensive income for the three months and nine months then ended, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are not presented, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Thodla Hari Gopal
Partner
Registration No. 689

12 November 2020

Sharjah, United Arab Emirates

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2020 (Unaudited)

	Notes	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
		<i>AED millions</i>	<i>AED millions</i>	<i>AED millions</i>	<i>AED millions</i>
Continuing operations					
Revenue from contracts with customers	4	461.0	222.6	186.9	22.7
Cost of sales		(293.3)	(302.9)	(108.9)	(110.1)
Gross profit/ (loss)		167.7	(80.3)	78.0	(87.4)
Other income		2.9	5.7	0.7	2.9
Selling and distribution expenses		(162.3)	(214.3)	(55.4)	(79.9)
General and administrative expenses		(96.4)	(60.7)	(38.1)	(19.4)
-Share of profit/ (loss) of an associate	6	1.9	(4.8)	1.3	(2.6)
(Loss)/ gain from investments and others		(1.0)	2.5	(1.6)	0.1
Operating loss		(87.2)	(351.9)	(15.1)	(186.3)
Finance income		2.0	0.9	1.5	0.1
Finance costs		(29.4)	(25.4)	(8.1)	(9.1)
Loss before tax for the period from continuing operations		(114.6)	(376.4)	(21.7)	(195.3)
Income tax		(0.3)	-	(0.3)	-
Loss for the period from continuing operations		(114.9)	(376.4)	(22.0)	(195.3)
Discontinued operations					
Loss for the period from discontinued operations	7(c)	(1.4)	(14.1)	0.2	(7.4)
LOSS FOR THE PERIOD		(116.3)	(390.5)	(21.8)	(202.7)
Loss attributable to:					
Equity holders of the Parent		(98.8)	(385.2)	(15.6)	(201.3)
Non-controlling interests		(17.5)	(5.3)	(6.2)	(1.4)
		(116.3)	(390.5)	(21.8)	(202.7)
Earnings per share:					
Basic and diluted					
Loss per share attributable to the equity holders of the Parent (in UAE fils)	18	(9.6)	(33.2)	(1.5)	(17.4)
Earnings per share for continuing operations:					
Basic and diluted					
Loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	18	(9.8)	(32.5)	(1.6)	(17.1)

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020 (Unaudited)

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED millions</i>	<i>2019 AED millions</i>	<i>2020 AED millions</i>	<i>2019 AED millions</i>
Loss for the period	(116.3)	(390.5)	(21.8)	(202.7)
Other comprehensive income <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Currency translation differences	(2.4)	(2.2)	0.1	0.2
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(118.7)	(392.7)	(21.7)	(202.5)
Total comprehensive loss attributable to:				
Equity holders of the Parent	(101.2)	(387.4)	(15.5)	(201.1)
Non-controlling interests	(17.5)	(5.3)	(6.2)	(1.4)
	(118.7)	(392.7)	(21.7)	(202.5)

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (Unaudited)

	Notes	30 September 2020 AED millions (unaudited)	31 December 2019 AED millions (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	957.0	1,014.7
Intangible assets		18.9	20.1
Investment in an associate	6	266.4	264.5
Deferred tax asset		0.2	3.9
		1,242.5	1,303.2
Current assets			
Inventories	8	322.2	293.6
Financial assets at fair value through profit or loss	9	20.7	22.1
Trade and other receivables	10	662.1	667.8
Bank balances and cash	11	72.9	58.8
		1,077.9	1,042.3
Assets held for sale	7(d)	111.7	104.9
		1,189.6	1,147.2
TOTAL ASSETS		2,432.1	2,450.4
EQUITY AND LIABILITIES			
Equity			
Share capital	12	1,155.3	1,158.5
Statutory reserve	13	185.5	185.5
Foreign currency translation reserve		(144.6)	(142.2)
Accumulated losses		(98.8)	(503.2)
Equity attributable to shareholders of the Parent		1,097.4	698.6
Non-controlling interests	15	169.7	179.4
Total equity		1,267.1	878.0
Non-current liabilities			
Provision for employees' end of service benefits		60.8	59.1
Bank and other borrowings	16	254.9	250.0
Deferred tax liability		4.0	4.0
		319.7	313.1
Current liabilities			
Trade payables and accruals		286.7	311.0
Bank and other borrowings	16	334.3	652.8
Deferred revenue	17	188.6	267.2
		809.6	1,231.0
Liabilities directly associated with the assets held for sale	7(d)	35.7	28.3
		845.3	1,259.3
Total liabilities		1,165.0	1,572.4
TOTAL EQUITY AND LIABILITIES		2,432.1	2,450.4

Sh.Saqer Humaid Al Qasimi
Chairman

Dr.Essam Farouk
Chief Executive Officer

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020 (Unaudited)

Attributable to the equity holders of the Parent

	<i>Share capital AED millions</i>	<i>Statutory reserve AED millions (refer note 13)</i>	<i>Voluntary reserve AED millions (refer note 14)</i>	<i>Foreign currency translation reserve AED millions</i>	<i>Accumulated losses AED millions</i>	<i>Total AED millions</i>	<i>Non-controlling interests AED millions</i>	<i>Total equity AED millions</i>
As at 1 January 2020 (audited)	1,158.5	185.5	-	(142.2)	(503.2)	698.6	179.4	878.0
Share capital reduction (note 12)	(503.2)	-	-	-	503.2	-	-	-
Share capital issued against right shares (note 12)	500.0	-	-	-	-	500.0	-	500.0
Loss for the period	-	-	-	-	(98.8)	(98.8)	(17.5)	(116.3)
Other comprehensive loss for the period	-	-	-	(2.4)	-	(2.4)	-	(2.4)
Total comprehensive loss for the period	-	-	-	(2.4)	(98.8)	(101.2)	(17.5)	(118.7)
Movement in non- controlling interests (note 15)	-	-	-	-	-	-	7.8	7.8
As at 30 September 2020 (unaudited)	1,155.3	185.5	-	(144.6)	(98.8)	1,097.4	169.7	1,267.1
As at 1 January 2019 (audited)	1,158.5	562.4	184.8	(138.1)	(561.7)	1,205.9	174.6	1,380.5
Loss for the period	-	-	-	-	(385.2)	(385.2)	(5.3)	(390.5)
Other comprehensive loss for the period	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Total comprehensive loss for the period	-	-	-	(2.2)	(385.2)	(387.4)	(5.3)	(392.7)
Utilisation of statutory and voluntary reserves (note 13 and 14)	-	(376.9)	(184.8)	-	561.7	-	-	-
Movement in non- controlling interests (note 15)	-	-	-	-	-	-	13.2	13.2
As at 30 September 2019 (unaudited)	1,158.5	185.5	-	(140.3)	(385.2)	818.5	182.5	1,001.0

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2020 (Unaudited)

		<i>Nine months ended 30 September</i>	
		<i>2020</i>	<i>2019</i>
		<i>AED</i>	<i>AED</i>
		<i>millions</i>	<i>millions</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Loss before tax for the period from continuing operations		(114.6)	(376.4)
Loss for the period from discontinued operations		(1.4)	(14.1)
		<hr/>	<hr/>
Loss for the period		(116.0)	(390.5)
Adjustments for:			
Depreciation of property, plant and equipment	5	69.6	61.0
Amortisation of intangible assets		3.5	4.1
Impairment of subsidiary		0.5	6.0
Allowance for expected credit losses on trade receivable	10	0.3	-
Share of (profit)/loss of investment in an associate	6	(1.9)	4.8
Loss/(gain) on revaluation of financial asset at fair value through profit or loss	9	1.4	(0.8)
Allowance for slow-moving inventories	8	2.6	18.9
Provision for employees' end of service benefits		5.9	6.3
Finance income		(2.0)	(0.9)
Finance costs		29.4	25.4
		<hr/>	<hr/>
		(6.7)	(265.7)
Changes in working capital			
Trade and other receivables		5.4	272.0
Inventories		(31.2)	1.2
Trade payables, accruals and deferred revenue		(102.9)	7.0
		<hr/>	<hr/>
Cash (used in)/generated from operations		(135.4)	14.5
Employees' end of service benefits paid		(4.2)	(9.6)
		<hr/>	<hr/>
Net cash flows (used in)/from operating activities		(139.6)	4.9
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(10.0)	(35.6)
Finance income received		2.0	0.9
		<hr/>	<hr/>
Net cash flows used in investing activities		(8.0)	(34.7)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		160.0	350.8
Repayment of bank borrowings		(473.2)	(339.6)
Increase in non-controlling interests		7.8	13.2
Proceeds from increase in share capital		500.0	-
Interest paid		(29.4)	(25.4)
		<hr/>	<hr/>
Net cash from/ (used in) financing activities		165.2	(1.0)
		<hr/>	<hr/>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		17.6	(30.8)
Currency translation differences		(3.5)	(6.6)
Cash and cash equivalents at the beginning of the period		58.8	87.8
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	72.9	50.4
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

1. ACTIVITIES

Gulf Pharmaceutical Industries is a public shareholding company (the “Company” or “Parent 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 30 March 1980 and the Emiri decree No.9 / 80 on 4 May 1980.

The Company’s registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates (UAE). The Company commenced its commercial activities effective from November 1984. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange (ADX).

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

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2020 was authorised for issue in accordance with the resolution of the Board of Directors on 12 November 2020.

The Company has the following major subsidiaries:

<i>Serial No.</i>	<i>Name of subsidiary</i>	<i>Place of incorporation and operation</i>	<i>Percentage of Ownership</i>		<i>Subsidiary activity</i>
			<i>2020</i>	<i>2019</i>	
1.	Mena Cool F.Z.E	Ras Al Khaimah UAE	100%	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C	Ethiopia	55%	55%	Manufacturing of medicines, wrapping and packing materials
3.	Gulf Inject L.L.C. (note (b) and (c))	Dubai – UAE	100%	100%	Manufacturing of medical supplies
4.	RAK Pharmaceuticals Pvt. Ltd. (note (b) and (c))	Dhaka – Bangladesh	50.5%	50.5%	Manufacturing of medicines
5.	Alpha Pharma L.L.C. (formerly Julphar Saudi Arabia L.L.C.)	Rabigh – Saudi Arabia	51%	51%	Manufacturing of medicines
6.	Julphar Egypt Company L.L.C.	Cairo – Egypt	100%	100%	Distributors of Julphar’s products in Egypt
7.	Julphar Diabetes L.L.C. (note (a))	Ras Al Khaimah – UAE	100%	100%	Manufacturing of medicines
8.	Julphar General Trading L.L.C. (note (a))	Ras Al Khaimah – UAE	100%	100%	General Trading
9.	Mena Cool Machinery Trading (note (a))	Ras Al Khaimah – UAE	100%	100%	General Trading
10.	Julphar Life Science L.L.C. (note (a))	Ras Al Khaimah – UAE	100%	100%	General Trading

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

1. ACTIVITIES (continued)

<i>Serial No.</i>	<i>Name of subsidiary</i>	<i>Place of incorporation and operation</i>	<i>Percentage of Ownership</i>		<i>Principle activity</i>
			<i>2020</i>	<i>2019</i>	
11.	Julphar Pakistan Private Limited (note (a))	Pakistan	99%	99%	Distributors of Julphar's products in Pakistan
12.	Julphar Tunisie (note (a))	Tunisia	99%	99%	Distributors of Julphar's products in Tunisia
13.	Julphar Gulf Pharmaceuticals Kenya Limited (note (a))	Kenya	99.99%	99.99%	Distributor of Julphar's products in Kenya

a) These subsidiaries are not operational, and the financial results are immaterial to the overall interim condensed consolidated financial statements of the Group.

b) During the year 2019, management has classified these subsidiaries as disposal group held for sale (note 7).

c) As of the reporting date, the sale of the subsidiary has not been completed and the management of the Parent Company is actively looking for sale at a reasonable price acceptable under current market conditions (note 7(a)).

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do 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 as at 31 December 2019.

In addition, results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For going concern assessment refer to note 24.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency, and all values are rounded to the nearest million except where otherwise indicated.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value through profit or loss and a disposal group held for sale measured at fair value less cost to sell (note 7).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)**2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective, except for Amendment to IFRS 16 - Covid-19-Related Rent Concessions.

- IFRS 3: Definition of a Business
- IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- IAS 1 and IAS 8: Definition of Material
- Amendment to IFRS 16 - Covid-19-Related Rent Concessions
- Conceptual Framework for Financial Reporting issued on 29 March 2018

Annual Improvements 2018-2020 cycle (issued in May 2020)

- Amendments to the illustrative examples accompanying IFRS 16 Leases - Lease incentives

These amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of interim condensed consolidated financial statements 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 expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements for the year ended 31 December 2019, except those disclosed in note 24, which are primarily arising due to the impact of COVID-19.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS**4.1 Disaggregated revenue information**

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED millions (unaudited)</i>	<i>2019 AED millions (unaudited)</i>	<i>2020 AED millions (unaudited)</i>	<i>2019 AED millions (unaudited)</i>
Gross sales	522.0	267.9	211.0	34.5
Less: commission	(28.8)	(14.6)	(13.2)	0.4
Net sales	493.2	253.3	197.8	34.9
Less: net sales relating to discontinued operations (note 7(c))	(32.2)	(30.7)	(10.9)	(12.2)
	461.0	222.6	186.9	22.7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**4.1 Disaggregated revenue information (continued)**

The Group derives its revenue from sale of medicines, drugs and various other types of pharmaceuticals and medical compounds in addition to cosmetic compounds. The revenue is recognised on the basis of at “point in time” revenue recognition criteria. The geographical split of gross revenue is as follows:

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED millions (unaudited)</i>	<i>2019 AED millions (unaudited)</i>	<i>2020 AED millions (unaudited)</i>	<i>2019 AED millions (unaudited)</i>
UAE	117.1	68.8	38.3	-
Other GCC countries	29.6	14.5	10.3	29.4
Other countries	346.5	170.0	149.2	5.5
	493.2	253.3	197.8	34.9
Less: net sales relating to discontinued operations (note 7(c))	(32.2)	(30.7)	(10.9)	(12.2)
	461.0	222.6	186.9	22.7

4.2 Contract balances

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Assets		
Trade receivables (note 10)	427.4	376.8
Due from a related party (note 10)	199.5	266.6
	626.9	643.4
Liabilities		
Refund liabilities	83.5	85.5
Advances from customers	-	5.6
Deferred revenue (note 17)	188.6	267.2
Commissions payable	35.2	52.5
	307.3	410.8

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**4.3 Performance obligations (continued)**

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 6 to 12 months from delivery.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 September are, as follows:

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Within one year	188.6	116.0
More than one year	-	151.2
	188.6	267.2

5. PROPERTY PLANT AND EQUIPMENT

- a) During the nine months ended 30 September 2020 additions to property, plant and equipment amounted to AED 10.0 million (30 September 2019: AED 35.6 million).
- b) During the nine months ended 30 September 2020 depreciation amounted to AED 69.6 million (30 September 2019: AED 61.0 million).
- c) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 16).
- d) In February 2019, a fire in the adjacent factory of a subsidiary of the Group in Jebel Ali damaged part of the building of the subsidiary. The fire also destroyed property and equipment amounting to AED 0.1 million. Inventories stored in the warehouse of the subsidiary amounting to AED 2.6 million were damaged as the pharmaceutical drugs were not maintained at the prescribed temperatures due to interrupted power supply during the incident. The subsidiary had assessed that total loss from damage of property, plant and equipment and inventories and disruption of its business to be approximately AED 7.5 million and made an insurance claim against this damage. The subsidiary received a claim of AED 7.5 million from the insurance company on 30 December 2019 and recorded other income of AED 7.5 million.
- e) The factory and its related buildings of the Parent Company are constructed on plots of land which are owned by the Government of Ras Al Khaimah.
- f) The factory of the Group's subsidiary in KSA is built on a piece of land amounting to AED 15.4 million (31 December 2019: AED 15.4 million) which is registered in the name of a minority shareholder.

Gulf Pharmaceutical Industries P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

6. INVESTMENT IN AN ASSOCIATE

The Group has a 40% shareholding in Planet Pharmacies L.L.C. ("Planet") which is the distributor of the Company's products and has a wide distribution of retail and wholesale pharmacies in UAE, KSA and Oman. The Group's shares are currently pledged with a bank to obtain a banking facility (note 16).

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

<i>Name of associate</i>	<i>Place of incorporation and operation</i>	<i>Percentage of ownership</i>	<i>30 September 2020 AED million (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Planet Pharmacies L.L.C.	UAE	40%	266.4	264.5

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

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Balance at the beginning of the period/year	264.5	283.7
Share of associate's consolidated profit/(loss) for the period/year	1.9	(19.2)
At the end of the period/year	266.4	264.5

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Gulf Inject L.L.C.

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell Gulf Inject L.L.C. ("Gulf Inject"), a wholly owned subsidiary. The sale of Gulf Inject is expected to be completed during the year ending 31 December 2020. Accordingly, Gulf Inject has been classified as a disposal group held for sale and as a discontinued operation.

With Gulf Inject being classified as a discontinued operation, the results of Gulf Inject has not been presented in the segment information (note 20). There was no write-down of carrying amount immediately before and after the classification of the disposal group as held for sale. The comparative interim condensed consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Gulf Inject separately from continuing operations.

The net cash flows generated/(incurred) by Gulf Inject LLC are as follows:

	<i>Nine months ended 30 September</i>	
	<i>2020 AED millions (unaudited)</i>	<i>2019 AED millions (unaudited)</i>
Operating	5.7	0.3
Investing	(0.4)	(1.6)
Financing	(0.1)	-
Net cash inflow/(outflow)	5.2	(1.3)

Basic and diluted loss per share

Basic and diluted loss per share is disclosed in note 18.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**b) RAK Pharmaceuticals Pvt Ltd.**

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell RAK Pharmaceuticals Pvt Ltd (“Julphar Bangladesh”). The Company owns 50.5% of Julphar Bangladesh,

During the nine months ended 30 September 2020, the Group entered into a Sale & Purchase Agreement. The legal formalities relating to the disposal of Julphar Bangladesh have not yet been fulfilled and the sale of Julphar Bangladesh is expected to be completed during the year ending 31 December 2020. Accordingly, Julphar Bangladesh has been classified as a disposal group held for sale and as a discontinued operation.

With Julphar Bangladesh being classified as a discontinued operation, the results of Julphar Bangladesh has not been presented in the segment information (note 20). The comparative interim condensed consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Julphar Bangladesh separately from continuing operations.

The net cash flows generated by Julphar Bangladesh are as follows:

	<i>Nine months ended 30 September</i>	
	<i>2020</i> <i>AED</i> <i>millions</i> <i>(unaudited)</i>	<i>2019</i> <i>AED</i> <i>millions</i> <i>(unaudited)</i>
Operating	1.4	2.1
Investing	(0.5)	(1.1)
Financing	(0.5)	(0.9)
Net cash inflow	0.4	0.1

Measurement of fair value

As at 30 September 2020, the non-recurring fair value measurement for the disposal group of AED 27.6 million (31 December 2019: AED 33 million) (before costs to sell) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (note 21).

Basic and diluted loss per share

Basic and diluted loss per share is disclosed in note 18.

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At 30 September 2020 (Unaudited)

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

c) The results of the discontinued operation are presented below:

	<i>Nine months ended 30 September 2020</i>			<i>Nine months ended 30 September 2019</i>		
	<i>Gulf Inject LLC AED millions (unaudited)</i>	<i>RAK Pharmaceuticals Pvt. Ltd. AED millions (unaudited)</i>	<i>Total AED millions (unaudited)</i>	<i>Gulf Inject LLC AED millions (unaudited)</i>	<i>RAK Pharmaceuticals Pvt. Ltd. AED millions (unaudited)</i>	<i>Total AED millions (unaudited)</i>
Revenue from contracts with customers	22.7	9.5	32.2	9.3	21.4	30.7
Cost of sales	(13.7)	(5.0)	(18.7)	(8.3)	(8.5)	(16.8)
GROSS PROFIT	9.0	4.5	13.5	1.0	12.9	13.9
Other income	0.4	1.8	2.2	0.9	1.4	2.3
Selling and distribution expenses	(4.6)	(10.8)	(15.4)	(5.0)	(18.4)	(23.4)
OPERATING PROFIT/(LOSS)	4.8	(4.5)	0.3	(3.1)	(4.1)	(7.2)
Finance income	0.1	-	0.1	-	-	-
Finance costs	(0.1)	(1.2)	(1.3)	-	(0.9)	(0.9)
Impairment loss recognized on the remeasurement to fair value less cost to sell	-	(0.5)	(0.5)	-	(6.0)	(6.0)
PROFIT/ (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	4.8	(6.2)	(1.4)	(3.1)	(11.0)	(14.1)
Attributable to:						
Equity holders of the Parent	4.8	(3.2)	1.6	(3.1)	(5.6)	(8.7)
Non-controlling interests	-	(3.0)	(3.0)	-	(5.4)	(5.4)
	4.8	(6.2)	(1.4)	(3.1)	(11.0)	(14.1)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

c) The results of the discontinued operation are presented below: (continued)

	<i>Three months ended 30 September 2020</i>			<i>Three months ended 30 September 2019</i>		
	<i>Gulf Inject LLC AED millions (unaudited)</i>	<i>RAK Pharmaceuticals Pvt. Ltd. AED millions (unaudited)</i>	<i>Total AED millions (unaudited)</i>	<i>Gulf Inject LLC AED millions (unaudited)</i>	<i>RAK Pharmaceuticals Pvt. Ltd. AED millions (unaudited)</i>	<i>Total AED millions (unaudited)</i>
Revenue from contracts with customers	7.4	3.5	10.9	5.2	7.0	12.2
Cost of sales	(4.6)	(1.7)	(6.3)	(1.1)	(3.0)	(4.1)
GROSS PROFIT	2.8	1.8	4.6	4.1	4.0	8.1
Other income	0.3	0.7	1.0	0.1	0.8	0.9
Selling and distribution expenses	(1.7)	(2.4)	(4.1)	(3.6)	(6.6)	(10.2)
OPERATING PROFIT/(LOSS)	1.4	0.1	1.5	0.6	(1.8)	(1.2)
Finance income	-	-	-	0.1	-	0.1
Finance costs	(0.1)	(1.2)	(1.3)	-	(0.3)	(0.3)
Impairment loss recognized on the remeasurement to fair value less cost to sell	-	-	-	-	(6.0)	(6.0)
PROFIT/ (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	1.3	(1.1)	0.2	0.7	(8.1)	(7.4)
Attributable to:						
Equity holders of the Parent	1.3	(0.6)	0.7	0.7	(4.1)	(3.4)
Non-controlling interests	-	(0.5)	(0.5)	-	(4.0)	(4.0)
	1.3	(1.1)	0.2	0.7	(8.1)	(7.4)

There was no amount included in the accumulated other comprehensive income and reserves related to the disposal group at the date of the classification as held for sale.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

- d) The major classes of assets and liabilities of the disposal group classified as held for sale as at 30 September 2020 are as follows:

	<i>30 September 2020 (unaudited)</i>			<i>31 December 2019 (audited)</i>		
	<i>Gulf Inject LLC AED millions</i>	<i>RAK Pharmaceuticals Pvt. Ltd. AED millions</i>	<i>Total AED millions</i>	<i>Gulf Inject LLC AED millions</i>	<i>RAK Pharmaceuticals Pvt. Ltd. AED millions</i>	<i>Total AED millions</i>
ASSETS						
Property, plant and equipment	23.8	34.9	58.7	24.7	35.6	60.3
Intangible assets	-	9.5	9.5	-	10.1	10.1
Long-term receivable	0.5	-	0.5	-	-	-
Inventories	5.5	4.8	10.3	4.5	5.2	9.7
Trade and other receivables	20.3	6.5	26.8	19.8	4.4	24.2
Bank balances and cash	5.3	0.6	5.9	0.4	0.2	0.6
Assets held for sale	55.4	56.3	111.7	49.4	55.5	104.9
LIABILITIES						
Provision for employees' end of service benefits	0.5	4.0	4.5	0.4	3.4	3.8
Trade payables and accruals	6.5	24.7	31.2	5.4	19.1	24.5
Liabilities directly associated with assets held for sale	7.0	28.7	35.7	5.8	22.5	28.3
Net assets directly associated with assets held for sale	48.4	27.6	76.0	43.6	33.0	76.6
Less: net assets attributable to non-controlling interests	-	(13.7)	(13.7)	-	(16.3)	(16.3)
Group's share of net assets directly associated with disposal group	48.4	13.9	62.3	43.6	16.7	60.3

Write-down of intangible asset

During Q3 of 2019, immediately before the classification of Julphar Bangladesh as a discontinued operation, the recoverable amount was estimated for intangible asset and no impairment loss was identified. Following the classification, a write-down of AED 4.4 million was recognised related to intangible asset to reduce the carrying amount of the net assets to their fair value less costs to sell amounting AED 33.0 million.

During nine months ended 30 September 2020, an impairment loss of AED 0.5 million was recognised resulting in the disposal group being carried at its fair value less cost to sell of AED 27.6 million. Fair value measurement disclosures are provided in note 21.

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At 30 September 2020 (Unaudited)

8. INVENTORIES

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Raw materials (note (b))	123.3	141.9
Packing materials (note (b))	48.5	45.4
Work-in-progress	20.8	12.3
Finished goods	82.0	70.4
Goods in transit	18.4	2.5
Consumables	22.1	17.7
Spare parts	34.3	31.1
	349.4	321.3
Less: allowance for slow moving inventories (note (a))	(16.9)	(18.0)
	332.5	303.3
Less: inventories attributable to assets held for sale (note 7(d))	(10.3)	(9.7)
	322.2	293.6

a) The movement in the Group's allowance for slow-moving inventories is as follows:

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Balance at the beginning of the period/year	18.0	9.5
Charge during the period/year	2.6	39.1
Written-off during the period/year	(3.7)	(30.6)
Balance at the end of the period/year	16.9	18.0

b) Includes raw materials and packing materials amounting to AED 18.3 million (31 December 2019: 26.3 million) held by a third party.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Majority of financial assets at fair value through profit or loss are denominated in AED and are held for trading in listed and non-listed equity securities and include the following:

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
In UAE markets	20.6	22.0
In other GCC markets	0.1	0.1
	20.7	22.1

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Balance at the beginning of the period/year	22.1	21.3
Net (loss)/gain on revaluation	(1.4)	0.8
	<u>20.7</u>	<u>22.1</u>

Out of the investments amounting to AED 20.7 million, AED 19.5 million relates to an investment in unquoted equity security of an entity which is engaged in manufacturing of packing materials. The Group has 7.25% equity investment in the entity. Management has performed a valuation and recorded the investment at fair value. Fair value less costs of disposal has been computed using discounted cash flow projections. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (note 21).

10. TRADE AND OTHER RECEIVABLES

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Trade receivables	843.6	792.7
Less: allowance for expected credit losses (note below)	(416.2)	(415.9)
	<u>427.4</u>	<u>376.8</u>
Due from a related party (note 19(c))	199.5	266.6
Advances to suppliers	17.7	17.4
Value added tax receivable	15.8	11.0
Prepaid expenses	1.9	0.9
Other receivables	26.6	19.3
	<u>688.9</u>	<u>692.0</u>
Less: trade and other receivables attributable to assets held for sale (note 7(d))	(26.8)	(24.2)
	<u>662.1</u>	<u>667.8</u>

Movement in the provision for expected credit losses during the period/year was as follows:

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Balance at the beginning of the period/year	415.9	419.6
Provided during the period	0.3	-
Reversal of allowances on subsequent collection	-	(3.7)
	<u>416.2</u>	<u>415.9</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

10. TRADE AND OTHER RECEIVABLES (continued)

During 2018, the Saudi Food and Drug Authority (SFDA) imposed a temporary suspension to export the Parent Company's products to the Kingdom of Saudi Arabia (KSA). The Company deals with an exclusive distributor in KSA and therefore all products sold in KSA are exported to that distributor. As a consequence of this ban, the trading activities between the Parent Company and its Saudi distributor had diminished significantly. Furthermore, the respective receivable ageing had deteriorated and therefore, in 2018 management booked a provision amounting to AED 287.1 million related to receivable balances outstanding from this distributor. The net un-provided amount as at 30 September 2020 is AED 276.2 million (31 December 2019: AED 218.4 million) against which the parent Company has a corresponding liability to the same Saudi distributor in the form of goods amounting to AED 192.0 million (31 December 2019: AED 192.0 million), recorded within deferred revenue and the remaining balance is expected to be recoverable by the management. During the nine months ended 30 September 2020, the temporary suspension on the Parent Company's products in KSA was lifted, however presently the Parent Company is negotiating with the distributor on a mechanism to settle the outstanding balance and believes that the existing provision should be maintained in the interim condensed consolidated financial statements until a settlement is reached with the distributor.

11. CASH AND CASH EQUIVALENTS

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Bank balances:		
Current accounts	77.3	56.9
Short term bank deposits	-	0.4
	<u>77.3</u>	<u>57.3</u>
Cash in hand	1.5	2.1
	<u>78.8</u>	<u>59.4</u>
Less: cash and bank balances attributable to assets held for sale (note 7(d))	(5.9)	(0.6)
Cash and bank balances	<u><u>72.9</u></u>	<u><u>58.8</u></u>

The short-term bank deposits maturity dates range from one to three-month from the placement dates and carry interest at commercial rates.

12. SHARE CAPITAL

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
<i>Authorised, issued and fully paid</i>		
1,155,227,811 ordinary shares (31 December 2018: 1,158,502,800 ordinary shares) at par value of AED 1 each	<u><u>1,155.3</u></u>	<u><u>1,158.5</u></u>

- a) The Company's Board of Directors in its meeting held on 16 January 2020, decided to strengthen the capital base of the Company by reducing the issued share capital by extinguishing the accumulated losses as at 31 December 2019 of AED 503.2 million. Accordingly, the capital reduction was approved in the Annual General Meeting by the shareholders on 9 April 2020. During the nine months ended 30 September 2020, the decrease in capital was approved and registered with the relevant authorities and hence the capital reduced to AED 655.3 million, before the increase in capital detailed in note (b) below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12. SHARE CAPITAL (continued)

- b) The Company's Board of Directors in its meeting held on 16 January 2020, after the capital reduction also decided to increase capital of the Company by up to AED 500 million through right issue. Accordingly, the capital increase was also approved in the Annual General Meeting by the shareholders on 9 April 2020. During the nine months ended 30 September 2020, AED 500 million were raised to increase the share capital through a public right issue offering that happened between 29 June 2020 to 12 July 2020, representing at AED 1 per share. The transaction was completed on 28 July 2020 and the new share capital has reached AED 1,155.3 million.

13. STATUTORY RESERVE

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year plus last year. The statutory reserve only includes the parent Company as the other subsidiaries do not require a statutory reserve. As the Company has incurred loss during the year, therefore, no additional appropriation has been made in the statutory reserve. This reserve is not available for distribution except in the circumstances stipulated by the law.

The shareholders of the Parent Company in the annual general meeting held on 1 July 2019 resolved to utilise the reserve to offset the accumulated losses of the Group subject to the approval from Securities and Commodities Authority. During the year ended 31 December 2019, the Securities and Commodities Authority approved the utilisation of the reserve against the accumulated losses of the Group up to 31 December 2018. Accordingly, the Group transferred part of the statutory reserve amounting to AED 376.9 million to accumulated losses to offset the Group's remaining accumulated losses as of 31 December 2018.

14. VOLUNTARY RESERVE

Appropriations to the voluntary reserve account represents appropriation of the profit for each year as and when required. The shareholders of the Parent Company in the annual general meeting held on 1 July 2019 resolved to utilise the reserve to offset the accumulated losses of the Group subject to the approval from Securities and Commodities Authority. During the year ended 31 December 2019, the Securities and Commodities Authority approved the utilisation of the reserve against the accumulated losses of the Group as at 31 December 2018. Accordingly, the Group transferred the full amount of voluntary reserve to accumulated losses to offset the Group's losses.

15. NON-CONTROLLING INTERESTS

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Non-controlling interests	169.7	179.4

During the nine months ended 30 September 2020, the non-controlling shareholder in one of the Group's subsidiary in KSA has injected capital amounting to AED 7.8 million (31 December 2019: AED 20.5 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. BANK AND OTHER BORROWINGS

	<i>Interest rate(%)</i>	<i>Maturity</i>	30 September 2020 AED millions (unaudited)	31 December 2019 AED millions (audited)
Current interest bearing loans and borrowings				
Bank overdraft	3m EIBOR+2.5%	On demand	134.4	271.1
Bank and other loans				
AED 300 million loan	3m EIBOR+2.75%	31 December 2025	71.0	50.0
AED 150 million loan	3.65%	31 December 2021	103.3	153.0
AED 50 million loan	3m EIBOR+1.65%	28 April 2021	15.8	15.8
EUR 4.5 million	3m EIBOR+1.25%	31 March 2020	-	12.9
AED 300 million loan (note 19 (d))	3m EIBOR+3.5%	31 December 2020	-	150.0
SAR 20 million	SIBOR+2%	16 February 2021	9.8	-
Total current interest bearing loans and borrowings			334.3	652.8
Non-current interest bearing loans and borrowings				
Bank loans				
AED 300 million loan	3m EIBOR+2.75%	31 December 2025	220.5	250.0
AED 150 million loan	3.65%	31 December 2021	34.4	-
Total non current interest bearing loans and borrowings			254.9	250.0
Total interest bearing loans and borrowings			589.2	902.8
The bank and other loans comprise of				
Ijara Loans			137.7	153.0
Other Loans			317.1	478.7
			454.8	631.7

The principal features of the bank borrowings are as follows:

a) Ijara Loan

The Group has taken Ijara loans for general corporate borrowing purposes. Loans are secured against the assets financed and are repayable in periodic instalments. The Company has pledged certain assets "Leased Assets" (approximately equivalent to Ijara Loan amount) million against the loan.

Significant security terms are as follows:

- Negative pledge over Leased Assets
- Assignment of receivables for at least AED 152 million equivalent and undertaking to route them annually through Obligor's collection account with the Bank.
- Assignment of insurance policy over Leased Assets.

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At 30 September 2020 (Unaudited)

16. BANK AND OTHER BORROWINGS (continued)

b) Other 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. The loans' balance as of the reporting date amounted to AED 317.2 million (31 December 2019: AED 478.7 million). Interest on these loans is calculated on a monthly/quarterly basis. The loan balances are paid in monthly/quarterly instalments, over periods ranging from one month to five years, until full settlement, with the exception of related party loan that was repaid at the end of its term as bullet payment.

The Group has obtained banking facilities against the following securities:

1. Assignment of insurance policies in favor of banks amounting to AED 137.7 million.
2. Pledge of the Group's shares in its associate (note 6).
3. Maintenance of certain financial ratios as agreed with the respective banks.

Some of the Group's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios/covenants.

Other loans consist of a loan facility signed on 31 January 2020 from a bank with outstanding balance of AED 291.6 million. The loan is repayable in monthly installments ending on 31 December 2025.

During the nine months ended 30 September 2020, the Group obtained a loan facility from a shareholder amounting to AED 300 million. The loan was secured through pledge of moveable assets of the Parent Company and carried interest at EIBOR+3.5%. No bank guarantees were received from/provided to related parties against balances due from/ to them. During the nine months ended 30 September 2020, the loan has been fully repaid.

The group's bank and other borrowings are denominated in the following currencies as at 30 September:

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
AED	579.4	889.9
SAR	9.8	-
Euro	-	12.9
	<u>589.2</u>	<u>902.8</u>

c) Bank overdraft

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

Movement in borrowings is as follows

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
At the beginning of the period/year	902.8	801.8
Less: loans repaid during the period/year	(473.2)	(359.9)
Add: new drawdowns	160.0	462.0
Less: exchange gain	(0.4)	(1.1)
At the end of the period/year	<u>589.2</u>	<u>902.8</u>

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17. DEFERRED REVENUE

The Group provides bonus goods to its distributors as part of its marketing activities. These arrangements can have single or multiple performance obligations under IFRS 15 based on the nature of marketing campaigns run by the Group. Factors affecting the conclusion whether an arrangement has single or multiple performance obligations can include (among other factors) customer's expectations from the contract, distinct nature of the products and services and degree of integration or inter-relation between the various products and services. This assessment requires significant judgement from the Group.

Under IFRS 15, the bonus goods distributions are considered as a separate performance obligation and revenue is deferred to the extent the bonus goods obligation is considered outstanding. The obligation of bonus goods is estimated at the time of sale based on available information and historical experience. As a consequence, the net amount of revenue deferred as at 30 September 2020 was AED 186.7 million (31 December 2019: AED 267.2 million) which will be realised in the income statement upon fulfilment of bonus goods obligations to the customers.

18. BASIC LOSS PER SHARE

Basis EPS is calculated by dividing the loss for the period attributable to ordinary equity holders of the Parent by the weighted average number of outstanding during the period

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>
(Loss)/profit for the period attributable to the equity shareholders of the Parent:				
Continuing operations	(100.4)	(376.5)	(16.3)	(197.9)
Discontinued operations (note 7(c))	1.6	(8.7)	0.7	(3.4)
Loss for the period attributable to the equity holders of the Parent	<u>(98.8)</u>	<u>(385.2)</u>	<u>(15.6)</u>	<u>(201.3)</u>
Weighted average number of shares	<u>1,025.0</u>	1,158.5	<u>1,006.9</u>	1,158.5
Basic loss per share attributable to the equity holders of the Parent (in UAE fils)	<u>(9.6)</u>	(33.2)	<u>(1.5)</u>	(17.4)
Basic loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	<u>(9.8)</u>	(32.5)	<u>(1.6)</u>	(17.1)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

18. BASIC LOSS PER SHARE (continued)

To calculate EPS for discontinued operations, the weighted average number of shares is as per the table above. The following table provides the loss amount used:

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>
Profit/(loss) for the period attributable to the equity shareholders of the Parent from discontinued operations (note 7(c)) (in AED millions)	1.6	(8.7)	0.7	(3.4)
Basic profit/(loss) per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	0.2	(0.8)	0.1	(0.3)

The Group does not have any potential equity shares and accordingly the basic and diluted earnings per share are the same.

19. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Company's majority shareholders, key management personnel, subsidiaries, associates, directors, Government of Ras Al Khaimah 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. Pricing policies and terms of these transactions are approved by the Group's management, or its Board of Directors.

Transactions with related parties under common ownership and management control are eliminated on consolidation.

a) Related party transactions

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

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>
Sales to associate	89.1	18.0	18.6	1.6
Purchases from affiliates	1.2	3.2	0.8	0.8
Repayment of shareholder loan (note 16)	308.0	-	308.0	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**b) Compensation of key management personnel of the Group**

The remuneration of the key management personnel of the Group is as follows:

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2019 AED million (unaudited)</i>
Short term benefits	5.0	3.3	2.3	1.5

d) Due from a related party

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Planet Pharmacies L.L.C. (Associate) (note 10)	199.5	266.6

e) Due to a related party

	<i>30 September 2020 AED millions (unaudited)</i>	<i>31 December 2019 AED millions (audited)</i>
Majan Printing and Packaging Company L.L.C.	1.5	3.5
Loan from a shareholder (note 16)	-	150.0

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 expected credit losses in respect of the amounts owed by related parties.

20. SEGMENT INFORMATION

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

- a. Manufacturing
- b. Investments
- c. Others

There are no sales between segments during the period.

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 interim condensed consolidated financial statements.

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.

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20. SEGMENT INFORMATION (continued)

	<i>For the nine months ended 30 September 2020 (unaudited)</i>				<i>For the nine months ended 30 September 2019 (unaudited)</i>			
	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>
Segment revenue	461.0	-	-	461.0	222.6	-	-	222.6
Segment result	(88.4)	0.9	(27.4)	(114.9)	(349.6)	(2.3)	(24.5)	(376.4)
Depreciation expense	68.7	-	-	68.7	57.7	-	-	57.7
Share of associate's profit/(loss)	-	1.9	-	1.9	-	(4.8)	-	(4.8)
	<i>30 September 2020 (unaudited)</i>				<i>31 December 2019 (audited)</i>			
	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>
Segment assets	1,966.3	287.1	67.0	2,320.4	2,000.7	286.6	58.2	2,345.5
Segment liabilities	540.1	-	589.2	1,129.3	641.3	-	902.8	1,544.1

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20. SEGMENT INFORMATION (continued)*Information by geographical region*

In accordance with IFRS 8, non-current assets below are based on the geographical location in which the Group holds assets. In accordance with IFRS 8, the non-current assets reported below exclude financial instruments.

	<i>30 September 2020 (unaudited)</i>			
	<i>Total</i>	<i>UAE</i>	<i>Saudi Arabia</i>	<i>Others</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Non-current assets				
Property, plant and equipment	957.0	702.8	249.4	4.8
Intangible assets	18.9	1.6	-	17.3
	<i>Nine months period ended 30 September 2020 (unaudited)</i>			
	<i>Total</i>	<i>UAE</i>	<i>Saudi Arabia</i>	<i>Others</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	461.0	117.1	72.4	271.5
	<i>31 December 2019 (audited)</i>			
	<i>Total</i>	<i>UAE</i>	<i>Saudi Arabia</i>	<i>Others</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Non-current assets				
Property, plant and equipment	1,014.7	761.6	247.0	6.1
Intangible assets	20.1	3.3	-	16.8
	<i>Nine months period ended 30 September 2019 (unaudited)</i>			
	<i>Total</i>	<i>UAE</i>	<i>Saudi Arabia</i>	<i>Others</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	222.6	32.4	0.7	189.5

The Group has sales to 4 customers whose sales individually are more than 10% of the total external sales. Total amount of sales for the nine months ended 30 September 2020 to these customers amounts to AED 254.0 million (30 September 2019: AED 90.7 million). These revenues are included under manufacturing segment. Further, revenue under “Others” amounting to AED 271.5 million (30 September 2019: AED 189.5 million) includes the major countries Iraq, Lebanon and Egypt. Included under “Others” intangibles amounting to AED 17.3 million (31 December 2019: AED 16.8 million) in Egypt. There are no other non-current assets or revenue included in “others” which are more than 10% of the total segment non-current assets or total revenue.

21. 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.

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 interim condensed consolidated financial statements approximate their fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

21. FAIR VALUE MEASUREMENTS (continued)

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 2019. The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited consolidated financial statements for the year ended 31 December 2019.

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:

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:

<i>Financial assets</i>	<i>Fair Value as at</i>		<i>Fair Value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
	<i>30 September 2020</i>	<i>31 December 2019</i>			
	<i>AED million (unaudited)</i>	<i>AED million (audited)</i>			
Unquoted equity investments - FVTPL	19.5	19.5	Level 3	Discounted cash flow method	<ul style="list-style-type: none"> ▪ Discount rate ▪ Growth rate ▪ Discount for lack of marketability
Quoted equity investments – FVTPL	1.2	2.6	Level 1	Quoted bid prices (unadjusted) in active markets	None
	<u>20.7</u>	<u>22.1</u>			

Fair value of a disposal group held for sale are measured at fair value less cost to sale

Disposal group held for sale is measured at fair value at the end of the reporting period. The following table gives information about how the fair value of the disposal group is determined:

<i>Disposal Group</i>	<i>Fair Value as at</i>		<i>Fair Value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>30 September 2020</i>	<i>31 December 2019</i>				
	<i>AED million (unaudited)</i>	<i>AED million (audited)</i>				
Julphar Bangladesh	27.6	33.0	Level 3	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)	Net book value	Refer note 7(b)

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21. FAIR VALUE MEASUREMENTS (continued)

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).

22. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2020 AED million (unaudited)</i>	<i>31 December 2019 AED million (audited)</i>
Capital commitments	<u>4.9</u>	<u>13.2</u>
Letters of credit	<u>8.6</u>	<u>2.2</u>
Letters of guarantee	<u>40.8</u>	<u>48.5</u>

23. IMPACT OF COVID-19

On 11 March 2020, Covid-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance in 2020.

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the condensed interim consolidated financial statements:

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24. IMPACT OF COVID-19 (continued)

a) Impairment of non-financial assets

The Group has performed a qualitative assessment for its investment in CGUs, considering the minimal impact of COVID-19 on entities operating in healthcare and pharmaceutical industry, and compared the actual results for the nine months ended 30 September 2020 against the budget and industry benchmarks and that conclude the impairment assessment as at 31 December 2019 remains unchanged.

The Group has also considered any impairment indicators and any significant uncertainties impacting its property, plant and equipment and concluded that there is no material impact of COVID-19.

b) Expected Credit Losses (“ECL”) and impairment of financial assets

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of expected credit losses (“ECLs”) as at 30 September 2020. The Group has updated the relevant forward-looking information; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

In determining the recoverability of trade receivables, the Company considers any significant change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As a result, the Group has determined that no additional provision is required for the nine months ended 30 September 2020.

c) Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group entities, customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments and have concluded no additional provision is required.

d) Going concern

During the nine months ended 30 September 2020, the Group incurred a loss of AED 116.3 million and, as of that date, the Group’s accumulated losses amounted to AED 98.8 million and the Group had negative cash outflow from operating activities of AED 139.6 million.

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group’s future performance, capital and liquidity. The consolidated financial statements have been prepared on a going concern basis considering the following facts, events and resolutions by the Board of Directors and management:

- a) The temporary suspension for exports to the Kingdom of Saudi Arabia, Sultanate of Oman, State of Kuwait and Kingdom of Bahrain was lifted during the nine months ended 30 September 2020 and the Group has relaunched successfully its portfolio except for certain products that still remain suspended in these countries. This will positively impact the Group’s profitability and its operating cashflows in the future period.
- b) During the nine months ended 30 September 2020, the Group has successfully completed a rights issue in July 2020. The proceeds from the rights issues were used to repay the loan from the shareholder of AED 300 million and the remaining proceeds will be used for future working capital requirements.
- c) The Group has obtained new borrowing lines through external sources to bridge its current and future working capital requirements. Further the Group is currently in negotiations to restructure existing loans to ensure business continuity.

The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its ‘operations and financial performance in Q4 2020 and 2021.