

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2022

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 June 2022, which comprises the interim condensed consolidated statement of financial position as at 30 June 2022, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three months and six months period then ended and interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the six months period 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:
Wardah Ebrahim
Partner
Registration No. 1258

11 August 2022

Sharjah, United Arab Emirates

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 (Unaudited)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2022 AED millions	2021 AED millions	2022 AED millions	2021 AED millions
Continuing operations					
Revenue from contracts with customers	4	838.5	383.5	419.9	220.0
Cost of revenue		(564.1)	(231.1)	(276.1)	(113.9)
Gross profit		274.4	152.4	143.8	106.1
Other income		36.3	69.3	21.0	68.8
Selling and distribution expenses		(172.7)	(97.4)	(91.1)	(59.0)
General and administrative expenses		(118.7)	(41.6)	(60.9)	(13.2)
Share of loss of an associate	6	-	(31.4)	-	(30.6)
Gain from investments and others		2.0	2.5	-	-
Operating profit		21.3	53.8	12.8	72.1
Finance income		1.3	0.1	0.9	-
Finance costs		(15.1)	(9.2)	(8.6)	(4.7)
Profit before tax for the period from continuing operations		7.5	44.7	5.1	67.4
Income tax and zakat (expense)/credit		(2.2)	0.4	(0.9)	-
Profit for the period from continuing operations		5.3	45.1	4.2	67.4
Discontinued operations					
Profit/(loss) for the period from discontinued operations	7(e)	1.8	(9.9)	1.0	(3.0)
Gain on disposal of subsidiaries	7(b) and (d)	-	9.0	-	9.0
		1.8	(0.9)	1.0	6.0
PROFIT FOR THE PERIOD		7.1	44.2	5.2	73.4
Profit/(loss) attributable to:					
Equity holders of the Parent		6.3	49.9	4.8	73.8
Non-controlling interests		0.8	(5.7)	0.4	(0.4)
		7.1	44.2	5.2	73.4
Earnings per share:					
Basic and diluted					
Profit per share attributable to the equity holders of the Parent (in UAE fils)	17	0.6	4.3	0.4	6.4
Earnings per share for continuing operations:					
Basic and diluted					
Profit per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	17	0.5	4.7	0.4	6.6

The attached notes 1 to 22 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 six months ended 30 June 2022 (Unaudited)

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions</i>	<i>2021 AED millions</i>	<i>2022 AED millions</i>	<i>2021 AED millions</i>
Profit for the period	7.1	44.2	5.2	73.4
Other comprehensive income				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Currency translation differences	(24.4)	-	(9.7)	(0.2)
Gain on cash flow hedge	15.1	-	5.3	-
	(9.3)	-	(4.4)	(0.2)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>				
Net change in fair value of financial asset at fair value through other comprehensive income (FVTOCI) (note 10)	(1.6)	-	(1.6)	-
Total other comprehensive loss	(10.9)	-	(6.0)	(0.2)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	(3.8)	44.2	(0.8)	73.2
Total comprehensive (loss)/ income attributable to:				
Equity holders of the Parent	(4.6)	49.9	(1.2)	73.6
Non-controlling interests	0.8	(5.7)	0.4	(0.4)
	(3.8)	44.2	(0.8)	73.2

The attached notes 1 to 22 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 June 2022 (Unaudited)

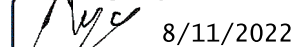
	<i>Notes</i>	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	633.0	645.3
Right of use assets		119.3	103.7
Intangible assets		163.5	177.2
Deferred tax asset		0.6	0.5
Derivative financial instrument		13.6	-
Financial asset at fair value through other comprehensive income	10	5.7	-
		<u>935.7</u>	<u>926.7</u>
Current assets			
Inventories	8	653.5	653.9
Financial asset at fair value through profit or loss	9	19.5	19.5
Receivable from a divested subsidiary		33.3	61.2
Trade and other receivables	11	636.3	581.9
Bank balances and cash	12	151.6	159.3
		<u>1,494.2</u>	<u>1,475.8</u>
Assets held for sale	7(f)	24.0	23.8
		<u>1,518.2</u>	<u>1,499.6</u>
TOTAL ASSETS		<u><u>2,453.9</u></u>	<u><u>2,426.3</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,155.3	1,155.3
Statutory reserve	14	185.5	185.5
Foreign currency translation reserve		(185.1)	(160.7)
Cash flow hedging reserve		13.6	(1.5)
Fair value reserve	10	(1.6)	-
Accumulated losses		(215.6)	(221.9)
Equity attributable to shareholders of the Parent		<u>952.1</u>	<u>956.7</u>
Non-controlling interests	15	7.9	7.1
Total equity		<u>960.0</u>	<u>963.8</u>
Non-current liabilities			
Provision for employees' end of service benefits		78.3	79.8
Bank borrowings	16	665.0	665.0
Deferred tax liability		3.6	4.0
Lease liabilities		77.0	67.8
Derivative financial instrument		-	1.5
		<u>823.9</u>	<u>818.1</u>
Current liabilities			
Trade payables and accruals		514.4	544.2
Income tax and zakat payable		5.8	5.9
Bank borrowings	16	106.2	54.4
Lease liabilities		36.4	31.9
		<u>662.8</u>	<u>636.4</u>
Liabilities directly associated with the assets held for sale	7(f)	7.2	8.0
		<u>670.0</u>	<u>644.4</u>
Total liabilities		<u>1,493.9</u>	<u>1,462.5</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,453.9</u></u>	<u><u>2,426.3</u></u>

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Sh Saqer Humaid Al Qasimi
Chairman

DocuSigned by:



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Dr. Essam Farouk
Chief Executive Officer

The attached notes 1 to 22 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 six months ended 30 June 2022 (Unaudited)

Attributable to the equity holders of the Parent

	<i>Share capital</i> <i>AED</i> <i>millions</i>	<i>Statutory reserve</i> <i>AED</i> <i>millions</i>	<i>Foreign currency translation reserve</i> <i>AED</i> <i>millions</i>	<i>Cash flow reserve</i> <i>AED</i> <i>millions</i>	<i>Fair value reserve</i> <i>AED</i> <i>millions</i>	<i>Accumulated losses</i> <i>AED</i> <i>millions</i>	<i>Total</i> <i>AED</i> <i>millions</i>	<i>Non-controlling interests</i> <i>AED</i> <i>millions</i>	<i>Total equity</i> <i>AED</i> <i>millions</i>
As at 1 January 2022 (audited)	1,155.3	185.5	(160.7)	(1.5)	-	(221.9)	956.7	7.1	963.8
Profit for the period	-	-	-	-	-	6.3	6.3	0.8	7.1
Other comprehensive (loss)/income for the period	-	-	(24.4)	15.1	(1.6)	-	(10.9)	-	(10.9)
Total comprehensive (loss)/income for the period	-	-	(24.4)	15.1	(1.6)	6.3	(4.6)	0.8	(3.8)
As at 30 June 2022 (unaudited)	1,155.3	185.5	(185.1)	13.6	(1.6)	(215.6)	952.1	7.9	960.0
As at 1 January 2021 (audited)	1,155.3	185.5	(146.5)	-	-	(293.2)	901.1	168.8	1,069.9
Profit/ (loss) for the period	-	-	-	-	-	49.9	49.9	(5.7)	44.2
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income/ (loss) for the period	-	-	-	-	-	49.9	49.9	(5.7)	44.2
Movement in non-controlling interests (note 15)	-	-	-	-	-	-	-	1.1	1.1
Non-controlling interests derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	(136.5)	(136.5)
Transfer of foreign currency reserve to accumulated losses on disposal of a subsidiary	-	-	(6.9)	-	-	6.9	-	-	-
Other movement in non-controlling interests	-	-	-	-	-	-	-	(19.3)	(19.3)
As at 30 June 2021 (unaudited)	1,155.3	185.5	(153.4)	-	-	(236.4)	951.0	8.4	959.4

The attached notes 1 to 22 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 six months ended 30 June 2022 (Unaudited)

		<i>Six months ended 30 June</i>	
		<i>2022</i>	<i>2021</i>
		<i>AED</i>	<i>AED</i>
		<i>millions</i>	<i>millions</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit before tax for the period from continuing operations		7.5	44.7
Profit/ (loss) before tax for the period from discontinued operations	7(e)	2.6	(7.8)
Profit before tax for the period		10.1	36.9
Adjustments for:			
Depreciation of property, plant and equipment	5	37.1	33.9
Depreciation of right of use assets		17.3	-
Amortisation of intangible assets		8.3	1.5
Share of loss of investment in an associate	6	-	31.4
Provision for stock losses	8(a)	10.5	3.0
Allowance for expected credit loss on receivables	11(a)	7.1	-
Other income including gain on disposal of subsidiaries		(4.7)	(65.9)
Provision for employees' end of service benefits		4.7	5.2
Finance income		(1.3)	(0.1)
Finance costs		15.1	9.2
		104.2	55.1
Changes in working capital			
Trade and other receivables		(61.5)	42.6
Inventories		(10.1)	(20.5)
Trade payables and accruals		(25.3)	(102.0)
Cash from/(used in) operations		7.3	(24.8)
Employees' end of service benefits paid		(6.2)	(2.8)
Income tax and zakat paid		(2.3)	(2.1)
Net cash flows used in operating activities		(1.2)	(29.7)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(24.8)	(7.8)
Proceeds from divestment of subsidiary		-	27.8
Deposits having maturities after three months and less than one year		9.3	-
Received from a divested subsidiary		27.9	24.5
Purchase of financial asset at FVTOCI	10	(7.3)	-
Finance income received		1.3	0.1
Net cash flows from investing activities		6.4	44.6
FINANCING ACTIVITIES			
Proceeds from bank borrowings	16(c)	51.8	591.8
Repayment of bank borrowings	16(c)	-	(602.0)
Repayment of lease liabilities		(21.8)	-
Decrease in non-controlling interest	15	-	(15.6)
Interest paid		(12.5)	(9.2)
Net cash from/(used in) financing activities		17.5	(35.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22.7	(20.1)
Currency translation differences		(21.1)	(1.5)
Cash and cash equivalents at the beginning of the period		143.0	73.7
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	144.6	52.1

The attached notes 1 to 22 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 June 2022 (Unaudited)

1. ACTIVITIES

Gulf Pharmaceutical Industries P.S.C 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.

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 six months ended 30 June 2022 was authorised for issue in accordance with the resolution of the Board of Directors on 11 August 2022.

The Company has the following major subsidiaries:

Serial No.	Name of subsidiary	Country of Incorporation	Percentage of Ownership		Subsidiary activity
			30 June 2022 (unaudited)	31 December 2021 (audited)	
Direct subsidiaries					
1.	Mena Cool Transportation F.Z.E.	United Arab Emirates	100%	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C. (note (b))	Ethiopia	55%	55%	Manufacturing medicines
3.	Julphar SES L.L.C. (note (a))	Egypt	99.8%	99.8%	General trading
4.	Julphar Diabetes L.L.C. (note (a))	United Arab Emirates	100%	100%	Manufacturing medicines
5.	Julphar Company for Trading and Distribution L.L.C. (note (a))	Egypt	99.8%	99.8%	General trading
6.	Mena Cool Machinery Trading (note (a))	United Arab Emirates	100%	100%	General trading
7.	Julphar Life L.L.C. (note (a))	United Arab Emirates	100%	100%	General trading
8.	Julphar Pakistan Private Limited (note (a), (d) and (e))	Pakistan	-	100%	Distributor of Julphar’s products in Pakistan
9.	Julphar Tunisie (note (a))	Tunisia	99%	99%	Distributor of Julphar’s products in Tunisia
10.	Julphar Gulf Pharmaceuticals Kenya Limited (note (a))	Kenya	100%	100%	Distributor of Julphar's products in Kenya

Gulf Pharmaceutical Industries P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

1. ACTIVITIES (continued)

Serial No.	Name of subsidiary	Country of Incorporation	Percentage of Ownership		Name of subsidiary
			30 June 2022 (unaudited)	31 December 2021 (audited)	
Direct subsidiaries (continued)					
11.	Planet Pharmacies L.L.C (note (c))	United Arab Emirates	100%	100%	Distribution, wholesale and retail trading of medicines and cosmetic products.
Indirect subsidiaries					
<i>Subsidiary of Mena Cool Machinery Trading</i>					
1.	Julphar General Trading L.L.C. (note (a) and (d))	United Arab Emirates	100%	100%	General trading
<i>Subsidiary of Julphar Company for Trading and Distribution L.L.C.</i>					
1.	Julphar Egypt Company L.L.C. (note (d))	Egypt	100%	100%	Distributors of Julphar's products in Egypt
<i>Subsidiary of Julphar Egypt Company L.L.C.</i>					
1.	Julphar Plus (note (a) and (d))	Egypt	100%	100%	Manufacturing and distribution of medicines
<i>Subsidiaries of Planet Pharmacies L.L.C.</i>					
1.	Julphar Drug Store Sharjah	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
2.	Julphar Drug Store LLC (Abu Dhabi)	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
3.	Awafi Drug Store	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
4.	Julphar Healthy Services	United Arab Emirates	100%	100%	Facilities management services, health treatment undertaking services and hospitals management
5.	Health First Investment LLC	United Arab Emirates	100%	100%	Investment in commercial, industrial, and healthcare enterprises and their management.
6.	Health First Pharmacy LLC (Abu Dhabi)	United Arab Emirates	100%	100%	Trading in medicines and medical equipment

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

1. ACTIVITIES (continued)

Serial No.	Name of subsidiary	Country of incorporation	Percentage of Ownership		Subsidiary activity
			30 June 2022 (unaudited)	31 December 2021 (audited)	
<i>Indirect subsidiaries (continued)</i>					
<i>Subsidiaries of Planet Pharmacies L.L.C. (continued)</i>					
7.	Kawakeb Al Saydaliyat Company LLC	Kingdom of Saudi Arabia	100%	100%	Trading in medicines and medical equipment
8.	Planet Pharmacies LLC	Sultanate of Oman	100%	100%	Trading in medicines and medical equipment
9.	Future Medical Co. Ltd	Sultanate of Oman	100%	100%	Trading in medicines and medical equipment
<i>Subsidiaries of Julphar Healthy Services</i>					
1.	Scientific Pharmacy LLC	Sultanate of Oman	100%	100%	Trading in medicines and medical equipment
<i>Subsidiaries of Health First Investment LLC</i>					
1.	Masafi Pharmacy	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
<i>Subsidiary of Kawakeb Al Saydaliyat Company LLC</i>					
1.	Zahrat Al Rawdah Pharmacies Limited Liability Company	Kingdom of Saudi Arabia	100%	100%	Retail and wholesale trading in medicines and cosmetics
<i>Subsidiaries of Zahrat Al Rawdah Pharmacies Limited Liability Company</i>					
1.	Rawdah Jeddah Medical Establishment	Kingdom of Saudi Arabia	100%	100%	Retail and wholesale trading in medicines and cosmetics
2.	Shahaad Zahrat Al Rawdah	Kingdom of Saudi Arabia	100%	100%	Retail and wholesale trading in medicines and cosmetics

- 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 2021, management has classified the subsidiary as a disposal group held for sale (note 7(c)). As of the reporting date, the sale of the subsidiary has not been completed and the sale is expected to be completed during the current year.
- c) During the year 2021, the Parent Company purchased the remaining 60% shareholding in Planet Pharmacies L.L.C (“Planet”) from M/s Pharma SPV Ltd and accordingly with effect from 1 July 2021 the results of Planet are consolidated in interim condensed consolidated financial statements (note 6(a)).
- d) Certain % of the Group’s ownership stake in these entities is held through beneficial ownership arrangement with the legal owner.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

1. ACTIVITIES (continued)

- e) During the six months period ended 30 June 2022, the Parent Company disposed of 100% of its shareholding in the subsidiary. Since the subsidiary was not operational, therefore, the financial impact of the disposal of the subsidiary is immaterial to the overall interim condensed consolidated financial statements of the Group.
- f) During the year ended 31 December 2021, the Parent Company sold its shareholding of 100%, 50.5% and 51% in M/s Gulf Inject LLC, M/s Julphar Bangladesh Limited and M/s Alpha Pharma L.L.C respectively.

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 six months ended 30 June 2022 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 2021.

In addition, results for the six months ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is also the functional currency of the Company, 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, financial assets measured at fair value through other comprehensive income and derivative financial instruments measured at fair value (note 20).

2.2. Changes in the accounting policies

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 2021, except for the following:

a) *Financial assets designated at fair value through other comprehensive income (equity instruments)*

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

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

The Group elected to classify irrevocably, one of its listed equity investments under this category (note 10).

b) *New standards, interpretations and amendments adopted by the Group*

The Group applied for the first time certain new standards, interpretations and amendments effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

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

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 2021.

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

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>
Gross sales	867.8	421.5	432.6	235.5
Less: commissions	(22.2)	(21.5)	(9.1)	(10.1)
Net sales	845.6	400.0	423.5	225.4
Less: net sales relating to discontinued operations (note 7(e))	(7.1)	(16.5)	(3.6)	(5.4)
	838.5	383.5	419.9	220.0

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

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

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>
Geographic information				
UAE	282.5	108.8	131.4	79.7
Other GCC countries	322.5	113.2	166.1	72.5
Other countries	240.6	178.0	126.0	73.2
	845.6	400.0	423.5	225.4
Less: net sales relating to discontinued operations (note 7(e))	(7.1)	(16.5)	(3.6)	(5.4)
	838.5	383.5	419.9	220.0

4.2 Contract balances

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Contract assets		
Trade receivables (note 11)	542.5	477.0
Contract liabilities		
Refund liabilities	49.8	34.5
Rebate and accruals	23.5	23.3
Advances from customers	8.0	8.5
Commissions payable	23.1	39.0
	104.4	105.3

4.3 Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 6 to 12 months (30 June 2021: 6 to 12 months) from delivery.

5. PROPERTY, PLANT AND EQUIPMENT

- Property, plant and equipment additions during the current period amounted to AED 24.8 million (30 June 2021: AED 7.8 million).
- Depreciation charges for the current period amounted to AED 37.1 million (30 June 2021: AED 33.9 million).
- Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 16).
- The factory and its related buildings of the Parent Company are constructed on plots of land amounting to AED 3.7 million (31 December 2021: AED 3.7 million) which are owned by the Government of Ras Al Khaimah.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

6. INVESTMENT IN AN ASSOCIATE

- a) On 8 July 2021, the Parent Company purchased the remaining 60% shareholding in Planet Pharmacies L.L.C (“Planet”), which is engaged in the distribution, wholesale and retail trading of medicines and cosmetic products in UAE, KSA and Oman, thereby obtaining a 100% shareholding and control of Planet. As a result of the 100% acquisition of Planet by Julphar, Planet has become one of the guarantors to the lenders under the AED 1.01billion Debt Restructuring Facility and is bound by terms of the facility. Planet signed the Guarantor Accession Deed in this respect on 20 October 2021 because of which Planet agrees to perform all obligations expressed to be assumed by a guarantor under the facility (note 16(a)).

Further, the fair value of the net assets acquired has been completed by the date these interim condensed consolidated financial statements were approved for issue by the Board of Directors. Thus, net assets recognised on provisional assessment on acquisition date are not materially different from the acquisition date fair value. Accordingly, no adjustment to the gain on bargain purchase is required to be made in the interim condensed consolidated statement of profit or loss.

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

	30 June 2022 AED millions (unaudited)	31 December 2021 AED millions (audited)
Balance at the beginning of the period/year	-	270.6
Share of associate’s consolidated loss for the period/year	-	(31.4)
Loss on remeasurement of previously existing interest of an associate	-	(7.9)
Investment in an associate derecognized on obtaining control	-	(231.3)
	<hr/>	<hr/>
At the end of the period/year	<hr/> <hr/>	<hr/> <hr/>

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Gulf Inject L.L.C.

During the year 2019, the Board of Directors of the Company decided to sell Gulf Inject L.L.C. (“Gulf Inject”), a wholly owned subsidiary.

During the year 2021, the Group entered into a Sale & Purchase Agreement with respect to its investment in Gulf Inject. The legal formalities relating to the disposal of Gulf Inject were fulfilled and the sale of Gulf Inject was completed during the year 2021.

With Gulf Inject being classified as a discontinued operation, the results of Gulf Inject has not been presented in the segment information (note 19).

The net cash flows incurred by Gulf Inject are as follows:

	Six months ended 30 June	
	2022 AED millions (unaudited)	2021 AED millions (unaudited)
Operating	-	0.2
Investing	-	(0.6)
	<hr/>	<hr/>
Net cash outflow	<hr/> <hr/>	<hr/> <hr/>

Basic and diluted loss per share

Basic and diluted loss per share is disclosed in note 17.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

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

b) **Julphar Bangladesh Limited**

During the year 2019, the Board of Directors of the Company decided to sell Julphar Bangladesh Limited (“Julphar Bangladesh”).

During the year 2020, the Group entered into a Sale & Purchase Agreement with respect to its investment in Julphar Bangladesh. The legal formalities relating to the disposal of Julphar Bangladesh were fulfilled and the sale of Julphar Bangladesh was completed during the year 2021.

With Julphar Bangladesh being classified as a discontinued operation, the results of Julphar Bangladesh has not been presented in the segment information (note 19).

The net cash flows generated/(incurred) by Julphar Bangladesh are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>
	<i>(unaudited)</i>	<i>(unaudited)*</i>
Operating	-	0.1
Investing	-	(0.1)
Net cash flow	-	-

* Represents three months of activity prior to the sale on 31 March 2021.

Basic and diluted loss per share

Basic and diluted loss per share is disclosed in note 17.

c) **Julphar Pharmaceuticals P.L.C.**

During the year 2021, the Board of Directors of the Company decided to sell Julphar Pharmaceuticals P.L.C. (“Julphar Ethiopia”). The sale of Julphar Ethiopia is expected to be completed during the current year. Accordingly, Julphar Ethiopia has been classified as a disposal group held for sale and as a discontinued operation.

With Julphar Ethiopia being classified as a discontinued operation, the results of Julphar Ethiopia has not been presented in the segment information (note 19). 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 Julphar Ethiopia separately from continuing operations during the period ended 30 June 2022 and 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**c) Julphar Pharmaceuticals P.L.C. (continued)**

The net cash flows generated/(incurred) by Julphar Ethiopia are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i> <i>AED</i> <i>millions</i> <i>(unaudited)</i>	<i>2021</i> <i>AED</i> <i>millions</i> <i>(unaudited)</i>
Operating	4.7	1.1
Investing	-	(0.2)
Financing	(0.1)	(0.2)
Net cash inflow	<u>4.6</u>	<u>0.7</u>

Basic and diluted loss per share

Basic and diluted loss per share is disclosed in note 17.

d) Alpha Pharma L.L.C.

On 9 May 2021, a Sale and Purchase Agreement (“SPA”) was entered into, whereby the Group agreed to sell its 51% shareholding in Alpha Pharma L.L.C. (“Alpha Pharma”) to Cigalah.

The legal formalities relating to the disposal of Alpha Pharma which included amongst other things obtaining the approval from the General Authority for Competition (“GPA”) in the Kingdom of Saudi Arabia (“KSA”) was received during the current period. The other legal formalities have been fulfilled on 19 May 2022. The completion of these legal formalities concludes the transfer of control of Alpha Pharma to Cigalah. The related carrying values of net assets and non-controlling interests of Alpha Pharma were derecognized during the year 2021.

With Alpha Pharma being classified as a discontinued operation, the results of Alpha Pharma have not been presented in the segment information (note 19).

The net cash flows (incurred)/generated by Alpha Pharma are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i> <i>AED</i> <i>millions</i> <i>(unaudited)</i>	<i>2021</i> <i>AED</i> <i>millions</i> <i>(unaudited)*</i>
Operating	-	(7.0)
Financing	-	15.4
Net cash inflow	<u>-</u>	<u>8.4</u>

*Represents four months of activity prior to the sale on 9 May 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

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

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

For the six months ended 30 June

	2022		2021			
	<i>Julphar Pharmaceuticals PLC AED millions (unaudited)</i>	<i>Gulf Inject LLC AED millions (unaudited)</i>	<i>Julphar Bangladesh Limited** AED millions (unaudited)</i>	<i>Alpha Pharma LLC* AED millions (unaudited)</i>	<i>Julphar Pharmaceuticals PLC AED millions (unaudited)</i>	<i>Total AED millions (unaudited)</i>
Revenue from contracts with customers	7.1	10.2	1.8	1.3	3.2	16.5
Cost of revenue	(3.9)	(7.4)	(1.0)	(6.1)	(2.3)	(16.8)
GROSS PROFIT/(LOSS)	3.2	2.8	0.8	(4.8)	0.9	(0.3)
Other income	-	3.0	3.6	0.3	-	6.9
Selling and distribution expenses	(0.6)	(0.9)	(2.0)	(0.2)	(0.4)	(3.5)
General and administrative expenses	-	(1.5)	-	(9.2)	-	(10.7)
OPERATING PROFIT/(LOSS)	2.6	3.4	2.4	(13.9)	0.5	(7.6)
Finance income	-	0.1	-	-	-	0.1
Finance costs	-	-	(0.2)	(0.1)	-	(0.3)
PROFIT/(LOSS) BEFORE TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2.6	3.5	2.2	(14.0)	0.5	(7.8)
Income tax expense	(0.8)	-	-	(1.9)	(0.2)	(2.1)
PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	1.8	3.5	2.2	(15.9)	0.3	(9.9)
Attributable to:						
Equity holders of the Parent	1.0	3.5	1.1	(9.0)	0.2	(4.2)
Non-controlling interests	0.8	-	1.1	(6.9)	0.1	(5.7)
	1.8	3.5	2.2	(15.9)	0.3	(9.9)

*Represents four months of activity prior to the sale on 9 May 2021.

** Represents three months of activity prior to the sale on 31 March 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

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

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

	<i>For the three months ended 30 June</i>					
	2022		2021			
	<i>Julphar Pharmaceuticals PLC AED millions (unaudited)</i>	<i>Gulf Inject LLC AED millions (unaudited)</i>	<i>Julphar Bangladesh Limited AED millions (unaudited)</i>	<i>Alpha Pharma LLC* AED millions (unaudited)</i>	<i>Julphar Pharmaceuticals PLC AED millions (unaudited)</i>	<i>Total AED millions (unaudited)</i>
Revenue from contracts with customers	3.6	4.2	-	-	1.3	5.4
Cost of revenue	(1.9)	(3.5)	-	-	(1.2)	(4.7)
GROSS PROFIT/(LOSS)	1.7	0.7	-	-	0.1	0.7
Selling and distribution expenses	(0.2)	(0.4)	-	(0.2)	(0.2)	(0.7)
General and administrative expenses	-	(0.8)	-	(2.2)	-	(3.0)
OPERATING PROFIT/(LOSS)	1.5	(0.5)	-	(2.4)	(0.1)	(3.0)
Finance income	-	0.1	-	-	-	0.1
Finance costs	-	-	-	(0.1)	-	(0.1)
PROFIT/(LOSS) BEFORE TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	1.5	(0.4)	-	(2.5)	(0.1)	(3.0)
Income tax expense	(0.5)	-	-	-	-	-
PROFIT/ (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	1.0	(0.4)	-	(2.5)	(0.1)	(3.0)
Attributable to:						
Equity holders of the Parent	0.5	(0.4)	-	(2.1)	(0.1)	(2.6)
Non-controlling interests	0.5	-	-	(0.4)	-	(0.4)
	1.0	(0.4)	-	(2.5)	(0.1)	(3.0)

*Represents one month activity prior to the sale on 9 May 2021.

There was no amount included in the interim condensed 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 June 2022 (Unaudited)

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

- f) The major classes of assets and liabilities of the disposal group classified as held for sale as at the period/year are as follows:

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>Julphar Pharmaceuticals PLC AED millions (unaudited)</i>	<i>Julphar Pharmaceuticals plc AED millions (audited)</i>
ASSETS		
Property, plant and equipment	3.3	3.5
Inventories	4.3	6.8
Trade and other receivables	2.7	3.8
Bank balances and cash	13.7	9.7
Assets held for sale	24.0	23.8
LIABILITIES		
Trade payables and accruals	7.2	8.0
Liabilities directly associated with assets held for sale	7.2	8.0
Net assets directly associated with assets held for sale	16.8	15.8
Less: net assets attributable to non-controlling interest	(7.9)	(7.1)
Group's share of net assets directly associated with disposal group	8.9	8.7

8. INVENTORIES

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Raw materials (note (b))	144.9	146.8
Packing materials	56.8	64.0
Work-in-progress	13.9	16.4
Finished goods	400.4	420.6
Goods in transit	8.8	9.0
Consumables	24.7	18.6
Spare parts	47.9	41.0
	697.4	716.4
Less: provision for stock losses (note (a))	(39.6)	(55.7)
	657.8	660.7
Less: inventories attributable to assets held for sale (note 7(f))	(4.3)	(6.8)
	653.5	653.9

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

8. INVENTORIES (continued)

a) The movement in the Group's provision for stock losses during the period/year is as follows:

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Balance at the beginning of the period/year	55.7	56.0
Charge during the period/year	10.5	16.4
Written-off during the period/year	(26.6)	(38.4)
Acquired on business combination during the period/year	-	21.7
Balance at the end of the period/year	<u>39.6</u>	<u>55.7</u>

b) Includes raw materials amounting to AED 3.3 million (31 December 2021: AED 5.8 million) held by a third party.

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial asset at FVPTL is denominated in AED and is held for trading in non-listed equity security and include the following:

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
In UAE markets	<u>19.5</u>	<u>19.5</u>

Movements in financial asset at FVTPL during the period/year are as follows:

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Balance at the beginning of the period/year	19.5	19.7
Disposals during the period/year	-	(0.2)
	<u>19.5</u>	<u>19.5</u>

Investment in unquoted equity security represents investment in 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 has been computed using dividend growth model (31 December 2021: dividend growth model). 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 20).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

10. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Quoted equity at cost	7.3	-
Less: accumulated fair value reserve	(1.6)	-
	<hr/>	<hr/>
Fair value of financial assets at FVTOCI	5.7	-
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of financial asset at FVTOCI during the period/year are as follows:

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Fair value at the beginning of the period/year	-	-
Additions during the period/year	7.3	-
Unrealized loss on revaluation for the period/year	(1.6)	-
	<hr/>	<hr/>
	5.7	-
	<hr/> <hr/>	<hr/> <hr/>

Investment in quoted equity security represents investment in an entity which is engaged in development of innovative medicines to combat cardiovascular diseases. The Group holds non-controlling interests of 2.2% in the entity. The investment was irrevocably designated at fair value through OCI as the Group considers the investment to be strategic in nature.

11. TRADE AND OTHER RECEIVABLES

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Trade receivables	722.0	649.4
Less: allowance for expected credit losses (note (a))	(179.5)	(172.4)
	<hr/>	<hr/>
	542.5	477.0
Advances to suppliers	47.7	49.5
Prepayments	10.1	9.5
Value added tax receivable	18.4	13.3
Rebates, commission and discount receivable from suppliers	5.9	2.5
Other receivables	14.4	33.9
	<hr/>	<hr/>
	639.0	585.7
Less: trade and other receivables attributable to assets held for sale (note 7(f))	(2.7)	(3.8)
	<hr/>	<hr/>
	636.3	581.9
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

11. TRADE AND OTHER RECEIVABLES (continued)

a) Movement in the allowance for expected credit losses during the period/year was as follows:

	30 June 2022 AED millions (unaudited)	31 December 2021 AED millions (audited)
Balance at the beginning of the period/year	172.4	417.8
Charge for the period/year	7.1	2.0
Written off during the year	-	(292.2)
Acquired on business combination during the year	-	44.8
	<hr/>	<hr/>
Balance at the end of the period/year	179.5	172.4
	<hr/> <hr/>	<hr/> <hr/>

b) During 2018, the Saudi Food and Drug Authority (SFDA) had 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.

During the year 2021, the management of the Parent Company negotiated with the distributor for the settlement of outstanding balances. On settlement with the Saudi distributor, the management of the Parent Company has netted of all trade receivables and liabilities balances up to 31 May 2021 and has written back the related provisions.

12. CASH AND CASH EQUIVALENTS

	30 June 2022 AED millions (unaudited)	31 December 2021 AED millions (audited)
Current accounts	154.6	148.2
Short term bank deposits	7.0	17.4
Cash in hand	3.7	3.4
	<hr/>	<hr/>
	165.3	169.0
Less: cash and bank balances attributable to assets held for sale (note 7(f))	(13.7)	(9.7)
	<hr/>	<hr/>
Cash and bank balances	151.6	159.3
Less: term deposits having maturities after three months and less than one year	(7.0)	(16.3)
	<hr/>	<hr/>
Cash and cash equivalents	144.6	143.0
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

13. SHARE CAPITAL

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
<i>Authorised, issued and fully paid</i>		
1,155,227,811 ordinary shares (31 December 2021:1,155,227,811 ordinary shares) at par value of AED 1 each	1,155.3	1,155.3

14. STATUTORY RESERVE

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015 (as amended), the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year. As the Company had accumulated losses as at 30 June 2022, 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.

15. NON-CONTROLLING INTERESTS

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Non-controlling interests	7.9	7.1

- a) During the six months period ended 30 June 2021, the minority party in one of the Group's subsidiary in the Kingdom of Saudi Arabia had injected capital amounting to AED 1.1 million.
- b) Further, during the six months period ended 30 June 2021, the non-controlling interests of the Group's subsidiaries, Julphar Bangladesh and Alpha Pharma amounting to AED 136.5 million, has been derecognised on account of disposal of subsidiaries.

16. BANK BORROWINGS

	<i>Interest rate(%)</i>	<i>Maturity</i>	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Current interest bearing loans and borrowings				
Bank overdraft and trust receipts	3m EIBOR+2%	On demand	106.2	54.4
Non-current interest bearing loans and borrowings				
AED 750 million loan (note (a))	3m EIBOR+2.50%	17 July 2030	665.0	665.0
Total interest bearing loans and borrowings			771.2	719.4

- a) During the year 2021, the Parent Company entered into a syndicated loan arrangement with a consortium of local banks. The total syndicated facility comprises of Ijarah Term Loan Facility of AED 150 million, Conventional Working Capital Finance Facility of AED 260 million and Conventional Facility of AED 600 million with total facility size of AED 1.01 billion. As of the reporting date, the Company had an undrawn facility of AED 238.8 million (31 December 2021: AED 290.6 million). The drawdown term loan of AED 665 million (AED 150 million from Ijarah Facility and AED 515 million from Conventional Facility) as of the reporting date is payable in quarterly instalments starting from 30 July 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

16. BANK BORROWINGS (continued)

The Group has obtained AED 1.01 billion banking facilities against the following securities:

- Negative pledge over all assets except or otherwise specified as permitted assets.
- Assignment of insurance policy over its business and assets (including Secured Assets and the assets that represent Ijara Assets from time to time).
- Assignment of receivables of key customers upto 75% and undertaking to route them annually through Obligor's collection account with the Bank.
- General Mortgage over Property, Plant & Equipment and Inventory.
- Corporate guarantee of a subsidiary (note 6(a))

The Group's syndicated loan agreement is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios and will be applicable for testing from the year ended 31 December 2022.

- b) 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.
- c) Movement in borrowings during the period/year is as follows:

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Balance at the beginning of the period/year	719.4	611.8
Less: loans repaid during the period/year	-	(550.0)
Add: new drawdowns	51.8	665.0
Add: acquired on business combination	-	2.4
Less: derecognised on disposal of subsidiary	-	(9.8)
	<u>771.2</u>	<u>719.4</u>

17. BASIC LOSS PER SHARE (EPS)

- a) Basic EPS is calculated by dividing the profit/(loss) for the year attributable to equity holders of the Parent by the weighted average number of outstanding shares during the period.

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>
Profit for the period attributable to the equity shareholders of the Parent:				
Continuing operations	5.3	54.1	4.3	76.4
Discontinued operations (note 7(e))	1.0	(4.2)	0.5	(2.6)
	<u>6.3</u>	<u>49.9</u>	<u>4.8</u>	<u>73.8</u>
Profit for the period attributable to the equity holders of the Parent	6.3	49.9	4.8	73.8
Weighted average number of shares	<u>1,155.3</u>	<u>1,155.3</u>	<u>1,155.3</u>	<u>1,155.3</u>

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17. BASIC LOSS PER SHARE (EPS) (continued)

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>
Basic profit per share attributable to the equity holders of the Parent (in UAE fils)	0.6	4.3	0.4	6.4
Basic profit per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	0.5	4.7	0.4	6.6

b) 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>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>
Profit for the period attributable to the equity shareholders of the Parent from discontinued operations (in AED millions)	1.0	(4.2)	0.5	(2.6)
Basic profit per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	0.1	0.4	0.04	0.2

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

18. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Company's major 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. 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>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>
Sales to associate	-	56.4	-	29.2

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18. RELATED PARTY BALANCES AND TRANSACTIONS (continued)*a) Related party transactions (continued)*

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>
Other income	-	32.8	-	32.8

b) Compensation of key management personnel of the Group

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

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2022 AED millions (unaudited)</i>	<i>2021 AED millions (unaudited)</i>
Short-term benefits	5.3	5.0	2.2	2.5
Post employment and other long-term benefits	1.1	-	0.6	-
Directors' remuneration	1.9	-	1.9	-
	8.3	5.0	4.7	2.5

c) 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.

19. 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. Planet
- c. Investments
- d. Others

The sales from the manufacturing segment to the Planet segment and inter-company profit elimination effect are excluded from the manufacturing segment. 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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At 30 June 2022 (Unaudited)

19. SEGMENT INFORMATION (continued)

	<i>For the six months ended 30 June 2022 (unaudited)</i>					<i>For the six months ended 30 June 2021 (unaudited)</i>				
	<i>Manufacturing AED millions</i>	<i>Planet 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	341.4	497.1	-	-	838.5	383.5	-	-	383.5	
Segment result	(3.3)	20.4	2.0	(13.8)	5.3	83.1	(28.9)	(9.1)	45.1	
Depreciation expense of property, plant and equipment	33.0	4.1	-	-	37.1	33.9	-	-	33.9	
Depreciation expense of right of use assets	-	17.3	-	-	17.3	-	-	-	-	
Amortisation expense of intangible assets	-	8.3	-	-	8.3	1.5	-	-	1.5	
Share of associate's loss	-	-	-	-	-	-	(31.4)	-	(31.4)	

	<i>30 June 2022 (unaudited)</i>					<i>31 December 2021 (audited)</i>				
	<i>Manufacturing AED millions</i>	<i>Planet 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>Planet AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>
Segment assets	985.1	1,268.0	25.2	151.6	2,429.9	1,002.1	1,221.6	19.5	159.3	2,402.5
Segment liabilities	314.1	401.4	-	771.2	1,486.7	359.5	375.6	-	719.4	1,454.5

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At 30 June 2022 (Unaudited)

19. 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 June 2022 (unaudited)</i>				
	<i>Total AED millions</i>	<i>UAE AED millions</i>	<i>Oman AED millions</i>	<i>Saudi Arabia AED millions</i>	<i>Others AED millions</i>
Non-current assets					
Property, plant and equipment	633.0	617.4	3.1	12.4	0.1
Right of use assets	119.3	31.3	12.5	75.2	0.3
Intangible assets	163.5	67.9	9.3	79.9	6.4
	<i>Six months ended 30 June 2022 (unaudited)</i>				
	<i>Total AED millions</i>	<i>UAE AED millions</i>	<i>Oman AED millions</i>	<i>Saudi Arabia AED millions</i>	<i>Others AED millions</i>
Revenue	838.5	282.5	60.7	233.8	261.5
	<i>31 December 2021 (audited)</i>				
	<i>Total AED millions</i>	<i>UAE AED millions</i>	<i>Oman AED millions</i>	<i>Saudi Arabia AED millions</i>	<i>Others AED millions</i>
Non-current assets					
Property, plant and equipment	645.3	632.1	3.1	10.1	-
Right of use assets	103.7	36.5	10.3	56.5	0.4
Intangible assets	177.2	70.4	9.4	85.4	12.0
	<i>Six months ended 30 June 2021 (unaudited)</i>				
	<i>Total AED millions</i>	<i>UAE AED millions</i>	<i>Oman AED millions</i>	<i>Saudi Arabia AED millions</i>	<i>Others AED millions</i>
Revenue	383.5	98.6	47.1	64.3	173.5

The Group has sales to one customer whose sales individually are more than 10% of the total external sales. Total amount of sales for the six months ended 30 June 2022 to this one customer amounts to AED 84.8 million (30 June 2021: Top 4 customers AED 171.3 million). These revenues are included under manufacturing segment. 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.

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20. 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.

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 2021.

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:

	<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 June 2022</i> <i>AED</i> <i>millions</i> <i>(unaudited)</i>	<i>31 December 2021</i> <i>AED</i> <i>millions</i> <i>(audited)</i>			<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December 2021</i> <i>(audited)</i>
Financial assets						
Unquoted equity investments						
– FVTPL	19.5	19.5	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)	- Cost of equity - Growth rate - Discount for lack of marketability	- Discount rate - Growth rate - Discount for lack of marketability
Quoted equity Investments						
– FVTOCI	5.7	-	Level 1	Quoted bid prices in an active market	None	None
	25.2	19.5				
Derivative financial instrument						
Interest rate cap						
	13.6	1.5	Level 2	N/A	N/A	N/A

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).

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21. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Capital commitments	<u>12.6</u>	<u>23.2</u>
Letters of credit	<u>5.5</u>	<u>17.3</u>
Letters of guarantee	<u>20.1</u>	<u>36.3</u>

22. COMPARATIVE INFORMATION

Other than the effect of the discontinued operation disclosed in note 7, there are no other reclassifications during the current period.