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

**Condensed consolidated interim financial information (Unaudited) for the three month period ended 31 March 2016**

## Gulf Pharmaceutical Industries P.S.C.

# Condensed consolidated interim financial information for the three month period ended 31 March 2016

pwc

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

## Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Gulf Pharmaceutical Industries P.S.C. (the "Company"), and its subsidiaries (the "Group"), as at 31 March 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

## Scope of review

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

## Conclusion

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

PricewaterhouseCoopers
19 May 2016

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## Gulf Pharmaceutical Industries P.S.C.

## Condensed consolidated interim statement of financial position

| | Note | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Restated) (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,174,176 | 1,163,375 |
| Intangible assets | | 71,347 | 72,298 |
| Investment in associate | 6 | 248,035 | 241,573 |
| Available-for-sale investments | 7 | 64,101 | 73,362 |
| | | 1,557,659 | 1,550,608 |
| **Current assets** | | | |
| Inventories | | 445,991 | 491,542 |
| Financial assets at fair value through profit and loss | 8 | 27,489 | 22,351 |
| Trade and other receivables | 9 | 1,410,008 | 1,239,812 |
| Bank balances and cash | 10 | 140,376 | 151,521 |
| | | 2,023,864 | 1,905,226 |
| **Total assets** | | 3,581,523 | 3,455,834 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 11 | 1,050,000 | 1,050,000 |
| Statutory reserve | 12 | 531,954 | 531,954 |
| Voluntary reserve | 13 | 184,819 | 184,819 |
| Foreign currency translation reserve | | (1,298) | (3,290) |
| Fair value reserve | | 7,398 | 16,603 |
| Retained earnings | | 500,072 | 421,497 |
| **Capital and reserves attributable to shareholders of the company** | | 2,272,945 | 2,201,583 |
| Non-controlling interest | | 91,677 | 91,206 |
| **Total equity** | | 2,364,622 | 2,292,789 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provision for employees' end of service indemnity | | 44,004 | 42,400 |
| Bank borrowings | 14 | 325,791 | 307,149 |
| | | 369,795 | 349,549 |
| **Current liabilities** | | | |
| Bank borrowings | 14 | 474,365 | 503,314 |
| Trade payables and accruals | | 372,741 | 310,182 |
| | | 847,106 | 813,496 |
| **Total liabilities** | | 1,216,901 | 1,163,045 |
| **Total equity and liabilities** | | 3,581,523 | 3,455,834 |

This condensed consolidated interim financial information were approved by the Board of Directors on 19 May 2016 and signed on its behalf by:

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Faisal Bin Saqr Al Qasimi
Chairman

..............................................................

G.V.G. Krishna
Chief Financial Officer

The notes on pages 7 to 27 are an integral part of this condensed consolidated interim financial information.

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

## Condensed consolidated interim statement of income

| | Note | Three month ended 31 March 2016 AED'000 | 2015 AED'000 (Restated) |
|---|---|---|---|
| | | (Unaudited) | (Unaudited) |
| Sales | | 370,000 | 448,918 |
| Cost of sales | | (154,028) | (182,008) |
| **Gross profit** | | 215,972 | 266,910 |
| General and administrative expenses | | (23,671) | (22,042) |
| Selling and distribution expenses | | (125,894) | (146,535) |
| Other income | | 2,328 | 3,553 |
| Gain/(loss) from investments and others | | 7,258 | (7,352) |
| Share of profit from investment accounted for using the equity method | 6 | 6,462 | 6,706 |
| **Operating profit** | | 82,455 | 101,240 |
| Finance income | | 1,705 | 234 |
| Finance costs | | (5,114) | (6,597) |
| Finance costs – net | | (3,409) | (6,363) |
| **Profit for the period** | | 79,046 | 94,877 |
| **Attributable to:** | | | |
| Owners of the company | | 78,575 | 95,101 |
| Non-controlling interest | | 471 | (224) |
| | | 79,046 | 94,877 |
| Basic and diluted earning per share (in UAE fils) | 15 | 7.48 | 9.06 |

The notes on pages 8 to 28 are an integral part of this condensed consolidated interim financial information.

## Gulf Pharmaceutical Industries P.S.C.

## Condensed consolidated interim statement of comprehensive income

| | Three month ended 31 March | |
|---|---|---|
| | **2016** | **2015** |
| | **AED'000** | **AED'000** |
| | | (Restated) |
| | (Unaudited) | (Unaudited) |
| **Profit for the period** | 79,046 | 94,877 |
| **Other comprehensive (loss)/income:** | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | |
| Change in the fair value of available for sale investments | (9,119) | 3,999 |
| Reclassification adjustment on disposal of available for sale investments | (86) | 1,511 |
| Currency translation differences | 1,992 | (917) |
| **Total other comprehensive (loss)/income** | (7,213) | 4,593 |
| **Total comprehensive income for the period** | 71,833 | 99,470 |
| **Attributable to:** | | |
| Equity holders of the Company | 71,362 | 100,511 |
| Non-controlling interest | 471 | (1,041) |
| | 71,833 | 99,470 |

The notes on pages 8 to 28 are an integral part of this condensed consolidated interim financial information.

## Gulf Pharmaceutical Industries P.S.C.

## Condensed consolidated interim statement of changes in equity

| | Share capital AED'000 | Statutory reserve AED'000 | Voluntary reserve AED'000 | Foreign currency translation reserve AED'000 | Fair value reserve AED'000 | Retained earnings AED'000 | Attributable to owners of the company AED'000 | Non-controlling interest AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 31 December 2014 | 1,000,000 | 531,954 | 184,819 | (793) | (8,308) | 468,573 | 2,176,245 | 29,860 | 2,206,105 |
| Profit for the three month period ended 31 March 2015 (as previously stated) | - | - | - | - | - | 60,490 | 60,490 | (224) | 60,266 |
| Correction of error (Note 21.1) | - | - | - | - | - | 34,611 | 34,611 | - | 34,611 |
| Profit for the three month period ended 31 March 2015 (restated) | - | - | - | - | - | 95,101 | 95,101 | (224) | 94,877 |
| Other comprehensive income for the period | - | - | - | (100) | 5,510 | - | 5,410 | (817) | 4,593 |
| **Total comprehensive income for the period** | - | - | - | **(100)** | **5,510** | **95,101** | **100,511** | **(1,041)** | **99,470** |
| Movement in non-controlling interest | - | - | - | - | - | - | - | 734 | 734 |
| **Balance at 31 March 2015 (Unaudited)** | **1,000,000** | **531,954** | **184,819** | **(893)** | **(2,798)** | **563,674** | **2,276,756** | **29,553** | **2,306,309** |
| Balance at 31 December 2015 | 1,050,000 | 531,954 | 184,819 | (3,290) | 16,603 | 421,497 | 2,201,583 | 91,206 | 2,292,789 |
| Profit for the three month period 31 ended March 2016 | - | - | - | - | - | 78,575 | 78,575 | 471 | 79,046 |
| Other comprehensive income for the period | - | - | - | 1,992 | (9,205) | - | (7,213) | - | (7,213) |
| **Total comprehensive income for the period** | - | - | - | **1,992** | **(9,205)** | **78,575** | **71,362** | **471** | **71,833** |
| **Balance at 31 March 2016 (Unaudited)** | **1,050,000** | **531,954** | **184,819** | **(1,298)** | **7,398** | **500,072** | **2,272,945** | **91,677** | **2,364,622** |

The notes on pages 8 to 28 are an integral part this condensed consolidated interim financial information.

## Gulf Pharmaceutical Industries P.S.C.

## Condensed consolidated interim statement of cash flows

| | Note | Three month ended 31 March 2016 AED (Unaudited) | 2015 AED (Restated) (Unaudited) |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit for the period | | 79,046 | 94,877 |
| **Adjustments for:** | | | |
| Depreciation of property, plant and equipment | 5 | 21,460 | 26,027 |
| Amortisation for intangible assets | | 951 | - |
| (Gain)/loss on revaluation of financial asset at FVTPL | 8 | (5,138) | 7,352 |
| Loss on sale of available-for-sale investments | | 40 | - |
| Profit from investment accounted for using the equity method | 6 | (6,462) | (6,706) |
| Allowance for doubtful debts | 9 | 5,000 | - |
| Recycled gain on available-for-sale investments | | (86) | - |
| Provision for employees' end of service indemnity | | 2,596 | 2,421 |
| Finance costs | | 5,114 | 6,597 |
| **Operating cash flow before changes in working capital and payment of EOSB** | | 102,521 | 130,568 |
| Employees' end of service benefits paid | | (992) | (372) |
| **Changes in working capital:** | | | |
| Trade and other receivables | | (175,196) | (194,668) |
| Inventories | | 45,551 | 57,263 |
| Trade payables and accruals | | 62,559 | (11,159) |
| **Net cash flows from/(used in) operating activities** | | 34,443 | (18,368) |
| **Cash flows from investing activities:** | | | |
| Additions to property, plant and equipment | 5 | (32,261) | (11,798) |
| Purchase of available-for-sale financial assets | | - | (60) |
| Sales proceeds from disposal of available-for-sale financial assets | | 102 | 10,812 |
| Increase in non-controlling interest | | - | 734 |
| **Net cash used in investing activities** | | (32,159) | (312) |
| **Cash flows from financing activities:** | | | |
| Repayment of loans | | (10,307) | 49,933 |
| Dividends paid | | - | (294) |
| Interest paid | | (5,114) | (6,597) |
| **Net cash (used in)/generated from financing activities** | | (15,421) | 43,042 |
| **Net (decrease)/increase in cash and cash equivalents** | | (13,137) | 24,362 |
| Currency translation differences | | 1,992 | (917) |
| Cash and cash equivalents at the beginning of the period | | 151,521 | 120,925 |
| **Cash and cash equivalents at the end of the period** | 10 | 140,376 | 144,370 |

## Gulf Pharmaceutical Industries P.S.C.

## Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2016 (continued)

### 1 General information

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

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

The condensed consolidated interim financial information of the Group for the three month period ended 31 March 2016 was authorised for issue in accordance with the resolution of the Board of Directors on 19 May 2016.

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

The Company has the following major subsidiaries:

| | Name of subsidiary | Place of incorporation and operation | Percentage of ownership 31 March 2016 | 31 December 2015 | Principle activity |
|---|---|---|---|---|---|
| 1. | Mena Cool F.Z.E | Ras Al Khaimah UAE | 100% | 100% | Transportation |
| 2. | Julphar Pharmaceuticals P.L.C | Ethiopia | 55% | 55% | Manufacturing of medicines, wrapping and packing materials |
| 3. | Julphar Pharma GMBH | Germany | 100% | 100% | Manufacturing of medical supplies – Discontinued |
| 4. | Gulf Inject L.L.C. | Dubai – UAE | 51% | 51% | Manufacturing of medical supplies |

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

**Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2016** (continued)

## 1 General information (continued)

| | Name of subsidiary | Place of incorporation and operation | Percentage of ownership 2016 | 2015 | Principle activity |
|---|---|---|---|---|---|
| 5. | RAK Pharmaceuticals Pvt. Ltd. | Dhaka – Bangladesh | 50.5% | 50.5% | Manufacturing of medicines |
| 6. | Julphar Saudi Arabia L.L.C. | Rabigh – Saudi Arabia | 51% | 51% | Manufacturing of medicines |
| 7. | Julphar Egypt Company L.L.C. | Cairo – Egypt | 100% | 100% | Distributors of Julphar's products in Egypt |
| 8. | Julphar Diabetes L.L.C.* | Ras Al Khaimah – U.A.E. | 100% | 100% | Manufacturer of insulin products |
| 9. | Julphar General Trading L.L.C. | Ras Al Khaimah – U.A.E. | 100% | 100% | General Trading |
| 10. | Mena Cool Machinery Trading | Ras Al Khaimah – U.A.E. | 100% | 100% | General Trading |

* - The Group is considering selling 30% stake in Julphar Diabetes L.L.C. to an outside party.

## 2. Summary of significant accounting policies

### 2.1 Statement of compliance

The Group prepares its financial statements in accordance, and comply with, International Financial Reporting Standards ("IFRSs") and IFRS's Interpretations Committee ("IFRICs"). This condensed consolidated interim financial information for the three month period ended 31 March 2016 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

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

## 2. Summary of significant accounting policies (continued)

### 2.2 Accounting policies

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015 which have been prepared in accordance with IFRSs and IFRICs. In addition, results for the three month period ended 31 March 2016, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

There are no new standards, amendments or interpretations which are effective for the financial period commencing 1 January 2016, which have a material impact on the Group's condensed consolidated interim financial information.

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

### 2.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Land is stated at cost less impairment loss, if any.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

## 2. Summary of significant accounting policies (continued)

### 2.3 Property, plant and equipment (continued)

Depreciation is provided on the straight-line method based on the anticipated useful lives, as follows:

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

### 2.4 Intangible assets

*(a) Currently marketed products*

Currently marketed products represent the composite value of acquired intellectual property, patents and distribution rights and product trade names.

These are amortised over the useful life ranging from 15 to 20 years.

*(b) Licenses, registrations and permits*

Licenses, registrations and permits comprise of rights to distribute Julphar's products in certain countries that have been acquired as part of a business combination. The amount is arrived at by calculating the present value of the expected future economic benefits to arise from these licenses and permits. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 5 to 20 years.

## 2. Summary of significant accounting policies (continued)

### 2.5 Investments accounted for using the equity method

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

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

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

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

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

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

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

### 2.6 Available-for-sale financial asset

Available-for-sale financial asset are non-derivatives that are either designated in this category or are not classified in any other categories.

## 2. Summary of significant accounting policies (continued)

### 2.6 Available-for-sale financial asset (continued)

Investments designated as available-for-sale investments are initially recorded at fair value including transaction costs and subsequently measured at fair value, unless this cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, reversals of impairment of a debt instrument, interest calculated using the effective interest method and foreign exchange differences on monetary financial assets, which are recognised directly in the condensed consolidated income statement. Any loss upon impairment, or gain or loss upon derecognition, previously reported as "cumulative changes in fair value" within other comprehensive income is included in the condensed consolidated income statement for the period. Subsequent increases in the fair value of equity investments that have already been impaired are recognised directly in other comprehensive income. Foreign exchange gains and losses on non-monetary equity investments are taken to equity and recycled to the profit or loss on disposal or impairment.

### 2.7 Financial assets at fair value through profit and loss

The Group's investments in equity and mutual fund investments are classified as investments carried at fair value through profit or loss. These financial assets are designated by the Group as investments carried at fair value through profit or loss at inception.

Investments carried at fair value through profit or loss are financial instruments whose performance evaluated on a fair value basis in accordance with the Group's documented investment strategy.

Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date are classified as non-current.

### 2.8 Basis of consolidation

The condensed consolidated interim financial information as at, and for the three-month period ended 31 March 2016, comprises results of the Group. The condensed interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

## 3. Critical accounting estimates and judgments

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

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

**Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2016** (continued)

## 3. Critical accounting estimates and judgments (continued)

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were consistent with the financial statements as at 31 December 2015.

### 3.1 Useful lives of property, plant and equipment

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

### 3.2 Valuation of unquoted AFS equity investments

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

### 3.3 Impairment of investment accounted for using the equity method

Management regularly reviews its investment in an associate for indicators of impairment. This determination of whether investment in an associate is impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investment in an associate.

### 3.4 Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided.

## 4. Financial risk management (continued)

### 4.1 Financial risk factors

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

These condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2015. There have been no changes in the risk management department or in any risk management policies since the year end 31 December 2015.

### 4.2 Liquidity risk

Compared to year end 31 December 2015, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 5 Property, plant and equipment

- Property, plant and equipment additions during the current period amounted to AED 32,261,000 (Three months period ended 31 March 2015: AED 11,798,000).
- Depreciation charges for the current period amounted to AED 21,460,000 (Three months period ended 31 March 2015: AED 26,027,000).
- Certain property, plant and equipment of the Group are mortgaged against bank facilities (Note 14).

## 6 Investment in associate

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

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

| Name of associate | Place of incorporation and operation | Percentage of ownership | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|---|---|
| Planet Pharmacies L.L.C. | UAE | 40% | 248,035 | 241,573 |

## 6 Investment in an associate (continued)

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

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period/year | 241,573 | 277,822 |
| Share of the associate's profit | 6,462 | 7,751 |
| Less: Capital returned to shareholders'* | - | (44,000) |
| | 248,035 | 241,573 |

* The reduction in capital of the associate represents an excess subscribed capital that was paid back to the Company.

## 7 Available-for-sale investments

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

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Fair value at the beginning of the period/year | 73,362 | 60,610 |
| Disposals during the period/year | (142) | (12,159) |
| Net (decrease)/increase in fair value | (9,119) | 24,911 |
| | 64,101 | 73,362 |

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

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| *Investments within United Arab Emirates* | | |
| Quoted U.A.E. equity securities | 26,774 | 25,026 |
| Mutual funds | 4,695 | 4,695 |
| Unquoted U.A.E. equity securities | 7,104 | 7,104 |
| | 38,573 | 36,825 |
| *Investments outside United Arab Emirates* | | |
| Quoted equity securities | 25,528 | 36,537 |
| | 64,101 | 73,362 |

## 8 Financial assets at fair value through profit and loss

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

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| At 1 January | 22,351 | 35,937 |
| Disposals | - | (5,140) |
| Net gains/(loss) on revaluation | 5,138 | (8,446) |
| | 27,489 | 22,351 |

Financial assets at fair value through profit and loss in listed and quoted equity shares in the U.A.E. and G.C.C. financial markets are as follows:

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| In U.A.E. markets | 27,351 | 22,213 |
| In other G.C.C. markets | 138 | 138 |
| | 27,489 | 22,351 |

## 9 Trade and other receivables

Trade and other receivables comprise the following:

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Trade accounts receivable | 1,208,773 | 1,046,454 |
| Less: provision for impairment of trade receivables | (39,106) | (34,106) |
| | 1,169,667 | 1,012,348 |
| Due from a related party (Note 18(b)) | 210,553 | 179,367 |
| Staff receivables | 2,360 | 2,449 |
| Prepaid expenses | 209 | 1,167 |
| Advances to suppliers | 22,391 | 14,095 |
| Other receivables | 4,828 | 30,386 |
| | 1,410,008 | 1,239,812 |

## 9 Trade and other receivables (continued)

Movement in provision for impairment of trade receivables during the period was as follows:

| | 31 March 2016 (Unaudited) AED'000 | 31 March 2015 (Unaudited) AED'000 (Restated) |
|---|---|---|
| At 1 January | 34,106 | 13,555 |
| Provision for receivables impairment | 5,000 | - |
| At 31 December | 39,106 | 13,555 |

## 10 Bank balances and cash

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Bank balances: | | |
| Current accounts | 135,870 | 146,772 |
| Short term bank deposits * | 1,298 | 1,706 |
| | 137,168 | 148,478 |
| Cash in hand | 3,208 | 3,043 |
| | 140,376 | 151,521 |
| **By geographical area:** | | |
| In the U.A.E. | 118,847 | 140,865 |
| In other countries | 21,529 | 10,656 |
| | 140,376 | 151,521 |

For the purpose of condensed statement of cash flows, cash and cash equivalents comprise the following:

| | 31 March 2016 (Unaudited) AED'000 | 31 March 2015 (Unaudited) AED'000 |
|---|---|---|
| Bank balances: | | |
| Current accounts | 135,870 | 138,001 |
| Short term bank deposits * | 1,298 | 3,280 |
| | 137,168 | 141,281 |
| Cash in hand | 3,208 | 3,089 |
| Cash and cash equivalents | 140,376 | 144,370 |

* Short term bank deposits have original maturity of less than 3 months.

Gulf Pharmaceutical Industries P.S.C.

**Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2016** (continued)

## 11 Share capital

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Issued and fully paid up 1,050,000,000 ordinary shares (1,050,000,000 ordinary shares as of 31 December 2015) at par value of AED 1 each | 1,050,000 | 1,050,000 |

## 12 Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year. This appropriation shall be suspended once its balance reaches 50% of the share capital. The statutory reserve only includes the parent company as the other subsidiaries do not require a statutory reserve.

## 13 Voluntary reserve

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

The Company adjusts the statutory and voluntary reserve at the year end.

## 14 Bank borrowings

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Overdraft | 109,014 | 138,960 |
| Loans | 691,142 | 671,503 |
| | 800,156 | 810,463 |
| Bank borrowings shall be repaid as follows: | | |
| *Current* | | |
| On demand or within one year | 474,365 | 503,314 |
| *Non current* | | |
| In the second year | 154,852 | 164,410 |
| In third to sixth year | 170,939 | 143,009 |
| | 325,791 | 307,149 |
| | 800,156 | 810,463 |

## 14 Bank borrowings (continued)

The principal features of the bank borrowings are as follows:

*Bank overdraft:*

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

*Loans:*

During the current period, the Group obtained new loans facilities of AED 159 million to finance its working capital requirement, and capital expenditures. Interest rates on these loans ranged from 2% to 3.3%, plus EIBOR.

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

The Group has obtained these banking facilities against mortgage of existing machinery amounting to AED 210 million, and maintainance of certain financial ratios as agreed with the respective banks.

Interest rates on bank borrowings during 2016 ranged from EIBOR plus 1.5% to 3.5% above one month EIBOR (2015: 1.5% to 3.5% above one month EIBOR).

## 15 Basic and diluted earnings per share

Basic and diluted earnings per share of AED 7.48 fils is calculated by dividing the profit for the three month period ended attributable to the shareholders of the Parent company of AED 78.5 million (2014: AED 95.1 million) by the weighted average number of shares outstanding during the year of 1,050,000 thousand (2014: 1,050,000 thousand). The Company does not have any potential equity shares and accordingly the basic and diluted earnings per share is the same.

The basic and diluted earnings per share of AED 9.06 fils as reported for the three month period ended 31 March 2015 (previously reported as AED 6.0 fils for the three month period ended 31 December 2015) has been adjusted for the effect of the shares issued in 2015 as a result of the bonus shares dividend approved by shareholders as per Note 16.

## 16 Dividends

At the Annual General Meeting held on 28 April 2016, a dividend was proposed of AED 4 fils per share to be distributed as bonus share dividends at 4% of share capital, and the distribution of cash dividends at AED 11 fils per share, or 11% cash dividends, totalling AED 115,500,000.

## 16 Dividends (continued)

At the Annual General Meeting held on 30 April 2015, the shareholders approved bonus share dividends of AED 5 fils per share to be distributed as bonus share dividends at 5% of share capital, and distribution of cash dividends at AED 15 fils per share, or 15% cash dividends, totalling AED 150,000,000.

## 17 Segment information

The Group is operating under two main segments, manufacturing and financial investments as disclosed in the financial information. The manufacturing segment includes the ground transportation by Mena Cool F.Z.E., a fully owned subsidiary (note 1).

## Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2016
(continued)

## 17 Segment information (continued)

| | For the three month period ended 31 March 2016 | | | For the three month period ended 31 March 2015 | | |
|---|---|---|---|---|---|---|
| | Manufacturing AED'000 (Unaudited) | Investments AED'000 (Unaudited) | Total AED'000 (Unaudited) | Manufacturing AED'000 (Unaudited) (Restated) | Investments AED'000 (Unaudited) (Restated) | Total AED'000 (Unaudited) (Restated) |
| **Segment revenue** | 370,000 | - | 370,000 | 448,918 | - | 448,918 |
| Segment results | 68,735 | 7,258 | 75,993 | 95,523 | (7,352) | 88,171 |
| Unallocated expenses | | | 3,409* | | | 6,597* |
| Depreciation expense | 21,460 | - | 21,460 | 26,027 | - | 26,027 |
| Share of associate's profit | - | 6,462 | 6,462 | - | 6,706 | 6,706 |

| | 31 March 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | Manufacturing AED'000 (Unaudited) | Investments AED'000 (Unaudited) | Total AED'000 (Unaudited) | Manufacturing AED'000 (Audited) | Investments AED'000 (Audited) | Total AED'000 (Audited) |
| **Segment assets** | 3,101,522 | 339,625 | 3,441,147 | 2,967,027 | 337,286 | 3,304,313 |
| Unallocated assets | | | 140,376* | | | 151,521* |
| Total assets | | | 3,581,523 | | | 3,455,834 |
| **Segment liabilities** | 416,745 | - | 416,745 | 352,582 | - | 352,582 |
| Unallocated liabilities | | | 800,156* | | | 810,463* |
| | | | 1,216,901 | | | 1,163,045 |

* Unallocated assets, liabilities and expenses represents corporate function of the Group.

## 18 Related party balances and transactions

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

*(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:

| | Three month period ended 31 March 2016 (Unaudited) AED'000 | Three months period ended 31 March 2015 (Unaudited) AED'000 |
|---|---|---|
| Sales to associate | 51,777 | 38,798 |
| Purchases from affiliates | 5,140 | 2,725 |
| **Compensation to key management personnel** | | |
| Short term benefits | 5,589 | 6,832 |
| Long term benefits | 81 | 96 |

*(b) Due from a related party*

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Planet Pharmacies L.L.C. (Associate) | 210,553 | 179,367 |

*(c) Due to a related party*

| | | |
|---|---|---|
| Majan Printing and Packaging Company L.L.C. (Affiliate) | 7,363 | 8,771 |

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

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

## 19 Fair value measurements

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

*Fair value of financial instruments carried at amortised cost*

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial information 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 information for the year ended 31 December 2015.

*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:

## 19 Fair value measurements (continued)

| Financial assets | Fair Value as at 31 March 2016 AED'000 (Unaudited) | Fair Value as at 31 December 2015 AED'000 (Audited) | Fair Value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Quoted equity investments – AFS | 52,302 | 61,563 | Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities | None. | NA |
| Mutual funds - AFS | 4,695 | 4,695 | Level 3 | Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) | Net assets value. | Higher the net assets value of the investees, higher the fair value. |
| Quoted equity investments – FVTPL | 27,489 | 22,351 | Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities | None. | NA |

### Fair value measurement

*Fair value hierarchy*

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

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

## 19 Fair value measurements (continued)

**31 March 2016 (Unaudited)**

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit and loss | 27,489 | - | - | 27,489 |
| Trade and other receivables | - | - | 1,387,408 | 1,387,408 |
| Bank balances and cash | - | - | 140,376 | 140,376 |
| **Available-for-sale financial assets** | | | | |
| Quoted equities | 52,302 | - | - | 52,302 |
| Mutual funds | - | 4,695 | - | 4,695 |
| Unquoted equities | - | - | 7,104 | 7,104 |
| | 79,791 | 4,695 | 1,534,888 | 1,619,374 |
| **Financial liabilities** | | | | |
| Bank borrowings | - | - | 800,156 | 800,156 |
| Trade payables and accruals | - | - | 314,331 | 314,331 |
| | - | - | 1,114,487 | 1,114,487 |

**31 December 2015 (audited)**

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit and loss | 22,351 | - | - | 22,351 |
| Trade and other receivables | - | - | 1,224,550 | 1,224,550 |
| Bank balances and cash | - | - | 151,521 | 151,521 |
| **Available-for-sale financial assets** | | | | |
| Quoted equities | 61,563 | - | - | 61,563 |
| Mutual funds | - | 4,695 | - | 4,695 |
| Unquoted equities | - | - | 7,104 | 7,104 |
| | 83,914 | 4,695 | 1,383,175 | 1,471,784 |
| **Financial liabilities** | | | | |
| Bank borrowings | - | - | 810,463 | 810,463 |
| Trade payables and accruals | - | - | 254,319 | 254,319 |
| | - | - | 1,064,782 | 1,064,782 |

## 20 Commitments and contingent liabilities

| | 31 March 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Capital commitments | 147,946 | 207,946 |
| Letters of credit | 73,550 | 61,019 |
| Letters of guarantee | 77,149 | 77,149 |

## 21 Restatement and reclassification

### 21.1 Restatement

During the year ended 31 December 2015, management undertook a detailed review of the distribution agreements with its main customers and identified that certain articles of the contracts related to the transfer of title and risk of loss had been misinterpreted. As a consequence, revenue had been previously incorrectly recognized. This error has been corrected by restating each of the affected financial statement line items for the prior periods presented as follows:

| | As at 31 March 2015 (as previously stated) AED '000 (Unaudited) | Restatement AED '000 | As at 31 March 2015 (Restated) AED '000 (Unaudited) |
|---|---|---|---|
| **Statement of comprehensive income** | | | |
| Sales | 397,599 | 51,319 | 448,918 |
| Cost of sales | (170,859) | (11,149) | (182,008) |
| Selling and distribution expenses | (140,976) | (5,559) | (146,535) |
| **Net profit** | | **34,611** | |

The impact of restatement on periods earlier than 31 March 2015 was adjusted on 31 December 2015 audited financial statements.

## 21 Restatement and reclassification (continued)

### 21.2 Reclassifications

Certain corresponding figures have been reclassified to conform to the current year presentation, so that it more appropriately reflects the nature of underlying transactions and balances. This reclassification, did not have any impact on profit, comprehensive or equity of the prior period, except as disclosed on note 21.1.