Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim financial information for the nine month period ended 30 September 2016

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Report on review of the condensed consolidated interim financial information to the Board of Directors of Gulf Pharmaceuticals 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 30 September 2016, and the related condensed consolidated interim statements of income and comprehensive income for the three-month and nine-month period then ended, and condensed consolidated interim statements of changes in equity and cash flows for the nine-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" (“IAS 34”) as issued by the International Accounting Standards Board (IASB). 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 Standards 34 "Interim Financial Reporting", as issued by IASB.

PricewaterhouseCoopers
13 November 2016

Jacques Fakhoury

Jacques E. Fakhoury
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Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of financial position

	Notes	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
ASSETS			
Non-Current assets			
Property, plant and equipment	5	1,170,521	1,163,375
Intangible assets		69,444	72,298
Investment in an associate	6	255,117	241,573
Available-for-sale-financial assets	7	44,291	73,362
		1,539,373	1,550,608
Current assets			
Inventories		434,230	491,542
Financial assets at fair value through profit and loss	8	26,584	22,351
Trade and other receivables	9	1,434,987	1,239,812
Cash and bank balances	10	119,665	151,521
		2,015,466	1,905,226
Total assets		3,554,839	3,455,834
EQUITY & LIABILITIES			
EQUITY			
Share capital	11	1,092,000	1,050,000
Statutory reserve	12	546,000	531,954
Voluntary reserve	13	184,819	184,819
Foreign currency translation reserve		(6,360)	(3,290)
Fair value reserve		(756)	16,603
Retained earnings		408,291	421,497
Capital and reserves attributable to shareholders of the Company		2,223,994	2,201,583
Non-controlling interest		84,336	91,206
Net equity		2,308,330	2,292,789
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service indemnity		45,477	42,400
Bank borrowings	14	303,949	307,149
		349,426	349,549
Current liabilities			
Bank borrowings	14	565,751	503,314
Trade payables and accruals		331,332	310,182
		897,083	813,496
Total liabilities		1,246,509	1,163,045
Total equity and liabilities		3,554,839	3,455,834

This condensed consolidated interim financial information has been approved on 13 November 2016 and signed by:

Faisal Bin Saqr Al Qasimi
Chairman

Dr. Ayman Sahli
Chief Executive Officer

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

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim income statement

	Note	For the nine month period ended 30 September		For the three month period ended 30 September	
		2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) (as restated*)	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) (as restated*)
Sales		1,065,976	1,145,064	306,282	322,383
Cost of sales		(443,092)	(466,728)	(149,102)	(165,125)
Gross Profit		622,884	678,336	157,180	157,258
General and administrative expenses		(62,087)	(59,360)	(5,597)	(5,507)
Selling and distribution expenses		(420,830)	(439,201)	(136,987)	(121,154)
Gain/(loss) from investments and others		15,227	(2,561)	9,054	(1,452)
Share of profit from investment in associate		13,544	13,514	4,615	2,742
Operating profit		168,738	190,728	28,265	31,887
Other income		5,095	8,611	1,920	7,374
Profit before finance cost		173,833	199,339	30,185	39,261
Finance income		2,223	4,557	410	3,350
Finance costs		(18,843)	(18,217)	(7,229)	(6,113)
Finance costs - net		(16,620)	(13,660)	(6,819)	(2,763)
Profit for the period		157,213	185,679	23,366	36,498
Profit attributable to:					
- Owners of the parent		158,340	183,415	24,959	34,130
- Non-controlling interest		(1,127)	2,264	(1,593)	2,368
		157,213	185,679	23,366	36,498
Basic and diluted earnings per share (in UAE Fils)	15	14.5	16.8	2.3	3.1

*See Note 21 for details

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

Condensed consolidated interim statement of comprehensive income

	For the nine month period ended 30 September		For the three month period ended 30 September	
	2016 AED'000	**2015 AED'000** (as restated*)	**2016 AED'000**	**2015 AED'000** (as restated*)
Profit for the period	157,213	185,679	23,366	36,498
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Change in the fair value of available for sale investments	(7,593)	6,442	1,822	(3,575)
Reclassification adjustment on disposal of available for sale investments	(9,766)	-	(9,766)	(1,375)
Currency translation difference statements	(3,070)	(1,932)	(3,566)	31
Other comprehensive (loss)/ income for the period	(20,429)	4,510	(11,510)	(4,919)
Total comprehensive income for the period	136,784	190,189	11,856	31,579
Attributable to:				
- Owners of the parent	137,911	187,925	13,449	29,211
- Non-controlling interest	(1,127)	2,264	(1,593)	2,368
Total comprehensive income for the period	136,784	190,189	11,856	31,579

*See Note 21 for details

The notes on pages 7 to 27 form an integral part of these 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	Cumulative changes on revaluation of investments AED'000	Retained earnings AED'000	Equity attributable to owners of the Company AED'000	Non-Controlling Interest AED'000	Total AED'000
Balance at 1 January 2015 (as restated)	1,000,000	531,954	184,819	(793)	(8,308)	468,573	2,176,245	29,860	2,206,105
Profit for the nine month period ended 30 September 2015 (as previously stated)	-	-	-	-	-	162,185	162,185	2,264	164,449
Correction of error (Note 21.1)	-	-	-	-	-	21,230	21,230	-	21,230
Profit for the nine month period ended 30 September 2015 (as restated)	-	-	-	-	-	183,415	183,415	2,264	185,679
Other comprehensive income for the period	-	-	-	(1,932)	6,442	-	4,510	-	4,510
Total comprehensive income for the period	-	-	-	(1,932)	6,442	183,415	187,925	2,264	190,189
Issuance of bonus shares	50,000	-	-	-	-	(50,000)	-	-	-
Approved cash dividends	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Movement in non-controlling interest	-	-	-	-	-	-	-	35,868	35,868
Balance at 30 September 2015 (unaudited) (as restated)	1,050,000	531,954	184,819	(2,725)	(1,866)	451,988	2,214,170	67,992	2,282,162
Balance at 1 January 2016	1,050,000	531,954	184,819	(3,290)	16,603	421,497	2,201,583	91,206	2,292,789
Profit for the period	-	-	-	-	-	158,340	158,340	(1,127)	157,213
Other comprehensive income for the period	-	-	-	(3,070)	(17,359)	-	(20,429)	-	(20,429)
Total comprehensive income for the period	-	-	-	(3,070)	(17,359)	158,340	137,911	(1,127)	136,784
Issuance of bonus shares	42,000	-	-	-	-	(42,000)	-	-	-
Approved cash dividends (Note 16)	-	-	-	-	-	(115,500)	(115,500)	-	(115,500)
Movement in non-controlling interest	-	-	-	-	-	-	-	(5,743)	(5,743)
Transfer to statutory reserve	-	14,046	-	-	-	(14,046)	-	-	-
At 30 September 2016 (Unaudited)	1,092,000	546,000	184,819	(6,360)	(756)	408,291	2,223,994	84,336	2,308,330

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

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Condensed consolidated interim statement of cash flows (Unaudited)

	Note	Nine month period ended 30 September	
		2016	2015
		AED	AED
		000's	000's
			(as restated)
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit for the period		157,213	185,679
Adjustments for:			
Depreciation of property, plant and equipment	5	66,834	55,622
Amortisation of intangible assets		2,854	-
Gain on revaluation of financial asset at FVTPL	8	(4,240)	-
Loss on sale of available-for-sale investments		1,325	4,259
Profit from investment accounted for using the equity method	6	(13,544)	(13,514)
Allowance for doubtful debts	9	7,000	6,000
Profit on sale of property, plant and equipment		(5)	(41)
Recycled gain on available-for-sale investments		(9,766)	-
Provision for employees' end of service indemnity		7,870	7,264
Finance costs		18,843	18,217
Gain on sale of investments		-	(1,698)
Operating cash flows before changes in working capital and payment of EOSB		234,384	261,788
Employees' end of service benefits paid		(4,793)	(1,573)
Changes in working capital:			
Inventories		57,312	64,889
Trade and other receivables		(202,175)	(315,057)
Trade payables and accruals		16,031	11,869
Net cash flows generated from operating activities		100,759	21,916
Cash flows from investing activities			
Advance paid for acquisition of subsidiary		-	(23,487)
Additions to property, plant and equipment	5	(73,980)	(54,769)
Dividend received from an associate	6	-	44,000
Dividend received from investments		-	2,183
Proceeds from sale of available-for-sale investments		20,153	12,712
Proceeds from sale of investments at FVTPL	8	7	-
Proceeds from sale of property, plant and equipment		5	80
Decrease in non-controlling interest		-	35,868
Net cash (used in)/generated from investing activities		(53,815)	16,587
Cash flows from financing activities			
Net proceeds of bank borrowings		59,237	182,051
Dividend paid		(116,124)	(149,551)
Finance costs paid		(18,843)	(18,217)
Net cash flows (used in)/ generated from financing activities		(75,730)	14,283
Net (decrease)/increase in cash and cash equivalents		(28,786)	52,786
Effect of exchange rate changes on cash and cash equivalents		(3,070)	(1,932)
Cash and cash equivalents at the beginning of the period	10	151,521	(23,262)
Cash and cash equivalents at the end of the period	10	119,665	27,592

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

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2016

1. General information

Gulf Pharmaceutical Industries is a Public Shareholding Company ("the Company" or "Julphar") 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 nine month period ended 30 September 2016 was authorised for issue in accordance with the resolution of the Board of Directors on 13 November 2016.

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

The Company has the following major subsidiaries:

			Percentage of ownership		
	Name of subsidiary	**Place of incorporation and operation**	**30 September 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
5.	RAK Pharmaceuticals Pvt. Ltd.	Dhaka – Bangladesh	50.5%	50.5%	Manufacturing of medicines

Gulf Pharmaceutical Industries P.S.C.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2016 (continued)

1 General information (continued)

			Percentage of ownership		
	Name of subsidiary	**Place of incorporation and operation**	**30 September 2016**	**31 December 2015**	**Principle activity**
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

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 Interpretations Committee ("IFRICs"). This condensed consolidated interim financial information for the nine month period ended 30 September 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 nine month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

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

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

As required by the Securities and Commodities Authority ("SCA") notification 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.

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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.

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 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 Summary of significant accounting policies (continued)

2.6 Available-for-sale financial assets

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

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 is 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 nine-month period ended 30 September 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.

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

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

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.

5 Property, plant and equipment

- Property, plant and equipment additions during the current period amounted to AED 73,980,000 (Nine month period ended 30 September 2015: AED 71,954,000). The transfer from capital work in progress during the nine month period ended 30 September 2015 was AED 17,185,288 and related to plant and machinery.
- Depreciation charge for the current nine month period amounted to AED 66,834,000 (Nine month period ended 30 September 2015 amounted to AED 55,622,000).
- Certain property, plant and equipment are mortgaged against bank facilities (Note 14).

6 Investment in an associate

The Company has 40% shareholding in Planet Pharmacies L.L.C, 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 L.L.C which is accounted for using the equity method is as follows:

Name of associate	Place of incorporation	Ownership	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Planet Pharmacies L.L.C.	U.A.E	40%	255,117	241,573

6 Investment in an associate (continued)

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

	30 September 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 associates profit	13,544	7,751
Less: Dividends received	-	(44,000)
	255,117	241,573

7 Available-for-sale-financial assets

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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Balance at the beginning of the period/year	73,362	60,610
Disposals during the year period/year	(21,478)	(12,159)
Net (loss)/gain transferred to equity	(7,593)	24,911
	44,291	73,362

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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Investments within United Arab Emirates		
Quoted U.A.E. equity securities	26,957	25,026
Mutual funds - quoted	4,484	4,695
Unquoted U.A.E. equity securities	7,104	7,104
	38,545	36,825
Investments outside United Arab Emirates		
Quoted equity investments	5,746	36,537
	44,291	73,362

8 Financial assets at fair value through profit and loss

Movements in investments held for trading were as follows:

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Fair value beginning of the period / year	22,351	35,937
Disposals during the period / year	(7)	(5,140)
Net gains/(loss) on revaluation	4,240	(8,446)
	26,584	22,351

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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
In U.A.E. markets	26,446	22,213
In other G.C.C. markets	138	138
	26,584	22,351

9 Trade and other receivables

Trade and other receivables comprise the following:

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Trade receivable	1,197,167	1,046,454
Less: provision for impairment of trade receivables	(41,033)	(34,106)
	1,156,134	1,012,348
Due from a related party (Note 18(b))	246,128	179,367
Staff receivables	2,299	2,449
Prepaid expenses	183	1,167
Advances to suppliers	25,175	14,095
Other receivables	5,068	30,386
	1,434,987	1,239,812

9 Trade and other receivables (continued)

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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Balance at the beginning of the period/year	34,106	13,555
Allowance for doubtful debts	7,000	20,551
Allowance for doubtful debts written off	(73)	-
Balance at the end of the period/year	41,033	34,106

10 Cash and cash equivalents

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Bank balances		
Current accounts	115,820	146,772
Short term bank deposits	467	1,706
	116,287	148,478
Cash in hand	3,378	3,043
Cash and cash equivalents	119,665	151,521
By geographical area:		
In the U.A.E.	93,785	140,865
In other countries	25,880	10,656
	119,665	151,521

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

11 Share capital

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Issued and fully paid up 1,092,000,000 ordinary shares (31 December 2015: 1,050,000,000 ordinary shares) at par value of AED 1 each	1,092,000	1,050,000

Share capital includes 42,000,000 bonus shares (2015: 50,000,000 bonus shares at par value of AED 1 each issued during the nine month period ended 30 September 2016)

12 Statutory reserve

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

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

13 Voluntary reserve

Appropriations to the voluntary reserve account represents appropriations of 10% of the yearly 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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Overdraft	163,659	138,960
Loans	706,041	671,503
	869,700	810,463
Bank borrowings shall be repaid as follows:		
Current		
On demand or within one year	565,751	503,314
Non current		
In the second year	128,305	164,410
In third to fifth year	175,644	143,009
	303,949	307,149
	869,700	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 a regular basis.
- Interest on overdraft accounts is computed and added to the account on a monthly basis.

Loans:

During the period, the Group obtained new loan facilities of AED 238 million to finance its working capital requirement, and capital expenditures. Interest rates on these loans ranged from 1.65% to 3.75%, 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. 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 these 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 14.5 fils is calculated by dividing the profit for the nine month period ended attributable to the shareholders of the Company of AED 158.3 million (2015: AED 183.4 million) by the number of shares outstanding during the year of 1,092,000 thousand (2015: 1,092,000 thousand). The Company does not have any potential equity shares and accordingly the basic and diluted earnings per share is the same.

The basic earnings per share of AED 16.80 fils as reported for the nine month period ended 30 September 2015 (previously reported as AED 15.7 fils for the nine month period ended 30 September 2015) has been adjusted for the effect of the shares issued in 2016 as a result of the bonus shares dividends 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.

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.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2016
(continued)

17 Segment Information

	For the nine month period ended 30 September 2016			For the nine month period ended 30 September 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	1,065,976	-	1,065,976	1,145,064	-	1,145,064
Segment results	145,062	15,227	160,289	188,386	(2,561)	185,825
Unallocated expenses			(16,620)			(13,660)
Depreciation expense	66,834	-	66,834	55,622	-	55,622
Share of associate's profit	-	13,544	13,544	-	13,514	13,514

	30 September 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	3,109,182	325,992	3,435,174	2,967,027	337,286	3,304,313
Unallocated assets			119,665			151,521
Total assets			3,554,839			3,455,834
Segment liabilities	376,809	-	376,809	352,582	-	352,582
Unallocated liabilities			869,700			810,463
			1,246,509			1,163,045

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:

	Nine month period ended		Three month period ended	
	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000
Sales to associates	179,096	111,460	30,584	72,662
Purchases from affiliates	23,105	16,279	5,257	13,554

Transactions with related parties are entered into on terms agreed with management.

Compensation of board of directors/key management personnel:

	Nine month period ended		Three month period ended	
	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000
Short term benefits	13,252	10,365	1,846	1,755
Long term benefits	245	245	81	56

(b) Due from a related party

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Planet Pharmacies L.L.C. (Associate)	246,128	179,367

18 Related party balances and transactions (continued)

(c) Due to a related party

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Majan Printing and Packaging Company L.L.C. (Affiliate)	14,302	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 measurement

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.

19 Fair value measurement (continued)

Fair value hierarchy

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table provides an analysis of 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 measurement (continued)

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

Financial assets	Fair Value as at		Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)				
Quoted equity investments – AFS	32,703	61,563	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	None.	NA
Mutual funds - AFS	4,484	4,695	Level 2	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	26,584	22,351	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	None.	NA

20 Commitments and contingent liabilities

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Capital commitments	12,000	207,946
Letters of credit	12,136	61,019
Letters of guarantee	60,696	77,149

21 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 30 September 2015 (as previously stated) AED '000 (Unaudited)	Restatement AED '000	As at 30 September 2015 (Restated) AED '000 (Unaudited)
Condensed consolidated interim income statement			
Sales	1,121,938	23,126	1,145,064
Cost of sales	(463,055)	(3,673)	(466,728)
Selling and distribution expenses	(416,240)	1,777	(414,463)
	242,643	21,230	263,873

The impact of restatement on periods earlier than 30 September 2015 was adjusted on 31 December 2015 audited financial statements.

21 Reclassification (continued)

21.2 Reclassifications

Certain corresponding figures have been reclassified to conform to the current year presentation, so that they appropriately reflect the nature of underlying transactions and balances. This reclassification did not have any impact on profit, other comprehensive income or equity of the prior period, except as disclosed on Note 21.1. Please refer below for details of reclassification.

	As at 30 September 2015 (as previously stated) AED '000 (Unaudited)	Reclassification AED '000	As at 30 September 2015 (Reclassified) AED '000 (Unaudited)
Condensed consolidated interim income statement			
General and administrative expenses	84,098	(24,738)	59,360
Selling and distribution expenses	414,463	24,738	439,201
	498,561	-	498,561