Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2019

Building a better working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Pharmaceutical Industries P.S.C. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2019, which comprises the interim condensed consolidated statement of financial position as at 30 September 2019, and the related interim condensed consolidated statements of profit or loss and interim condensed consolidated statements of comprehensive income for the three months and nine months then ended, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis for qualified conclusion

As disclosed in note 6 to the interim condensed consolidated financial statements, Planet Pharmacies L.L.C. ("Planet") which is a 40% owned associate of the Group, has two subsidiaries in the Kingdom of Saudi Arabia (KSA), which are held under nominee shareholder arrangements. During the previous year, one of the two nominee shareholders took control of the subsidiaries in KSA by appointing herself as the General Manager and took actions which, according to the Group, she was not empowered to do under the nominee shareholder agreement. As a result of the nominee shareholder's actions, financial information for the two subsidiaries for the nine months ended 30 September 2019 and the year ended 31 December 2018 has not been made available to us. The case was heard by the court in KSA and on 12 September 2019, Planet received a judgment in their favour. The Articles of Association of the subsidiaries were amended accordingly. The court also ordered the nominee shareholder to pay back AED 9.79 million to Planet. As a result of the above, Planet has now regained full control of the pharmacies in KSA. As of the reporting date, Planet is assessing the accuracy of the financial statements for its subsidiaries in KSA for the year ended 31 December 2018 and nine months period ended 30 September 2019.

As a result of the above matter, we were unable to perform the necessary review and opening balances procedures on Planet's consolidated financial statements as of 31 December 2018 and the management accounts as of 30 September 2019, neither were we able to review the consistency of the accounting policies used by Planet with the Group accounting policies including revenue recognition as disclosed in note 21 to obtain sufficient appropriate evidence about the carrying amount of the Group's investment in the associate of AED 278.9 million as at 30 September 2019 and the Group's share of loss from the associate of AED 4.8 million for the period then ended. Had we been able to complete our review and opening balance procedures relating to the associate, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial statements.

The above matter was also the basis for the qualified audit opinion issued on 30 May 2019 by the predecessor auditor on the consolidated financial statements for the year ended 31 December 2018.

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

Qualified conclusion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to note 2 to the interim condensed consolidated financial statements, which states that the Group incurred a loss of AED 392.7 million during the nine months ended 30 September 2019 and, as of that date, the Group's accumulated losses amounted to AED 385.2 million. Moreover, the ban imposed on the Group's products by the Saudi Food and Drug Authority continues to have a negative impact on the Group's trading performance, gross margin and cash flows. As stated in note 2, these conditions, along with other matters as stated in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not further modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018, were audited by another auditor who expressed a qualified opinion on those consolidated financial statements with a paragraph emphasising material uncertainty relating to the going concern in their report dated 30 May 2019. The qualification related to the limitation of scope imposed due to circumstances beyond the control of the management, which resulted in the unavailability of the associate's financial information for the year ended 31 December 2018.

The interim condensed consolidated financial statements of the Group as at and for the nine months ended 30 September 2018 were reviewed by another auditor who issued a qualified review conclusion on those interim condensed consolidated financial statements with a paragraph emphasising uncertainty relating to the outcome of a law suit filed by the associate of the Group in their report dated 20 December 2018. The qualification related to the recoverability of trade receivable balances amounting to AED 579 million.

For Ernst & Young

T.S. Hari Gopal

Signed by:
Thodla Hari Gopal
Partner
Registration No. 689

14 November 2019

Dubai, United Arab Emirates

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2019 (Unaudited)

	Notes	*Nine months ended 30 September*		*Three months ended 30 September*	
		2019 AED million	*2018 AED million (note 7)*	***2019 AED million***	*2018 AED million (note 7)*
Continuing operations					
Net sales	4	**222.6**	677.0	**22.7**	144.9
Cost of sales		**(302.9)**	(442.0)	**(110.1)**	(115.8)
Gross (loss)/ profit		**(80.3)**	235.0	**(87.4)**	29.1
General and administrative expenses		**(60.7)**	(69.2)	**(19.4)**	(23.4)
Selling and distribution expenses		**(214.3)**	(200.8)	**(79.9)**	(77.2)
Other income		**5.7**	7.8	**2.9**	1.6
Gain and income from investments and others		**2.5**	0.5	**0.1**	-
Share of (loss) / profit from investment in an associate	6	**(4.8)**	12.0	**(2.6)**	(2.0)
Operating loss		**(351.9)**	(14.7)	**(186.3)**	(71.9)
Finance income		**0.9**	4.1	**0.1**	1.1
Finance costs		**(25.4)**	(18.8)	**(9.1)**	(7.5)
Finance costs – net		**(24.5)**	(14.7)	**(9.0)**	(6.4)
Loss for the period from continuing operations		**(376.4)**	(29.4)	**(195.3)**	(78.3)
Discontinued operations					
(Loss)/ profit for the period from discontinued operations	7a & 7b	**(14.1)**	0.8	**(7.4)**	1.3
LOSS FOR THE PERIOD		**(390.5)**	(28.6)	**(202.7)**	(77.0)
Attributable to:					
Equity holders of the Parent Company		**(385.2)**	(25.4)	**(201.3)**	(76.4)
Non-controlling interests		**(5.3)**	(3.2)	**(1.4)**	(0.6)
		(390.5)	(28.6)	**(202.7)**	(77.0)
Basic and diluted Loss per share attributable to the equity holders of the Parent (in UAE fils)	16	**(33.2)**	(2.2)	**(17.4)**	(6.6)
Basic and diluted Loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	16	**(32.5)**	(2.5)	**(16.9)**	(6.8)

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2019 (Unaudited)

	Nine months ended 30 September		*Three months ended 30 September*	
	2019 AED million	*2018 AED million (note 7)*	***2019 AED million***	*2018 AED million (note 7)*
Loss for the period	**(390.5)**	(28.6)	**(202.7)**	(77.0)
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Currency translation differences	**(2.2)**	0.4	**0.2**	0.1
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(392.7)**	(28.2)	**(202.5)**	(76.9)
Attributable to:				
Equity holders of the Parent	**(387.4)**	(25.0)	**(201.1)**	(76.3)
Non-controlling interests	**(5.3)**	(3.2)	**(1.4)**	(0.6)
	(392.7)	(28.2)	**(202.5)**	(76.9)

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 (Unaudited)

	Notes	*30 September 2019 AED million (unaudited)*	*31 December 2018 AED million (audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,059.2**	1,126.4
Intangible assets		**22.8**	43.6
Investment in an associate	6	**278.9**	283.7
		1,360.9	1,453.7
Current assets			
Inventories	8	**304.2**	333.4
Financial assets at fair value through profit or loss	9	**22.1**	21.3
Trade and other receivables	10	**679.2**	971.7
Bank balances and cash	11	**48.9**	87.8
		1,054.4	1,414.2
Assets held for sale	7	**87.5**	-
		1,141.9	1,414.2
TOTAL ASSETS		**2,502.8**	2,867.9
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**1,158.5**	1,158.5
Statutory reserve	13	**185.5**	562.4
Voluntary reserve	14	**-**	184.8
Foreign currency translation reserve		**(140.3)**	(138.1)
Accumulated losses		**(385.2)**	(561.7)
Equity attributable to equity holders of the Parent		**818.5**	1,205.9
Non-controlling interests	20	**182.5**	174.6
Total equity		**1,001.0**	1,380.5
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits		**63.3**	69.2
Bank borrowings	15	**270.4**	15.8
		333.7	85.0
Current liabilities			
Bank borrowings	15	**541.6**	786.0
Trade payables and accruals		**258.3**	325.4
Deferred revenue	21	**338.7**	291.0
		1,138.6	1,402.4
Liabilities directly associated with the assets held for sale	7	**29.5**	-
Total liabilities		**1,501.8**	1,487.4
TOTAL EQUITY AND LIABILITIES		**2,502.8**	2,867.9

Sh Saqer Humaid Al Qasimi
Chairman

Jerome Carle
Chief Executive Officer

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019 (Unaudited)

	Attributable to the equity holders of the Parent								
	Share capital AED million	*Statutory reserve AED million*	*Voluntary reserve AED million*	*Foreign currency translation reserve AED million*	*Fair value reserve AED million*	*(Accumulated losses) / retained earnings AED million*	*Total AED million*	*Non-controlling interests AED million*	*Total equity AED million*
Balance at 1 January 2019 (audited)	1,158.5	562.4	184.8	(138.1)	-	(561.7)	1,205.9	174.6	1,380.5
Loss for the period	-	-	-	-	-	(385.2)	(385.2)	(5.3)	(390.5)
Other comprehensive loss for the period	-	-	-	(2.2)	-	-	(2.2)	-	(2.2)
Total comprehensive loss for the period	-	-	-	(2.2)	-	(385.2)	(387.4)	(5.3)	(392.7)
Utilisation of statutory and voluntary reserve (notes 13 and 14)		(376.9)	(184.8)	-	-	561.7	-	-	-
Movement in non-controlling interest (note 20)	-	-	-	-	-	-	-	13.2	13.2
Balance at 30 September 2019 (unaudited)	**1,158.5**	**185.5**	**-**	**(140.3)**	**-**	**(385.2)**	**818.5**	**182.5**	**1,001.0**
Balance at 1 January 2018 (audited)	1,124.8	562.4	184.8	(136.6)	2.0	328.3	2,065.7	144.6	2,210.3
Change in accounting policy	-	-	-	-	(2.0)	(131.3)	(133.3)	-	(133.3)
Balance at 1 January 2018 (restated)	1,124.8	562.4	184.8	(136.6)	-	197.0	1,932.4	144.6	2,077.0
Loss for the period	-	-	-	-	-	(25.4)	(25.4)	(3.2)	(28.6)
Other comprehensive income for the period	-	-	-	0.4	-	-	0.4	-	0.4
Total comprehensive loss for the period	-	-	-	0.4	-	(25.4)	(25.0)	(3.2)	(28.2)
Issuance of bonus shares (note 17)	33.7	-	-	-	-	(33.7)	-	-	-
Cash dividends paid (note 17)	-	-	-	-	-	(112.4)	(112.4)	-	(112.4)
Movement in non-controlling interest (note 20)	-	-	-	-	-	-	-	26.9	26.9
Balance at 30 September 2018 (unaudited)	1,158.5	562.4	184.8	(136.2)	-	25.5	1,795.0	168.3	1,963.3

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Unaudited)

	Notes	*Nine months period ended 30 September* 2019 AED million	2018 AED million
OPERATING ACTIVITIES			
Loss for the period from continuing operations		**(376.4)**	(29.4)
(Loss)/ profit for the period from discontinued operations		**(14.1)**	0.8
Loss for the period		**(390.5)**	(28.6)
Adjustments for:			
Depreciation of property, plant and equipment	5	**61.0**	63.6
Amortisation for intangible assets		**4.1**	1.4
Impairment of subsidiary		**6.0**	-
Share of loss/(profit) from investment in an associate	6	**4.8**	(12.0)
Allowance for obsolete and slow-moving inventories	8	**18.9**	-
(Gain) / loss on revaluation of financial assets classified as FVTPL	9	**(0.8)**	1.1
Loss on investments recycled from equity to profit or loss on sale		**-**	1.3
Provision for employees' end of service benefits		**6.3**	12.2
Finance costs – net		**25.4**	15.6
		(264.8)	54.6
Changes in working capital:			
Trade and other receivables		**272.0**	105.8
Inventories		**1.2**	(20.4)
Trade payables, accruals and deferred revenue		**7.0**	(11.2)
Cash generated from operations		**15.4**	128.8
Employees' end of service benefits paid		**(9.6)**	(7.3)
Net cash flows from operating activities		**5.8**	121.5
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(35.6)**	(34.9)
Additions to investments classified as FVTPL		**-**	(16.9)
Sales proceeds from disposal of investments classified as FVTPL		**-**	19.4
Interest income		**0.9**	4.1
Net cash flows used in investing activities		**(34.7)**	(28.3)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**350.8**	295.4
Repayment of loans		**(339.6)**	(316.2)
Dividends paid		**-**	(112.4)
Non-controlling interest		**13.2**	26.9
Interest paid		**(26.3)**	(19.7)
Net cash used in financing activities		**(1.9)**	(126.0)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(30.8)**	(32.8)
Currency translation differences		**(6.6)**	(6.9)
Cash and cash equivalents at the beginning of the period		**87.8**	168.5
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	**50.4**	128.8

During the nine months period ended 30 September 2019, the Group has classified disposal groups as held for sale (notes 7(a) and 7(b)). This being a non-cash transaction is not reflected in the above interim condensed consolidated statement of cash flows.

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

1. ACTIVITIES

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 30 March 1980 and the Emiri decree No.9/80 on 4 May 1980. The Company's registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates. The Company commenced its commercial activities effective from November 1984. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange (ADX).

The 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 interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 was authorised for issue in accordance with the resolution of the Board of Directors on 13 November 2019.

The Company has the following major subsidiaries:

Serial No.	*Name of subsidiary*	*Place of incorporation and operation*	*Percentage of Ownership*		*Subsidiary activity*
			2019	*2018*	
1.	Mena Cool F.Z.E	Ras Al Khaimah UAE	**100%**	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C	Ethiopia	**55%**	55%	Manufacturing of medicines, wrapping and packing materials
3.	Gulf Inject L.L.C. (note (b))	Dubai – UAE	**100%**	100%	Manufacturing of medical supplies
4.	RAK Pharmaceuticals Pvt. Ltd. (note (b))	Dhaka – Bangladesh	**50.5%**	50.5%	Manufacturing of medicines
5.	Julphar Saudi Arabia L.L.C.	Rabigh – Saudi Arabia	**51%**	51%	Manufacturing of medicines
6.	Julphar Egypt Company L.L.C.	Cairo – Egypt	**100%**	100%	Distributors of Julphar's products in Egypt
7.	Julphar Diabetes L.L.C. (note (a))	Ras Al Khaimah – UAE	**100%**	100%	Manufacturing of medicines
8.	Julphar General Trading L.L.C. (note (a))	Ras Al Khaimah – UAE	**100%**	100%	General Trading
9.	Mena Cool Machinery Trading (note (a))	Ras Al Khaimah – UAE	**100%**	100%	General Trading
10.	Julphar Life Science L.L.C. (note (a))	Ras Al Khaimah – UAE	**100%**	100%	General Trading

1. ACTIVITIES (continued)

Serial No.	*Name of subsidiary*	*Place of incorporation and operation*	*Percentage of Ownership 2019*	*2018*	*Principle activity*
11.	Julphar Pakistan Private Limited (note (a))	Pakistan	99%	99%	Distributors of Julphar's products in Pakistan
12.	Julphar Tunisie (note (a))	Tunisia	99%	99%	Distributors of Julphar's products in Tunisia

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

b) During the nine months period ended 30 September 2019, management has classified these subsidiaries as disposal group held for sale as at 30 September 2019 (note 7).

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

In addition, results for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is also the functional currency of the Company, and all values are rounded to the nearest million except where otherwise indicated.

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

2.2 Going concern

The Group incurred a loss of AED 392.7 million during the nine months ended 30 September 2019 and, as of that date, the Group's accumulated losses amounted to AED 385.2 million. The circumstances outlined give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In September 2018, the Saudi Food and Drug Authority (SFDA) performed a physical inspection of the Company's plant in Ras Al Khaimah and as a result of their inspection, they imposed a temporary suspension on the Company exporting its products to the Kingdom of Saudi Arabia (KSA) and Kingdom of Bahrain. Prior to the suspension, products shipped to KSA which represents a major market for the Company, continued to be sold in that market. Since the suspension began, management has been working closely with the SFDA to address all of the issues raised in the SFDA report. The Company expects that a re-inspection by the SFDA will occur in Q1 2020.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

Further, during early 2019, certain batches of a variety of products were recalled by the United Arab Emirates Ministry of Health (MOH) for stability reasons. Management believes it has taken necessary rectification measures to fully address the issues raised by MOH and is hopeful that these products would be ready for sale in the market once the same is cleared by MOH.

Furthermore, in May 2019, the Gulf Health Council (GHC) performed a physical inspection of the Company's plants in Ras Al Khaimah and issued a report in July 2019. As a result of their inspection, they imposed a temporary suspension on the Company exporting its products to the State of Kuwait and Sultanate of Oman. Management believes it has taken the necessary rectification measures to fully address the issues raised by GHC and is hopeful that the ban would be lifted once the re-inspection by GHC occurs by the end of 2019.

In spite of these events and conditions, the interim condensed consolidated financial statements have been prepared on a going concern basis considering the following facts:

a) Management has undertaken various operational measures and restructuring decisions and expects that the suspensions will soon be lifted and, trading activities with existing or new customers will improve. The Company has made appointments of several key management personnel and consultants to oversee the strategic direction of the Company;

b) During the nine months ended 30 September 2019, the Group recorded losses amounting to AED 390.5 million which was mainly caused by the temporary suspension on exports to KSA market and related impact on margins, cash flows and the profitability of the Group. In addition to the ongoing strenuous efforts that management is making to get the suspension lifted, the Group has undertaken various marketing initiatives and negotiated with several customers in the Middle East and North Africa region to notably grow trading activities and expand its market share in some of the countries in that region. The Group has a healthy order book for Q4 2019 to Q1 2020 to supply the goods and address market demand;

c) c)The Group has generated positive operating cash flows of AED 5.8 million and will obtain new loans through internal and external sources to bridge its current and future working capital requirements to ensure business continuity;

d) Julphar VI plant has re-opened after a successful inspection by the Ministry of Health in UAE. This will enable the Company to re-launch its product in the UAE market. 20 new products will be launched during the period Q4 2019 – Q1 2020 covering broad range of therapy areas. This will help the Company to improve its sales to the market and recover collections;

e) MOH Egypt has issued a satisfactory report after their inspection.

The Management and the Board believe that the combination of these measures and events will enable the Group to generate sufficient future cash flows in order to honor its commitment, resume its growth activities and continue as a going concern.

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019 and accounting polices relating to discontinued operations and assets held for sale. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases, and several other amendments and interpretations effective from 1 January 2019, but these do not have any material impact on the interim condensed consolidated financial statements of the Group expect as described below.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with a date of initial application of 1 January 2019. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Due to the exemptions taken as above, the Group did not have any impact on the adoption of IFRS 16 except for the impact on the Group's associate which has not been currently finalised due to the matters specified in note 6.

Other amendments

1. IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
2. Amendments to IFRS 9: Prepayment Features with Negative Compensation
3. Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
4. Amendments to IAS 28: Long-term interests in associates and joint ventures

Annual Improvements 2015-2017 Cycle

1. IFRS 3 Business Combinations
2. IFRS 11 Joint Arrangements
3. IAS 12 Income Taxes
4. IAS 23 Borrowing Costs

2.4 Summary of new accounting policies

Set out below are the new accounting policies of the Group:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Non-current assets held for sale and discontinued operations
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the interim condensed consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; Or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the interim condensed consolidated statement of profit or loss.

Additional disclosures are provided in note 7. All other notes to the interim condensed consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements for the year ended 31 December 2018, except as below:

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

4. NET SALES

	Nine months ended 30 September		*Three months ended 30 September*	
	2019 AED million (unaudited)	*2018 AED million (unaudited) (note 7)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited) (note 7)*
Net Sales	**253.3**	718.6	**34.9**	161.1
Less: net sales relating to discontinued operations (note 7)	**(30.7)**	(41.6)	**(12.2)**	(16.2)
	222.6	677.0	**22.7**	144.9

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

	Nine months ended 30 September		*Three months ended 30 September*	
	2019 AED million (unaudited)	*2018 AED million (unaudited) (note 7)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited) (note 7)*
GCC	**190.8**	326.0	**29.4**	70.5
Levant	**133.3**	182.0	**17.5**	52.9
Africa excluding Egypt	**59.2**	80.3	**7.8**	27.8
Other countries	**110.8**	374.2	**34.0**	84.3
Gross revenue	**494.1**	962.5	**88.7**	235.5
Less: rebates, discounts and others	**(240.8)**	(243.9)	**(53.8)**	(74.3)
	253.3	718.6	**34.9**	161.2
Less: net sales relating to discontinued operations (note 7)	**(30.7)**	(41.6)	**(12.2)**	(16.3)
	222.6	677.0	**22.7**	144.9

5. PROPERTY PLANT AND EQUIPMENT

a) Property, plant and equipment additions during the current period amounted to AED 35.6 million (30 September 2018: AED 34.9 million).

b) Depreciation charges for the current period amounted to AED 61.0 million (30 September 2018: AED 63.6 million).

c) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 15).

5. PROPERTY PLANT AND EQUIPMENT (continued)

d) During the nine months period ended 30 September 2019, a fire in the adjacent factory of a subsidiary of the Group in Jebel Ali damaged part of the building of the subsidiary. The fire also destroyed some equipment. Inventories stored in the warehouse of the subsidiary were damaged as the pharmaceutical drugs were not maintained at the prescribed temperatures due to interrupted power supply during the incident. The subsidiary has assessed that total loss from damage of equipment and inventory is approximately AED 6 million and has made an insurance claim against this damage. The Group has not recorded impact of the above-mentioned incident in the interim condensed consolidated financial statements for the nine months ended 30 September 2019 since the impact is immaterial to the overall interim condensed consolidated financial statements of the Group. During the nine months period ended 30 September 2019, the subsidiary received AED 0.6 million from the insurance company.

6. INVESTMENT IN AN ASSOCIATE

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

Details of the Group'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*	***30 September 2019 AED million (unaudited)***	*31 December 2018 AED million (audited)*
Planet Pharmacies L.L.C.	UAE	40%	**278.9**	283.7

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

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Balance at the beginning of the period/year	**283.7**	268.4
Share of the associate's (loss)/ profit for the period/ year	**(4.8)**	15.3
At end of the period/year	**278.9**	283.7

Planet Pharmacies L.L.C ("Planet") has two subsidiaries in the Kingdom of Saudi Arabia (KSA), which are held under nominee shareholder arrangements. During 2018, one of the two nominee shareholders ("nominee shareholder") of Planet's subsidiaries, took control of the subsidiaries in KSA by appointing herself as the General Manager and took actions which she is not empowered to do under the nominee shareholder agreements. The Group considered this to be unlawful and, as a result filed a case against the nominee shareholder regarding her self-appointment as the General Manager and for claiming outright ownership of the subsidiaries.

The case was heard by the court in KSA and on 12 September 2019, Planet received the judgment in their favor. The Articles of Association of the subsidiaries were amended accordingly. The court also ordered the nominee shareholder to pay back AED 9.79 million to Planet. As a result of the above, Planet has now regained full control of the pharmacies in KSA. As of the reporting date, Planet is assessing the accuracy of the financial statements for its subsidiaries in KSA for the year ended 31 December 2018 and nine months period ended 30 September 2019.

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Gulf Inject L.L.C.

During the nine months period ended 30 September 2019, the Board of Directors of the Company decided to sell Gulf Inject L.L.C. ("Gulf Inject"), a wholly owned subsidiary. The sale of Gulf Inject is expected to be completed within a year from the reporting date. Accordingly, Gulf Inject has been classified as a disposal group held for sale and as a discontinued operation.

With Gulf Inject being classified as a discontinued operation, the results of Gulf Inject has not been presented in the segment information (note 19). There was no write-down of carrying amount immediately before and after the classification of the disposal group as held for sale. The comparative interim condensed consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Gulf Inject separately from continuing operations.

The results of the discontinued operation for the period are presented below:

	Nine months ended 30 September		***Three months ended 30 September***	
	2019 AED million (unaudited)	*2018 AED million (unaudited)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited)*
Net sales	**9.3**	19.6	**5.2**	7.6
Cost of sales	**(8.3)**	(13.8)	**(1.1)**	(5.5)
Gross profit	**1.0**	5.8	**4.1**	2.1
General, administrative and selling expenses	**(5.0)**	(2.7)	**(3.6)**	(0.8)
Other income	**0.9**	0.3	**0.1**	0.1
Operating (loss) / profit	**(3.1)**	3.4	**0.6**	1.4
Finance cost	-	(0.1)	-	(0.1)
Finance income	-	-	**0.1**	-
Finance costs - net	-	(0.1)	**0.1**	(0.1)
Net (loss) / profit for the period attributable to the equity holders of the Parent	**(3.1)**	3.3	**0.7**	1.3

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

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

a) Gulf Inject L.L.C. (continued)

The major classes of assets and liabilities of Gulf Inject classified as held for sale as at 30 September 2019 are as follows:

	30 September 2019 AED million (unaudited)
ASSETS	
Property, plant and equipment	25.5
Inventories (note 8)	4.2
Trade and other receivables (note 10)	15.1
Bank balances and cash (note 11)	1.3
Assets held for sale	**46.1**
LIABILITIES	
Provision for employees' end of service benefits	0.4
Trade payables and accruals	7.3
Liabilities directly associated with assets held for sale	**7.7**
Net assets directly associated with disposal group	**38.4**

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

	For the nine months ended 30 September	
	2019 AED million (unaudited)	*2018 AED million (unaudited)*
Operating	**0.3**	4.8
Investing	**(1.6)**	(2.0)
Financing	-	(0.1)
Net cash (outflow) / inflow	**(1.3)**	2.7

Basic and diluted loss per share
Basic and diluted loss per share is disclosed in note 16.

b) RAK Pharmaceuticals Pvt Ltd.

During the nine months period ended 30 September 2019, the Board of Directors of the Company decided to sell RAK Pharmaceuticals Pvt Ltd ("Julphar Bangladesh"). The Company owns 50.5% of Julphar Bangladesh. The sale of Julphar Bangladesh is expected to be completed within a year from the reporting date. Accordingly, Julphar Bangladesh has been classified as a disposal group held for sale and as a discontinued operation.

With Julphar Bangladesh being classified as a discontinued operation, the results of Julphar Bangladesh has not been presented in the segment information (note 19). The comparative interim condensed consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Julphar Bangladesh separately from continuing operations.

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

b) RAK Pharmaceuticals Pvt Ltd. (continued)

The results of the discontinued operation for the period are presented below:

	Nine months ended 30 September		*Three months ended 30 September*	
	2019 AED million (unaudited)	*2018 AED million (unaudited)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited)*
Net sales	**21.4**	22.0	**7.0**	8.6
Cost of sales	**(8.5)**	(8.3)	**(3.0)**	(3.4)
Gross profit	**12.9**	13.7	**4.0**	5.2
General, administrative and selling expenses	**(18.4)**	(16.1)	**(6.6)**	(5.4)
Other income	**1.4**	0.7	**0.8**	0.2
Operating loss	**(4.1)**	(1.7)	**(1.8)**	-
Finance cost	**(0.9)**	(0.8)	**(0.3)**	-
Impairment loss recognised on the remeasurement to fair value less costs to sell (see note below)	**(6.0)**	-	**(6.0)**	-
Net loss for the period	**(11.0)**	(2.5)	**(8.1)**	-
Attributable to:				
Equity holders of the Parent	**(5.6)**	(1.3)	**(4.1)**	-
Non-controlling interest	**(5.4)**	(1.2)	**(4.0)**	-
	(11.0)	(2.5)	**(8.1)**	-

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

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

b) RAK Pharmaceuticals Pvt Ltd. (continued)

The major classes of assets and liabilities of Julphar Bangladesh classified as held for sale as at 30 September 2019 are as follows:

	30 September 2019 AED million (unaudited)
ASSETS	
Property, plant and equipment	17.0
Intangible asset (note below)	9.1
Inventories (note 8)	4.9
Trade and other receivables (note 10)	5.7
Bank balances and cash (note 11)	0.2
Assets held for sale	**36.9**
LIABILITIES	
Provision for employees' end of service benefits	2.5
Trade payables and accruals	19.3
Liabilities directly associated with assets held for sale	**21.8**
Net assets directly associated with disposal group	**15.1**
Less: net assets attributable to non-controlling interest	(3.0)
Group's share of net assets directly associated with disposal group	**12.1**

Write-down of intangible asset
Immediately before the classification of Julphar Bangladesh as a discontinued operation, the recoverable amount was estimated for intangible asset and no impairment loss was identified. Following the classification, a write-down of AED 6.0 million was recognised related to intangible asset to reduce the carrying amount of the net assets in the disposal group attributable to the Parent Company amounting to AED 18.1 million to their fair value less costs to sell amounting AED 12.1 million. This was recognised in discontinued operations in the interim condensed consolidated statement of profit or loss. Fair value measurement disclosures are provided below and in note 22.

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

	For the nine months ended 30 September	
	2019 AED million (unaudited)	*2018 AED million (unaudited)*
Operating	**2.1**	1.6
Investing	**(1.1)**	(0.8)
Financing	**(0.9)**	(0.8)
Net cash inflow	**0.1**	-

Measurement of fair value
The non-recurring fair value measurement for the disposal group of AED 12.1 million (before costs to sell) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (note 22).

Basic and diluted loss per share
Basic and diluted loss per share is disclosed in note 16.

8. INVENTORIES

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Raw materials	**130.2**	105.9
Packing materials	**48.4**	52.8
Spare parts	**32.6**	30.0
Work-in-progress	**16.8**	29.0
Finished goods	**84.4**	101.2
Consumables	**17.3**	16.0
Goods in transit	**1.0**	8.0
	330.7	342.9
Less: provision for slow moving inventories	**(17.4)**	(9.5)
	313.3	333.4
Less: inventories attributable to assets classified as held for sale (note 7)	**(9.1)**	-
	304.2	333.4

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

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
At beginning of the period/year	**9.5**	9.5
Provision for slow-moving inventories	**18.9**	-
Provision used against scrapping	**(11.0)**	-
At end of the period/year	**17.4**	9.5

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
In UAE markets	**22.0**	21.2
In other GCC markets	**0.1**	0.1
	22.1	21.3

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

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

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Balance at the beginning of the period/year	**21.3**	0.3
Reclassified from available-for-sale investments	-	11.5
Fair value change for change in accounting policy	-	14.4
Purchase during the period/year	-	16.9
Disposals during the period/year	-	(20.7)
Net gain/ (loss) on revaluation	**0.8**	(1.1)
At end of the period/year	**22.1**	21.3

Out of the investments amounting to AED 22.1 million (31 December 2018: AED 21.3 million), AED 20.3 million (31 December 2018: AED 19.5 million) relates to an investment in unquoted equity security of an entity which is engaged in manufacturing of packing materials. The Group has 7.9% equity investment in the entity. Management has performed a valuation and recorded the investment at fair value. Fair value less costs of disposal has been computed using discounted cash flow projections. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (note 22).

10. TRADE AND OTHER RECEIVABLES

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Trade accounts receivable	**789.9**	962.9
Less: provision for expected credit losses	**(415.9)**	(419.6)
	374.0	543.3
Due from a related party (note 18(b))	**260.6**	354.7
Staff receivables	**0.9**	1.5
Prepaid expenses	**18.1**	2.8
Advances to suppliers	**18.3**	44.6
Value added tax receivables	**10.2**	9.3
Other receivables	**17.9**	15.5
	700.0	971.7
Less: trade and other receivables attributable to assets classified as held for sale (note 7)	**(20.8)**	-
	679.2	971.7

10. TRADE AND OTHER RECEIVABLES (continued)

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

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Balance at the beginning of the period/year	**419.6**	70.4
Provision for receivables impairment	**-**	353.9
Reversal of provision on subsequent collection	**(3.7)**	(4.7)
At end of the period/year	**415.9**	419.6

During 2018, the Saudi Food and Drug Authority (SFDA) imposed a temporary suspension to export the Company's products to the Kingdom of Saudi Arabia (KSA). The Company deals with an exclusive distributor in KSA and therefore all products sold in KSA are exported to that distributor. As a consequence of this ban, the trading activities between the Company and its Saudi distributor have diminished significantly. Furthermore, the respective receivable ageing has deteriorated and therefore, management booked a provision amounting to AED 287.1 million (31 December 2018: AED 287.1 million) related to receivable balances outstanding from this distributor. The net un-provided amount as at 30 September 2019 is AED 219.1 million (31 December 2018: AED 244.9 million) against which the Group has a corresponding liability to the same Saudi distributor in the form of goods amounting to AED 192.0 million (31 December 2018: AED 192.0 million), recorded within deferred revenue and the remaining balance is expected to be recoverable by the management.

11. CASH AND CASH EQUIVALENTS

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Bank balances:		
Current accounts	**47.7**	72.8
Short term bank deposits (note (a))	**0.4**	11.2
	48.1	84.0
Cash in hand	**2.3**	3.8
Cash and cash equivalents	**50.4**	87.8
Less: cash and cash equivalents attributable to assets classified as held for sale (note 7)	**(1.5)**	-
	48.9	87.8

a) The margin deposits maturity dates range from one to three-month from the placement dates and carry interest at commercial rates.

12. SHARE CAPITAL

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Issued and fully paid up 1,158,500,000 ordinary shares (1,158,500,000 ordinary shares as of 31 December 2018) at par value of AED 1 each	**1,158.5**	1,158.5

13. 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. The shareholders of the Company in the annual general meeting held on 1 July 2019 resolved to utilise the reserve to offset the accumulated losses of the Group subject to the approval from Securities and Commodities Authority. During the nine months period ended 30 September 2019, the Securities and Commodities Authority approved the utilisation of the reserve against the accumulated losses of the Group up to 31 December 2018. Accordingly, the Group transferred part of the statutory reserve amounting to AED 376.9 million to accumulated losses to offset the Group's accumulated losses.

14. VOLUNTARY RESERVE

Appropriations to the voluntary reserve account represents appropriation of the profit for each year as and when required. The shareholders of the Company in the annual general meeting held on 1 July 2019 resolved to utilise the reserve to offset the accumulated losses of the Group subject to the approval from Securities and Commodities Authority. During the nine months period ended 30 September 2019, the Securities and Commodities Authority approved the utilisation of the reserve against the accumulated losses of the Group as at 31 December 2018. Accordingly, the Group transferred the full amount of voluntary reserve to accumulated losses to offset the Group's losses.

15. BANK BORROWINGS

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Overdrafts	**279.9**	259.2
Loans	**532.1**	542.6
	812.0	801.8

Bank borrowings shall be repaid as follows:

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Current		
On demand or within one year	**541.6**	786.0
Non-current		
In the second year	**57.9**	7.9
In third to seventh year	**212.5**	7.9
	270.4	15.8
	812.0	801.8

The bank loan comprise of:

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Ijara loans	**153.0**	428.5
Other loans	**379.1**	114.1
	532.1	542.6

15. BANK BORROWINGS (continued)

The principal features of the bank borrowings are as follows:

a) Ijara loan

The Group has taken Ijara loans in order to fund the construction of various assets. Loans are secured against the assets financed and are repayable in periodic instalments. Some of the financing has been acquired in order to refinance the existing loans (refer note (c)).

Significant security terms are as follows:

- Negative pledge over all fixed assets including buildings, plant and machinery.
- Assignment of receivables for at least USD 150 million equivalent and undertaking to route them annually through Obligor's collection account with the Bank including export LC's.
- Assignment of insurance policy over stocks, plant and machinery in favour of the Bank as loss payee.

b) 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.

c) Other loans

The Group has obtained long and short-term loans from local banks to finance the purchase of the factory's machinery and equipment and to secure working capital requirements. The loans balance as of the reporting date amounted to AED 379.1 million (31 December 2018: AED 114.1 million). Interest on these loans is calculated on monthly basis and paid separately or added to the loan balances. The loan balances are paid in monthly installments, over periods ranging from one month to 7 years, until full settlement.

During the nine months period ended 30 September 2019, the Group has obtained a short term loan of AED 57 million for a period of 3 months which carries interest at EIBOR + 3.5%.

The Group has obtained banking facilities against the following securities:

1. Assignment of insurance policies in favor of banks amounting to AED 291 million.

2. Maintenance of certain financial ratios as agreed with the respective banks.

Interest rates on bank borrowings during the nine months period ended 30 September 2019 ranged from 1.25% to 2.75% above one-month EIBOR (31 December 2018: 1.25% to 2.75% above one-month EIBOR).

The Group has obtained a new loan facility on 31 January 2019 from a bank amounting toAED 300 million to pre-settle the existing loan amounting to AED 100 million and to partially settle other loans. The loan is repayable in 72 equal monthly installments starting from 31 January 2020.

16. BASIC LOSS PER SHARE

	Nine months ended 30 September		*Three months ended 30 September*	
	2019 AED million (unaudited)	*2018 AED million (unaudited) (note 7)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited) (note 7)*
Loss for the period attributable to the equity holders of the Parent	**(385.2)**	(25.4)	**(201.3)**	(76.4)
Loss for the period from continuing operations attributable to the equity holders of the Parent	**(376.4)**	(29.4)	**(195.3)**	(78.3)
(Loss)/profit for the period from discontinued operations attributable to the equity holders of the Parent (note 7(a) & 7(b))	**(8.7)**	2.0	**(3.4)**	1.3
Weighted average number of shares	**1,158.5**	1,158.5	**1,158.5**	1,158.5
Basic loss per share attributable to the equity holders of the Parent (in UAE fils)	**(33.2)**	(2.2)	**(17.4)**	(6.6)
Basic loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	**(32.5)**	(2.5)	**(16.9)**	(6.8)
Basic loss per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	**(0.8)**	(0.2)	**(0.3)**	(0.1)

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

17. DIVIDENDS

At the Board of Directors meeting held on 28 March 2018, a dividend was proposed of AED 0.03 per share to be distributed as bonus share dividends at 3% of share capital and the distribution of cash dividends at AED 0.10 per share, or 10% cash dividends, totaling AED 146.1 million. This was subsequently approved by the shareholders at the Annual General Meeting held on 26 April 2018. The shareholders of the Company in the annual general meeting held on 1 July 2019 decided not to declare any dividends for the year ended 31 December 2018.

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.

18. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Related party transactions

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

	Nine months ended 30 September		***Three months ended 30 September***	
	2019 AED million (unaudited)	*2018 AED million (unaudited)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited)*
Net sales to associate	**18.0**	167.8	**1.6**	8.7
Purchases from affiliates	**3.2**	7.9	**0.8**	4.1

	Nine months ended 30 September		***Three months ended 30 September***	
	2019 AED million (unaudited)	*2018 AED million (unaudited)*	***2019 AED million (unaudited)***	*2018 AED million (unaudited)*
Compensation to key management personnel				
Short term benefits	**3.3**	4.6	**1.5**	1.4
Long term benefits	**0.3**	-	-	0.2
Board of directors remuneration	-	3.8	**1.3**	-
	3.6	**8.4**	**2.8**	**1.6**

b) Due from a related party

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Planet Pharmacies L.L.C. (associate)	**260.6**	354.7

c) Due to a related party

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Majan Printing and Packaging Company L.L.C.	**3.2**	3.1

Due to a related party balance is included in the trade payables and accrual balances.

No bank guarantees are received from/provided to related parties against balances due from/ to them. No expense has been recognised in the period for expected credit losses in respect of the amounts owed by related parties.

19. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

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

a. Manufacturing
b. Investments
c. Others

There are no sales between segments during the year.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

During the nine months period ended 30 September 2019, the Group has classified certain disposal groups as held for sale and discontinued operations (note 7(a) & 7(b)). Accordingly, the Group has not disclosed the results, assets and liabilities within the segment disclosures related to the disposal groups and discontinued operations. Segment disclosures pertaining to comparative period of interim condensed statement of profit or loss have been represented to exclude the effects of discontinued operations.

19. SEGMENT INFORMATION (continued)

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components (i.e. combination of all products and services) by distribution and by region. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors rely mainly on the revenue and net (loss)/ profit information that contains lower level components. Hence, the segment information provided is primarily to the net (loss)/ profit level of the Group.

	For the nine months ended 30 September 2019 (unaudited)				*For the nine months ended 30 September 2018 (unaudited) (note 7)*			
	Manufacturing AED million	***Investments AED million***	***Other AED million***	***Total AED million***	*Manufacturing AED million*	*Investments AED million*	*Other AED million*	*Total AED million*
Segment revenue	**222.6**	**-**	**-**	**222.6**	677.0	-	-	677.0
Segment result	**(354.4)**	**2.5**	**(24.5)**	**(376.4)**	(15.2)	0.5	(14.7)	(29.4)
Depreciation expense	**57.7**	**-**	**-**	**57.7**	60.2	-	-	60.2
Share of associate's (loss) / profit	**-**	**(4.8)**	**-**	**(4.8)**	-	12.0	-	12.0

	30 September 2019 (unaudited)				*31 December 2018 (audited)*			
	Manufacturing AED million	***Investments AED million***	***Other AED million***	***Total AED million***	*Manufacturing AED million*	*Investments AED million*	*Other AED million*	*Total AED million*
Segment assets	**2,151.4**	**301.0**	**50.4**	**2,502.8**	2,475.1	305.0	87.8	2,867.9
Segment liabilities	**689.8**	**-**	**812.0**	**1,501.8**	685.6	-	801.8	1,487.4

19. SEGMENT INFORMATION (continued)

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

	30 September 2019 (unaudited)			
	Total AED million	***UAE AED million***	***Saudi Arabia AED million***	***Others AED million***
Non-current assets				
Property, plant and equipment	**1,059.2**	**775.3**	**277.4**	**6.5**
Intangible assets	**22.8**	**3.3**	**-**	**19.5**

	Nine months period ended 30 September 2019 (unaudited)			
	Total AED million	***UAE AED million***	***Saudi Arabia AED million***	***Others AED million***
Gross Revenue	**494.1**	**137.4**	**4.1**	**352.6**

	31 December 2018 (audited)			
	Total AED million	*UAE AED million*	*Saudi Arabia AED million*	*Others AED million*
Non-current assets				
Property, plant and equipment	1,126.4	842.1	259.1	25.2
Intangible assets	43.6	4.1	-	39.5

	Nine months period ended 30 September 2018 (unaudited) (note 7)			
	Total AED million	*UAE AED million*	*Saudi Arabia AED million*	*Others AED million*
Gross Revenue	962.6	199.1	240.6	522.9

The Group has sales to 3 customers whose sales individually are more than 10% of the total external sales. Total amount of sales for the nine months ended 30 September 2019 to these customers amounts to AED 90.7 million (30 September 2018: AED 273.2 million). These revenues are included under manufacturing segment.

Included under "others" intangibles amounting to AED 19.4 million (31 December 2018: AED 23.9 million) in Egypt and AED 9.1 million (31 December 2018: AED 15.6 million) in Bangladesh. There are no other non-current assets or revenue included in "Others" which are more than 10% of the total segment non-current assets or total revenue.

20. NON-CONTROLLING INTERESTS

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Non-controlling interest	**182.5**	174.6

During the period ended 30 September 2019, the minority party in one of the Group's subsidiary in KSA has injected capital amounting to AED 13.2 million (2018: AED 26.9 million).

21. DEFERRED INCOME

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

Under IFRS 15, the bonus goods distributions are considered as a separate performance obligation and revenue is deferred to the extent the bonus goods obligation is considered outstanding. The obligation of bonus goods is estimated at the time of sale based on available information and historical experience.

As a consequence, the net amount of revenue deferred during the nine-month period ended 30 September 2019 was AED 47.7 million which will be realised in the income statement upon fulfilment of bonus goods obligations to the customers.

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Opening balance	**291.0**	262.7
Add: deferred during the period/year	**116.1**	151.7
Less: recognised during the period/year	**(68.4)**	(123.4)
Closing balance	**338.7**	291.0

22. FAIR VALUE MEASUREMENTS

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

Fair value of financial instruments carried at amortised cost
Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited consolidated financial statements for the year ended 31 December 2018.

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:

22. FAIR VALUE MEASUREMENTS (continued)

Financial assets	*Fair Value as at* 30 September 2019 AED million (unaudited)	31 December 2018 AED million (audited)	*Fair Value hierarchy*	*Valuation techniques and key inputs*	*Significant unobservable input*	*Relationship of unobservable inputs to fair value*
Unquoted equity investments - FVTPL	**20.3**	19.5	Level 3	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)	Discounted cash flow	Refer note 9
Quoted equity investments – FVTPL	**1.8**	1.8	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	None	Refer note 9
	22.1	21.3				

Fair value of a disposal group held for sale are measured at fair value less cost to sell
Disposal group held for sale is measured at fair value at the end of the reporting period. The following table gives information about how the fair value of the disposal group is determined:

Disposal Group	*Fair Value as at* 30 September 2019 AED million (unaudited)	31 December 2018 AED million (audited)	*Fair Value hierarchy*	*Valuation techniques and key inputs*	*Significant unobservable input*	*Relationship of unobservable inputs to fair value*
Julphar Bangladesh	**12.1**	-	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable	Net book value	Refer note 7(b)

22. FAIR VALUE MEASUREMENTS (continued)

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

23. COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2019 AED million (unaudited)	*31 December 2018 AED million (audited)*
Capital commitments	**13.2**	35.2
Letters of credit	**-**	12.3
Letters of guarantee	**53.6**	56.5