

# **Gulf Pharmaceutical Industries P.S.C.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**30 SEPTEMBER 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 September 2022, which comprises the interim condensed consolidated statement of financial position as at 30 September 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 nine months period then ended and interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the nine 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

9 November 2022

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 2022 (Unaudited)

	Notes	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
		<i>2022 AED millions</i>	<i>2021 AED millions</i>	<i>2022 AED millions</i>	<i>2021 AED millions</i>
<b>Continuing operations</b>					
Revenue from contracts with customers	4	<b>1,254.3</b>	746.3	<b>415.8</b>	362.8
Cost of revenue		<b>(855.2)</b>	(505.7)	<b>(291.1)</b>	(274.6)
<b>Gross profit</b>		<b>399.1</b>	240.6	<b>124.7</b>	88.2
Other income		<b>61.6</b>	84.1	<b>25.3</b>	14.8
Selling and distribution expenses		<b>(247.7)</b>	(172.7)	<b>(75.0)</b>	(75.3)
General and administrative expenses		<b>(179.2)</b>	(98.9)	<b>(60.5)</b>	(57.3)
Share of loss of an associate	6	-	(31.4)	-	-
Loss on remeasurement of previously existing interest of an associate		-	(7.9)	-	(7.9)
Gain on bargain purchase	6.1	-	76.4	-	76.4
Gain from investments and others		<b>2.0</b>	3.4	-	0.9
<b>Operating profit</b>		<b>35.8</b>	93.6	<b>14.5</b>	39.8
Finance income		<b>2.2</b>	1.5	<b>0.9</b>	1.4
Finance costs		<b>(25.6)</b>	(17.0)	<b>(10.5)</b>	(7.8)
<b>Profit before tax for the period from continuing operations</b>		<b>12.4</b>	78.1	<b>4.9</b>	33.4
Income tax and zakat expense		<b>(3.5)</b>	(0.7)	<b>(1.3)</b>	(1.1)
<b>Profit for the period from continuing operations</b>		<b>8.9</b>	77.4	<b>3.6</b>	32.3
<b>Discontinued operations</b>					
Profit/(loss) for the period from discontinued operations	7(e)	<b>2.7</b>	(7.4)	<b>0.9</b>	2.5
Gain on disposal of subsidiaries	7(a)(b) and (d)	-	28.0	-	19.0
		<b>2.7</b>	20.6	<b>0.9</b>	21.5
<b>PROFIT FOR THE PERIOD</b>		<b>11.6</b>	98.0	<b>4.5</b>	53.8
Profit/(loss) attributable to:					
Equity holders of the Parent		<b>10.4</b>	103.2	<b>4.1</b>	53.3
Non-controlling interests		<b>1.2</b>	(5.2)	<b>0.4</b>	0.5
		<b>11.6</b>	98.0	<b>4.5</b>	53.8
Earnings per share:					
Basic and diluted					
Profit per share attributable to the equity holders of the Parent (in UAE fils)	17	<b>0.9</b>	8.9	<b>0.4</b>	4.6
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	<b>0.8</b>	9.1	<b>0.3</b>	4.4

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 COMPREHENSIVE INCOME

For the nine months ended 30 September 2022 (Unaudited)

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2022 AED millions</i>	<i>2021 AED millions</i>	<i>2022 AED millions</i>	<i>2021 AED millions</i>
<b>Profit for the period</b>	<b>11.6</b>	98.0	<b>4.5</b>	53.8
<b>Other comprehensive income</b>				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Currency translation differences	(27.2)	(7.3)	(2.8)	(7.3)
Gain on cash flow hedge	25.6	-	10.5	-
	<b>(1.6)</b>	(7.3)	<b>7.7</b>	(7.3)
<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	-
<b>Total other comprehensive (loss)/income</b>	<b>(1.6)</b>	(7.3)	<b>9.3</b>	(7.3)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>10.0</b>	90.7	<b>13.8</b>	46.5
Total comprehensive income/(loss) attributable to:				
Equity holders of the Parent	8.8	95.9	13.4	46.0
Non-controlling interests	1.2	(5.2)	0.4	0.5
	<b>10.0</b>	90.7	<b>13.8</b>	46.5

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 September 2022 (Unaudited)

	Notes	30 September 2022 AED millions (unaudited)	31 December 2021 AED millions (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	620.8	645.3
Right of use assets		121.6	103.7
Intangible assets		158.1	177.2
Deferred tax asset		0.6	0.5
Derivative financial instrument		24.1	-
Financial asset at fair value through other comprehensive income	10	7.3	-
		<u>932.5</u>	<u>926.7</u>
<b>Current assets</b>			
Inventories	8	665.9	653.9
Financial asset at fair value through profit or loss	9	19.5	19.5
Trade and other receivables	11	701.2	643.1
Bank balances and cash	12	115.3	159.3
		<u>1,501.9</u>	<u>1,475.8</u>
Assets held for sale	7(f)	24.9	23.8
		<u>1,526.8</u>	<u>1,499.6</u>
<b>TOTAL ASSETS</b>		<u><b>2,459.3</b></u>	<u><b>2,426.3</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	1,155.3	1,155.3
Statutory reserve	14	185.5	185.5
Foreign currency translation reserve		(187.9)	(160.7)
Cash flow hedging reserve		24.1	(1.5)
Accumulated losses		(211.5)	(221.9)
		<u>965.5</u>	<u>956.7</u>
<b>Equity attributable to shareholders of the Parent</b>		<u>965.5</u>	<u>956.7</u>
Non-controlling interest	15	8.3	7.1
		<u>973.8</u>	<u>963.8</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits		78.4	79.8
Bank borrowings	16	648.4	665.0
Deferred tax liability		3.5	4.0
Lease liabilities		77.2	67.8
Derivative financial instrument		-	1.5
		<u>807.5</u>	<u>818.1</u>
<b>Current liabilities</b>			
Trade payables and accruals		489.6	544.2
Income tax and zakat payable		6.4	5.9
Bank borrowings	16	136.3	54.4
Lease liabilities		38.1	31.9
		<u>670.4</u>	<u>636.4</u>
Liabilities directly associated with the assets held for sale	7(f)	7.6	8.0
		<u>678.0</u>	<u>644.4</u>
<b>Total liabilities</b>		<u><b>1,485.5</b></u>	<u><b>1,462.5</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,459.3</b></u>	<u><b>2,426.3</b></u>



Sh Saqer Humaid Al Qasimi  
Chairman



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 nine months ended 30 September 2022 (Unaudited)

*Attributable to the equity holders of the Parent*

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Foreign currency translation reserve</i>	<i>Cash flow reserve</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</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	-	-	-	-	10.4	10.4	1.2	11.6
Other comprehensive (loss)/income for the period	-	-	(27.2)	25.6	-	(1.6)	-	(1.6)
Total comprehensive (loss)/income for the period	-	-	(27.2)	25.6	10.4	8.8	1.2	10.0
<b>As at 30 September 2022 (unaudited)</b>	<b>1,155.3</b>	<b>185.5</b>	<b>(187.9)</b>	<b>24.1</b>	<b>(211.5)</b>	<b>965.5</b>	<b>8.3</b>	<b>973.8</b>
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	-	-	-	-	103.2	103.2	(5.2)	98.0
Other comprehensive loss for the period	-	-	(7.3)	-	-	(7.3)	-	(7.3)
Total comprehensive income/(loss) for the period	-	-	(7.3)	-	103.2	95.9	(5.2)	90.7
Movement in non-controlling interests (note 15)	-	-	-	-	-	-	1.1	1.1
Non-controlling interests derecognised on disposal of subsidiaries (note 15)	-	-	-	-	-	-	(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 interest	-	-	-	-	-	-	(19.3)	(19.3)
As at 30 September 2021 (unaudited)	1,155.3	185.5	(160.7)	-	(183.1)	997.0	8.9	1,005.9

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 nine months ended 30 September 2022 (Unaudited)

		<i>Nine months ended 30 September</i>	
		<b>2022</b>	<b>2021</b>
		<b>AED</b>	<b>AED</b>
		<b>millions</b>	<b>millions</b>
	<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>			
Profit before tax for the period from continuing operations		<b>12.4</b>	78.1
Profit before tax for the period from discontinued operations	7(e)	<b>3.9</b>	(5.0)
Profit before tax for the period		<b>16.3</b>	73.1
Adjustments for:			
Depreciation of property, plant and equipment	5	<b>56.3</b>	52.4
Depreciation of right of use assets		<b>27.0</b>	6.8
Amortisation of intangible assets		<b>12.5</b>	0.4
Share of loss of investment in an associate	6	-	31.4
Provision for inventory losses	8(a)	<b>14.9</b>	12.1
Allowance for expected credit loss on receivables	11(a)	<b>10.6</b>	0.8
Provision for employees' end of service benefits		<b>7.2</b>	7.3
Liabilities written back		<b>(6.2)</b>	(65.9)
Gain on bargain purchase		-	(76.4)
Loss on remeasurement of previously existing interest of an associate	6	-	7.9
Finance income		<b>(2.2)</b>	(1.5)
Finance costs		<b>25.6</b>	17.0
		<b>162.0</b>	65.4
<b>Changes in working capital</b>			
Trade and other receivables		<b>(120.1)</b>	247.8
Inventories		<b>(26.9)</b>	(36.5)
Trade payables and accruals		<b>(47.9)</b>	(263.0)
<b>Cash (used in) /from operations</b>		<b>(32.9)</b>	13.7
Employees' end of service benefits paid		<b>(8.6)</b>	(6.0)
Income tax and zakat paid		<b>(4.2)</b>	(0.5)
Net cash flows (used in)/from operating activities		<b>(45.7)</b>	7.2
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	<b>(31.8)</b>	(15.0)
Proceeds from divestment of subsidiaries		-	93.8
Deposits having maturities after three months and less than one year		<b>9.4</b>	-
Received from a divested subsidiary		<b>51.4</b>	45.5
Purchase of financial asset at FVTOCI	10	<b>(7.3)</b>	-
Consideration paid for acquisition of interest in a subsidiary - net		-	(126.5)
Finance income received		<b>2.2</b>	1.5
Net cash flows from/(used in) investing activities		<b>23.9</b>	(0.7)
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank borrowings	16(c)	<b>65.3</b>	665.0
Repayment of bank borrowings	16(c)	-	(554.7)
Repayment of lease liabilities		<b>(33.3)</b>	(17.3)
Increase in non-controlling interests	15	-	1.1
Interest paid		<b>(21.6)</b>	(17.0)
Net cash flows from financing activities		<b>10.4</b>	77.1
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(11.4)</b>	83.6
Currency translation differences		<b>(18.5)</b>	6.6
Cash and cash equivalents at the beginning of the period		<b>152.7</b>	60.8
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b> 12		<b>122.8</b>	151.0

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 September 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 nine months ended 30 September 2022 was authorised for issue in accordance with the resolution of the Board of Directors on 9 November 2022.

The Company has the following subsidiaries:

<i>Serial No.</i>	<i>Name of subsidiary</i>	<i>Country of Incorporation</i>	<i>Percentage of Ownership</i>		<i>Subsidiary activity</i>
			<i>30 September 2022 (unaudited)</i>	<i>31 December 2021 (audited)</i>	
<i>Direct subsidiaries</i>					
1.	Mena Cool Transportation F.Z.E.	United Arab Emirates	<b>100%</b>	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C. (note (b))	Ethiopia	<b>55%</b>	55%	Manufacturing medicines
3.	Julphar SES L.L.C. (note (a))	Egypt	<b>99.8%</b>	99.8%	General trading
4.	Julphar Diabetes L.L.C. (note (a))	United Arab Emirates	<b>100%</b>	100%	Manufacturing medicines
5.	Julphar Company for Trading and Distribution L.L.C. (note (a))	Egypt	<b>99.8%</b>	99.8%	General trading
6.	Mena Cool Machinery Trading (note (a))	United Arab Emirates	<b>100%</b>	100%	General trading
7.	Julphar Life L.L.C. (note (a))	United Arab Emirates	<b>100%</b>	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	<b>99%</b>	99%	Distributor of Julphar’s products in Tunisia
10.	Julphar Pharmaceuticals Kenya Limited (note (a))	Kenya	<b>100%</b>	100%	Distributor of Julphar's products in Kenya
11.	Planet Pharmacies L.L.C (note (c))	United Arab Emirates	<b>100%</b>	100%	Distribution, wholesale and retail trading of medicines and cosmetic products.



# Gulf Pharmaceutical Industries P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

### 1. ACTIVITIES (continued)

The Company has the following subsidiaries: (continued)

Serial No.	Name of subsidiary	Country of Incorporation	Percentage of Ownership		Subsidiary activity
			30 September 2022 (unaudited)	31 December 2021 (audited)	
<b>Indirect subsidiaries</b>					
<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
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

# Gulf Pharmaceutical Industries P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

### 1. ACTIVITIES (continued)

The Company has the following subsidiaries: (continued)

Serial No.	Name of subsidiary	Country of Incorporation	Percentage of Ownership		Subsidiary activity
			30 September 2022 (unaudited)	31 December 2021 (audited)	
<i>Indirect subsidiaries (continued)</i>					
<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		100%	100%	Retail and wholesale trading in medicines and cosmetics
2.	Shahaad Zahrat Al Rawdah		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, the 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.				
e)	During the nine months period ended 30 September 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.				

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**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 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 nine months ended 30 September 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 and application of new 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.

- 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**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>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Gross sales	<b>1,294.0</b>	803.1	<b>426.2</b>	381.6
Less: commission	<b>(29.5)</b>	(35.6)	<b>(7.3)</b>	(14.1)
Net sales	<b>1,264.5</b>	767.5	<b>418.9</b>	367.5
Less: net sales relating to discontinued operations (note 7(e))	<b>(10.2)</b>	(21.2)	<b>(3.1)</b>	(4.7)
	<b>1,254.3</b>	746.3	<b>415.8</b>	362.8

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:

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Geographic information</b>				
UAE	<b>430.4</b>	269.2	<b>147.9</b>	165.5
Other GCC countries	<b>477.8</b>	104.3	<b>155.3</b>	88.8
Other countries	<b>356.3</b>	394.0	<b>115.7</b>	113.2
	<b>1,264.5</b>	767.5	<b>418.9</b>	367.5
Less: net sales relating to discontinued operations (note 7(e))	<b>(10.2)</b>	(21.2)	<b>(3.1)</b>	(4.7)
	<b>1,254.3</b>	746.3	<b>415.8</b>	362.8

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)****4.2 Contract balances**

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
<b>Contract assets</b>		
Trade receivables (note 11)	<b>578.2</b>	477.0
<b>Contract liabilities</b>		
Refund liabilities	<b>48.7</b>	34.5
Rebate and accruals	<b>12.6</b>	23.3
Advances from customers	<b>2.5</b>	8.5
Commissions payable	<b>18.2</b>	39.0
	<b>82.0</b>	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 September 2021: 6 to 12 months) from delivery.

**5. PROPERTY, PLANT AND EQUIPMENT**

- a) Property, plant and equipment additions during the current period amounted to AED 31.8 million (30 September 2021: AED 36.0 million which includes addition of AED 21 million on acquisition of a subsidiary note 6.1).
- b) Depreciation charges for the current period amounted to AED 56.3 million (30 September 2021: AED 52.4 million).
- c) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 16).
- d) 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.

**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 1.01 billion 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)).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**6. INVESTMENT IN AN ASSOCIATE (continued)**

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

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
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/>

c) The Parent Company's investment in Planet was revalued at AED 231.3 million as at 1 July 2021 resulting in an impairment loss of AED 7.9 million as compared to its carrying value of AED 239.2 as of that date. Thereafter the investment in an associate was derecognized and it was consolidated in the interim condensed consolidated financial statements with effect from 1 July 2021 (note 6(a)).

**6.1 BUSINESS COMBINATION****a) Acquisition of additional shareholding Planet Pharmacies L.L.C**

On 8 July 2021, the Parent Company purchased remaining 60% shareholding in Planet Pharmacies L.L.C ("Planet") at a consideration of AED 286 million, thereby obtaining 100% shareholding and control in Planet.

This further acquisition of 60% shareholding was made as part of strategic efforts to further increase shareholder value by extending Julphar's existing manufacturing and marketing capabilities into the distribution and retail segments across UAE, KSA and Oman. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements for the period ended 30 September 2022 include the results of Planet for the 9 months period (compared to 3 months period from the acquisition date (i.e. 1 July 2021)).

The purchase of remaining 60% shareholding in Planet resulted in the gain on bargain purchase for the period ended 30 September 2021 amounting to AED 76.4 million shown below:

	<i>AED millions</i>
Acquisition-date fair values of identifiable net assets acquired (note 6.1 (b))	<b>593.7</b>
Purchase consideration transferred (note 6.1 (c))	<b>(286.0)</b>
Acquisition-date fair value of initial 40% interest (note 6 (c))	<b>(231.3)</b>
	<hr/>
<b>Gain on bargain purchase</b>	<b>76.4</b>
	<hr/> <hr/>

By 31 December 2021, the fair value of identifiable net assets acquired was revised and thus the provisional amount identified as at acquisition date was revised to reflect the updated amount of gain on bargain purchase amounting to AED 59.3 million.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**6.1 BUSINESS COMBINATION (continued)**b) *Assets acquired and liabilities assumed*

i) The fair values of the identifiable assets and liabilities of Planet as at the date of acquisition were:

	<i>Fair value recognized on acquisition AED millions</i>
<b>Assets</b>	
Property, plant and equipment	21.0
Right of use assets	109.1
Intangible assets	190.5
Deferred tax asset	0.5
Inventories	309.2
Trade and other receivables (note (iii) below)	403.7
Cash and cash equivalents	159.5
	<hr/> 1,193.6 <hr/>
<b>Liabilities</b>	
Provision for employees' end of service benefits	20.4
Deferred tax liability	1.4
Lease liabilities	112.6
Trade payables and accruals	462.9
Bank borrowings	2.4
	<hr/> 599.7 <hr/>
<b>Total identifiable net assets at fair value</b>	<hr/> <b>593.7</b> <hr/>

ii) The fair value of the intangible assets acquired has been completed during the period ended 30 September 2022. 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.

c) *Analysis of cashflows on acquisition*

	<i>AED millions</i>
Net cash acquired with the subsidiary	159.5
Consideration paid for acquisition of additional interest	(286.0)
<b>Net cash flow on acquisition</b>	<hr/> <b>(126.5)</b> <hr/>

# Gulf Pharmaceutical Industries P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

### 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. Accordingly, a gain of AED 19.0 million was recognized by the Group on the derecognition.

With Gulf Inject being classified as a discontinued operation, the results of Gulf Inject has not been presented in the segment information (note 19) for the period ended 30 September 2021.

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

	<i>Nine months ended 30 September</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	-	10.3
Investing	-	(9.1)
Financing	-	(0.1)
Net cash inflow	-	1.1

#### *Basic and diluted loss per share*

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

#### 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. Accordingly, a gain of AED 0.5 million was recognized by the Group on the derecognition.

With Julphar Bangladesh being classified as a discontinued operation, the results of Julphar Bangladesh has not been presented in the segment information (note 19) for the period ended 30 September 2021.

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

	<i>Nine months ended 30 September</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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)****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 September 2022 and 30 September 2021.

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

	<i>Nine months ended 30 September</i>	
	<b>2022</b>	<b>2021</b>
	<b>AED</b>	<b>AED</b>
	<b>millions</b>	<b>millions</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Operating	5.6	(1.5)
Investing	-	(0.4)
Financing	<b>(0.1)</b>	(0.1)
Net cash inflow/(outflow)	<b>5.5</b>	<b>(2.0)</b>

**Basic and diluted loss per share**

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

**c) 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. Accordingly, a gain of AED 8.5 million was recognized by the Group on the derecognition.

With Alpha Pharma being classified as a discontinued operation, the results of Alpha Pharma have not been presented in the segment information (note 19) for the period ended 30 September 2021.

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

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

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

	<i>For the nine months ended 30 September</i>					<i>Total AED millions (unaudited)</i>
	<i>2022</i>		<i>2021</i>			
	<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>	
Revenue from contracts with customers	10.2	12.0	1.8	1.3	6.1	21.2
Cost of revenue	(5.5)	(8.8)	(1.0)	(6.1)	(3.8)	(19.7)
<b>GROSS PROFIT/(LOSS)</b>	<b>4.7</b>	3.2	0.8	(4.8)	2.3	1.5
Other income	-	3.1	3.6	0.3	0.1	7.1
Selling and distribution expenses	(0.8)	(1.1)	(2.0)	(0.2)	(0.6)	(3.9)
General and administrative expenses	-	(0.2)	-	(9.2)	-	(9.4)
<b>OPERATING PROFIT/(LOSS)</b>	<b>3.9</b>	5.0	2.4	(13.9)	1.8	(4.7)
Finance income	-	0.1	-	-	-	0.1
Finance costs	-	(0.1)	(0.2)	(0.1)	-	(0.4)
<b>PROFIT/(LOSS) BEFORE TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>3.9</b>	5.0	2.2	(14.0)	1.8	(5.0)
Income tax expense	(1.2)	-	-	(1.9)	(0.5)	(2.4)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>2.7</b>	5.0	2.2	(15.9)	1.3	(7.4)
Attributable to:						
Equity holders of the Parent	1.5	5.0	1.1	(9.0)	0.7	(2.2)
Non-controlling interests	1.2	-	1.1	(6.9)	0.6	(5.2)
	<b>2.7</b>	5.0	2.2	(15.9)	1.3	(7.4)

\*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.

\*\*\* Represents eight months of activity prior to the sale on 1 September 2021.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September</i>					
	<i>2022</i>	<i>2021</i>				
	<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	<b>3.1</b>	1.8	-	-	2.9	4.7
Cost of revenue	<b>(1.6)</b>	(1.4)	-	-	(1.5)	(2.9)
<b>GROSS PROFIT</b>	<b>1.5</b>	0.4	-	-	1.4	1.8
Other income	-	2.2	-	-	0.1	2.3
Selling and distribution expenses	<b>(0.2)</b>	(0.2)	-	-	(0.2)	(0.4)
General and administrative expenses	-	(0.8)	-	-	-	(0.8)
<b>OPERATING PROFIT</b>	<b>1.3</b>	1.6	-	-	1.3	2.9
Finance costs	-	(0.1)	-	-	-	(0.1)
<b>PROFIT BEFORE TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>1.3</b>	1.5	-	-	1.3	2.8
Income tax expense	<b>(0.4)</b>	-	-	-	(0.3)	(0.3)
<b>PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>0.9</b>	1.5	-	-	1.0	2.5
Attributable to:						
Equity holders of the Parent	<b>0.5</b>	1.5	-	-	0.5	2.0
Non-controlling interests	<b>0.4</b>	-	-	-	0.5	0.5
	<b>0.9</b>	1.5	-	-	1.0	2.5

\*Represents two months activity prior to the sale on 1 September 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 September 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 September 2022</i>	<i>31 December 2021</i>
	<i>Julphar Pharmaceuticals PLC AED millions (unaudited)</i>	<i>Julphar Pharmaceuticals PLC AED millions (audited)</i>
<b>ASSETS</b>		
Property, plant and equipment	3.1	3.5
Inventories	4.4	6.8
Trade and other receivables	3.0	3.8
Bank balances and cash	14.4	9.7
<b>Assets held for sale</b>	<b>24.9</b>	23.8
<b>LIABILITIES</b>		
Trade payables and accruals	7.6	8.0
<b>Liabilities directly associated with assets held for sale</b>	<b>7.6</b>	8.0
<b>Net assets directly associated with assets held for sale</b>	<b>17.3</b>	15.8
Less: net assets attributable to non-controlling interest	(8.3)	(7.1)
<b>Group's share of net assets directly associated with disposal group</b>	<b>9.0</b>	8.7

8. INVENTORIES

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Raw materials (note (b))	154.8	146.8
Packing materials	56.8	64.0
Work-in-progress	14.5	16.4
Finished goods	398.7	420.6
Goods in transit	0.6	9.0
Consumables	31.6	18.6
Spare parts	48.6	41.0
	<b>705.6</b>	716.4
Less: provision for stock losses (note (a))	(35.3)	(55.7)
	<b>670.3</b>	660.7
Less: inventories attributable to assets held for sale (note 7(f))	(4.4)	(6.8)
	<b>665.9</b>	653.9

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**8. INVENTORIES (continued)**

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

	<i><b>30 September 2022 AED millions (unaudited)</b></i>	<i><b>31 December 2021 AED millions (audited)</b></i>
Balance at the beginning of the period/year	55.7	56.0
Charge during the period/year	14.9	16.4
Written-off during the period/year	(35.3)	(38.4)
Acquired on business combination during the period/year	-	21.7
	<u>35.3</u>	<u>55.7</u>

b) Includes raw materials amounting to AED 1.0 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><b>30 September 2022 AED millions (unaudited)</b></i>	<i><b>31 December 2021 AED millions (audited)</b></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><b>30 September 2022 AED millions (unaudited)</b></i>	<i><b>31 December 2021 AED millions (audited)</b></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).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

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

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Fair value of financial assets at FVTOCI	<u>7.3</u>	<u>-</u>

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

	<i>30 September 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 gain/ (loss) on revaluation for the period/year	-	-
	<u>7.3</u>	<u>-</u>

During 30 June 2022, the Group recognized a negative fair value reserve of AED 1.6 million. For the period ended 30 September 2022, the Group recognized a positive fair value reserve of AED 1.6 million resulting to a fair value reserve of AED nil for the period ended 30 September 2022.

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 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Trade receivables	758.7	649.4
Less: allowance for expected credit losses (note (a))	(180.5)	(172.4)
	<u>578.2</u>	<u>477.0</u>
Advances to suppliers	54.5	49.5
Prepayments	11.2	9.5
Value added tax receivable	21.2	13.3
Rebates, commission and discount receivable from suppliers	9.1	2.5
Receivable from a divested subsidiary	9.8	61.2
Other receivables	20.2	33.9
	<u>704.2</u>	<u>646.9</u>
Less: trade and other receivables attributable to assets held for sale (note 7(f))	(3.0)	(3.8)
	<u>701.2</u>	<u>643.1</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**11. TRADE AND OTHER RECEIVABLES (continued)**

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

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Balance at the beginning of the period/year	<b>172.4</b>	417.8
Charge for the period/year	<b>10.6</b>	2.0
Written off during the year	<b>(2.5)</b>	(292.2)
Acquired on business combination during the year	-	44.8
	<hr/>	<hr/>
Balance at the end of the period/year	<b>180.5</b>	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**

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Current accounts	<b>104.4</b>	138.5
Short term bank deposits	<b>6.9</b>	17.4
Cash in hand	<b>4.0</b>	3.4
	<hr/>	<hr/>
	<b>115.3</b>	159.3
Cash and bank balances attributable to assets held for sale (note 7(f))	<b>14.4</b>	9.7
	<hr/>	<hr/>
Cash and bank balances	<b>129.7</b>	169.0
Less: term deposits having maturities after three months and less than one year	<b>(6.9)</b>	(16.3)
	<hr/>	<hr/>
Cash and cash equivalents	<b>122.8</b>	152.7
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**13. SHARE CAPITAL**

	<i>30 September 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	<b>1,155.3</b>	1,155.3

**14. STATUTORY RESERVE**

In accordance with United Arab Emirates Federal Commercial Companies Law No. 32 of 2021, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year. The Company is in a net profit position for the period ended 30 September 2022, however since it had accumulated losses as at period end 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 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Non-controlling interests	<b>8.3</b>	7.1

- a) During the nine months period ended 30 September 2021, the minority party in one of the Group's divested subsidiary in the Kingdom of Saudi Arabia had injected capital amounting to AED 1.1 million. There were no such transactions in the current period.
- b) Further, during the nine months period ended 30 September 2021, the non-controlling interests of the Group's subsidiaries, Julphar Bangladesh and Alpha Pharma amounting to AED 136.5 million, were derecognised on account of disposal of subsidiaries. There were no such transactions in the current period.

**16. BANK BORROWINGS**

	<i>Interest rate(%)</i>	<i>Final Maturity</i>	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
<b>Current interest bearing loans and borrowings</b>				
Bank overdraft and trust receipts (note (b))	3m EIBOR+2%	On demand	<b>119.7</b>	54.4
AED 665 million loan (note (a))	3m EIBOR+2.50%	17 July 2030	<b>16.6</b>	-
			<b>136.3</b>	54.4
<b>Non-current interest bearing loans and borrowings</b>				
AED 665 million loan (note (a))	3m EIBOR+2.50%	17 July 2030	<b>648.4</b>	665.0
Total interest bearing loans and borrowings			<b>784.7</b>	719.4



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**16. BANK BORROWINGS (continued)**

- 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 225.3 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.

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 and trust receipts
- Bank overdraft and trust receipts are repayable on demand/agreed payment dates. 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><b>30 September 2022 AED millions (unaudited)</b></i>	<i><b>31 December 2021 AED millions (audited)</b></i>
Balance at the beginning of the period/year	<b>719.4</b>	611.8
Less: loans repaid during the period/year	-	(550.0)
Add: new drawdowns	<b>65.3</b>	665.0
Add: acquired on business combination	-	2.4
Less: derecognised on disposal of subsidiary	-	(9.8)
Balance at the end of the period/year	<b><u>784.7</u></b>	<u>719.4</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

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

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

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</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	<b>8.9</b>	105.4	<b>3.6</b>	51.3
Discontinued operations (note 7(e))	<b>1.5</b>	(2.2)	<b>0.5</b>	2.0
<b>Profit for the period attributable to the equity holders of the Parent</b>	<b>10.4</b>	103.2	<b>4.1</b>	53.3
Weighted average number of shares	<b>1,155.3</b>	1,155.3	<b>1,155.3</b>	1,155.3
	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</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)	<b>0.9</b>	8.9	<b>0.4</b>	4.6
Basic profit per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	<b>0.8</b>	9.1	<b>0.3</b>	4.4

- 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>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>
Profit/ (loss) for the period attributable to the equity shareholders of the Parent from discontinued operations (in AED millions)	<b>1.5</b>	(2.2)	<b>0.5</b>	2.0
Basic profit/ (loss) per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	<b>0.1</b>	(0.2)	<b>0.04</b>	0.2

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**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>Nine months ended 30 September</i>		<i>Three months ended 30 September</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	-	-
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>Nine months ended 30 September</i>		<i>Three months ended 30 September</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	<b>7.9</b>	9.1	<b>2.6</b>	4.2
Post employment and other long-term benefits	<b>1.8</b>	-	<b>0.7</b>	-
Directors' remuneration	<b>1.9</b>	-	-	-
	<b>11.6</b>	9.1	<b>3.3</b>	4.2

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**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. The Chief Operating Decision Maker 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.

Gulf Pharmaceutical Industries P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

19. SEGMENT INFORMATION (continued)

	<i>For the nine months ended 30 September 2022 (unaudited)</i>					<i>For the nine months ended 30 September 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>Planet AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>
Segment revenue	515.3	739.0	-	-	1,254.3	534.5	211.8	-	-	746.3
Segment result	(0.4)	30.7	2.0	(23.4)	8.9	113.0	7.9	(28.0)	(15.5)	77.4
Depreciation expense of property, plant and equipment	50.0	6.3	-	-	56.3	50.9	1.5	-	-	52.4
Depreciation expense of right of use assets	-	27.0	-	-	27.0	-	6.8	-	-	6.8
Amortisation expense of intangible assets	12.5	-	-	-	12.5	0.4	-	-	-	0.4
Share of associate's loss	-	-	-	-	-	-	-	(31.4)	-	(31.4)
	<i>30 September 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	1,009.1	1,283.2	26.8	115.3	2,434.4	1,002.1	1,221.6	19.5	159.3	2,402.5
Segment liabilities	286.9	406.3	-	784.7	1,477.9	359.5	375.6	-	719.4	1,454.5

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 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	<b>620.8</b>	<b>603.9</b>	<b>3.3</b>	<b>13.5</b>	<b>0.1</b>
Right of use assets	<b>121.6</b>	<b>31.1</b>	<b>11.5</b>	<b>78.8</b>	<b>0.2</b>
Intangible assets	<b>158.1</b>	<b>70.0</b>	<b>9.2</b>	<b>76.9</b>	<b>2.0</b>

	<i>Nine months ended 30 September 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	<b>1,254.3</b>	<b>430.4</b>	<b>91.7</b>	<b>350.4</b>	<b>381.8</b>

	<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>Nine months ended 30 September 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	746.3	269.2	44.0	141.2	291.9

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 nine months ended 30 September 2022 to this one customer amounts to AED 116.8 million (30 September 2021: Top 3 customers AED 279.9 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**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 September 2022</i>	<i>31 December 2021</i>			<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>AED millions (unaudited)</i>	<i>AED millions (audited)</i>			<i>(unaudited)</i>	<i>(audited)</i>
<b>Financial assets</b>						
Unquoted equity investments						
– FVTPL	<b>19.5</b>	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	<b>7.3</b>	-	Level 1	Quoted bid prices in an active market	None	None
	<b>26.8</b>	19.5				
<b>Derivative financial instrument</b>						
Interest rate cap						
	<b>24.1</b>	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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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

**21. COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>30 September 2022 AED millions (unaudited)</i>	<i>31 December 2021 AED millions (audited)</i>
Capital commitments	<u>10.7</u>	<u>23.2</u>
Letters of credit	<u>1.3</u>	<u>17.3</u>
Letters of guarantee	<u>24.7</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.