

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2021

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Pharmaceutical Industries P.S.C. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2021, which comprises the interim condensed consolidated statement of financial position as at 30 June 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three months and six months then ended, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the six 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Thodla Hari Gopal
Partner
Registration No.: 689

11 August 2021

Sharjah, United Arab Emirates

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
		<i>2021 AED millions</i>	<i>2020 AED millions (note 7(c))</i>	<i>2021 AED millions</i>	<i>2020 AED millions (note 7(c))</i>
Continuing operations					
Revenue from contracts with customers	4	386.7	274.1	221.3	169.7
Cost of sales		(233.4)	(184.4)	(114.4)	(93.8)
Gross profit		153.3	89.7	106.9	75.9
Other income	4.4	69.3	2.2	68.8	0.4
Selling and distribution expenses		(97.4)	(100.3)	(52.5)	(53.8)
General and administrative expenses		(42.0)	(41.9)	(20.6)	(22.4)
Share of (loss)/profit of an associate	6	(31.4)	0.6	(30.6)	(2.2)
Gain from investments and others		2.5	0.6	-	0.4
Operating profit/(loss)		54.3	(49.1)	72.0	(1.7)
Finance income		0.1	0.5	-	0.2
Finance costs		(9.2)	(21.3)	(4.7)	(10.9)
Profit/(loss) before tax for the period from continuing operations		45.2	(69.9)	67.3	(12.4)
Income tax		0.2	-	-	-
Profit/(loss) for the period from continuing operations		45.4	(69.9)	67.3	(12.4)
Discontinued operations					
Loss for the period from discontinued operations	7(d)	(1.2)	(24.6)	6.1	(13.2)
PROFIT/(LOSS) FOR THE PERIOD		44.2	(94.5)	73.4	(25.6)
Profit/(loss) attributable to:					
Equity holders of the Parent		49.9	(83.2)	73.8	(20.7)
Non-controlling interests		(5.7)	(11.3)	(0.4)	(4.9)
		44.2	(94.5)	73.4	(25.6)
Earnings per share:					
Basic and diluted					
Profit/(loss) per share attributable to the equity holders of the Parent (in UAE fils)	17	4.3	(8.9)	6.4	(2.9)
Earnings per share for continuing operations:					
Basic and diluted					
Profit/(loss) per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	17	3.9	(7.8)	5.7	(2.2)

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

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 (Unaudited)

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED millions</i>	<i>2020 AED millions (note 7(c))</i>	<i>2021 AED millions</i>	<i>2020 AED millions (note 7(c))</i>
Profit/(loss) for the period	44.2	(94.5)	73.4	(25.6)
Other comprehensive income				
<i>Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Currency translation differences	-	(2.5)	-	(2.3)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	44.2	(97.0)	73.4	(27.9)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Parent	49.9	(85.7)	73.8	(23.0)
Non-controlling interests	(5.7)	(11.3)	(0.4)	(4.9)
	44.2	(97.0)	73.4	(27.9)

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

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (unaudited)

		30 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
ASSETS	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	5	642.9	901.3
Intangible assets		13.5	15.0
Investment in an associate	6	239.2	270.6
Deferred tax asset		-	1.8
		<u>895.6</u>	<u>1,188.7</u>
Current assets			
Inventories	8	306.3	294.3
Financial assets at fair value through profit or loss	9	19.5	19.7
Receivable from a divested subsidiary	7(c)	87.7	-
Trade and other receivables	10	487.5	647.7
Bank balances and cash	11	52.1	73.7
		<u>953.1</u>	<u>1,035.4</u>
Assets held for sale	7(d)	59.6	103.2
		<u>1,012.7</u>	<u>1,138.6</u>
TOTAL ASSETS		<u><u>1,908.3</u></u>	<u><u>2,327.3</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	1,155.3	1,155.3
Statutory reserve	13	185.5	185.5
Foreign currency translation reserve		(153.4)	(146.5)
Accumulated losses		(236.4)	(293.2)
Equity attributable to shareholders of the Parent		<u>951.0</u>	<u>901.1</u>
Non-controlling interests	14	8.4	168.8
Total equity		<u>959.4</u>	<u>1,069.9</u>
Non-current liabilities			
Provision for employees' end of service benefits		60.0	59.4
Bank and other borrowings	15	540.0	220.9
Deferred tax liability		3.6	3.7
		<u>603.6</u>	<u>284.0</u>
Current liabilities			
Trade payables and accruals		287.0	338.5
Bank and other borrowings	15	51.8	390.9
Deferred revenue	16	-	207.0
		<u>338.8</u>	<u>936.4</u>
Liabilities directly associated with the assets held for sale	7(d)	6.5	37.0
		<u>345.3</u>	<u>973.4</u>
Total liabilities		<u>948.9</u>	<u>1,257.4</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,908.3</u></u>	<u><u>2,327.3</u></u>

Sh. Saqer Humaid Al Qasimi
Chairman

Dr. Essam Farouk
Chief Executive Officer

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

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (Unaudited)

	<i>Attributable to the equity holders of the Parent</i>					
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>
As at 1 January 2021 (audited)	1,155.3	185.5	(146.5)	(293.2)	901.1	168.8
Profit for the period	-	-	-	49.9	49.9	(5.7)
Other comprehensive loss for the period	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	49.9	49.9	(5.7)
Movement in non-controlling interests (note 14)	-	-	-	-	-	1.1
Non-controlling interests derecognised on disposal of subsidiaries	-	-	-	-	-	(136.5)
Transfer of foreign currency reserve to accumulated losses on disposal of a subsidiary	-	-	(6.9)	6.9	-	-
Other movement in non-controlling interest	-	-	-	-	-	(19.3)
As at 30 June 2021 (unaudited)	1,155.3	185.5	(153.4)	(236.4)	951.0	8.4
As at 1 January 2020 (audited)	1,158.5	185.5	(142.2)	(503.2)	698.6	179.4
Share capital reduction (note 12)	(503.2)	-	-	503.2	-	-
Loss for the period	-	-	-	(83.2)	(83.2)	(11.3)
Other comprehensive loss for the period	-	-	(2.5)	-	(2.5)	-
Total comprehensive loss for the period	-	-	(2.5)	(83.2)	(85.7)	(11.3)
Movement in non-controlling interests (note 14)	-	-	-	-	-	6.1
As at 30 June 2020 (unaudited)	655.3	185.5	(144.7)	(83.2)	612.9	174.2

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

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 (Unaudited)

		<i>Six months ended 30 June</i>	
		<i>2021</i>	<i>2020</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>	<i>millions</i>	<i>millions</i>
OPERATING ACTIVITIES			
Profit/(loss) before tax for the period from continuing operations		45.2	(69.9)
Loss before tax for the period from discontinued operations		(1.2)	(24.6)
Profit/(loss) before tax for the period		44.0	(94.5)
Adjustments for:			
Depreciation of property, plant and equipment	5	33.9	45.5
Amortisation of intangible assets		1.5	2.3
Allowance for expected credit losses on trade receivable	10	-	0.3
Share of loss/(profit) of investment in an associate	6	31.4	(0.6)
Loss/(gain) on revaluation of financial asset at fair value through profit or loss	9	-	1.4
Allowance for slow-moving inventories	8	3.0	-
Other income including gain on disposal of subsidiaries		(74.9)	-
Provision for employees' end of service benefits		5.2	4.4
Finance income		(0.1)	(0.5)
Finance costs		9.2	21.3
		53.2	(20.4)
Changes in working capital			
Trade and other receivables		42.4	7.8
Inventories		(20.5)	(24.6)
Trade payables, accruals and deferred revenue		(102.0)	(58.0)
Cash flow used in operations		(26.9)	(95.2)
Employees' end of service benefits paid		(2.8)	(2.0)
Net cash flows used in operating activities		(29.7)	(97.2)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(7.8)	(7.8)
Proceeds from divestment of subsidiaries		27.8	-
Amounts received from a divested subsidiary		24.5	
Finance income received		0.1	0.5
Net cash flows from/(used in) investing activities		44.6	(7.3)
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		591.8	160.0
Repayment of bank borrowings		(602.0)	(51.2)
Net movement in non-controlling interests		(15.6)	6.1
Interest paid		(9.2)	(21.3)
Net cash (used in)/generated from financing activities		(35.0)	93.6
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20.1)	(10.9)
Currency translation differences		(1.5)	(1.2)
Cash and cash equivalents at the beginning of the period		73.7	58.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	52.1	46.7

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

1. ACTIVITIES

Gulf Pharmaceutical Industries P.S.C is a public shareholding company (the “Company” or “Parent Company”) domiciled in Digdaga - Ras Al Khaimah. It was incorporated by the Emiri decree No.5 / 80 issued by H.H. The Ruler of the Emirate of Ras Al Khaimah and its dependencies on 30 March 1980 and the Emiri decree No.9 / 80 on 4 May 1980.

The Company’s registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates (UAE). The Company commenced its commercial activities effective from November 1984. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

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

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 was authorised for issue in accordance with the resolution of the Board of Directors on 11 August 2021.

The Company has the following major subsidiaries:

Serial No.	Name of subsidiary	Place of incorporation and operation	Percentage of Ownership		Subsidiary activity
			2021	2020	
Direct subsidiaries					
1.	Mena Cool Transportation F.Z.E.	Ras Al Khaimah UAE	100%	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C.	Ethiopia	55%	55%	Manufacturing medicines
3.	Gulf Inject L.L.C. (note (b))	Dubai – UAE	100%	100%	Manufacturing medical supplies
4.	Alpha Pharma L.L.C. (note (d))	Rabigh – Saudi Arabia	-	51%	Manufacturing medicines
5.	Julphar SES L.L.C. (note (a))	Cairo – Egypt	99.8%	99.8%	General trading
6.	Julphar Diabetes L.L.C. (note (a))	Ras Al Khaimah – UAE	100%	100%	Manufacturing medicines
7.	Julphar Company for Trading and Distribution L.L.C. (note (a))	Cairo – Egypt	99.8%	99.8%	General Trading
8.	Mena Cool Machinery Trading (note (a))	Ras Al Khaimah – UAE	100%	100%	General Trading
9.	Julphar Life L.L.C. (note (a))	Ras Al Khaimah – UAE	100%	100%	General Trading
10.	Julphar Pakistan Private Limited (note (a) and (e))	Pakistan	100%	100%	Distributor of Julphar’s products in Pakistan
11.	Julphar Tunisie (note (a))	Tunisia	99%	99%	Distributor of Julphar’s products in Tunisia

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

1. ACTIVITIES (continued)***Direct subsidiaries (continued)***

Serial No.	Name of subsidiary	Place of incorporation and operation	Percentage of Ownership		Subsidiary activity
			2021	2020	
12.	Julphar Gulf Pharmaceuticals Kenya Limited (note (a))	Kenya	99.99%	99.99%	Distributor of Julphar's products in Kenya

Indirect subsidiaries***Subsidiary of Mena Cool Machinery Trading***

1.	Julphar General Trading L.L.C. (note (a) and (e))	Ras Al Khaimah – UAE	100%	100%	General Trading
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Subsidiary of Julphar General Trading L.L.C.

1.	Julphar Bangladesh Limited (note (b))	Dhaka – Bangladesh	-	50.5%	Manufacturing of medicines
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Subsidiary of Julphar Company for Trading and Distribution L.L.C

1.	Julphar Egypt Company L.L.C. (note (e))	Cairo – Egypt	100%	100%	Distributors of Julphar's products in Egypt
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Subsidiary of Julphar Egypt Company L.L.C.

1.	Julphar Plus (note (c) and (e))	Cairo – Egypt	100%	-	Manufacturing and distribution of medicines
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- a) These subsidiaries are not operational, and the financial results are immaterial to the overall interim condensed consolidated financial statements of the Group.
- b) During the year 2019, management has classified these subsidiaries as disposal group held for sale. The sale of Julphar Bangladesh Limited was completed during the six months ended 30 June 2021 (note 7(b)) and the sale of Gulf Inject L.L.C is expected to be completed during the year ending 31 December 2021 (note 7(a)).
- c) On 19 November 2020, shareholders of M/s Julphar Plus, through nominee agreement, agreed to transfer the absolute and full ownership to M/s Julphar Egypt Company LLC. This nominee arrangement has been accounted for as an acquisition of assets, as it does not constitute a business under IFRS 3 Business Combinations.
- d) On 9 May 2021, a Sale and Purchase Agreement (“SPA”) with M/s Cigalah Healthcare Company Limited (“Cigalah”) was entered, whereby the Parent Company agreed to sell its 51% shareholding in Alpha Pharma L.L.C to Cigalah. For the six months ended, the results of Alpha Pharma L.L.C. has been presented as discontinued operations (note 7(c)).
- e) Certain % of the Group’s ownership stake in these entities is held through beneficial ownership arrangement with the legal owner.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 2020.

In addition, results for the six months ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group’s functional and presentation currency, 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 (note 9) and a disposal group held for sale measured at fair value less cost to sell (note 7).

2.2 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 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the Covid-19 pandemic.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

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

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED millions (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2021 AED millions (unaudited)</i>	<i>2020 AED millions (unaudited)</i>
Gross sales	421.5	311.0	235.5	190.9
Less: commission	(21.5)	(15.6)	(10.1)	(10.1)
Net sales	400.0	295.4	225.4	180.8
Less: net sales relating to discontinued operations (note 7(d))	(13.3)	(21.3)	(4.1)	(11.1)
	386.7	274.1	221.3	169.7

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:

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED millions (unaudited)</i>	<i>2020 AED million (unaudited) (note 7(c))</i>	<i>2021 AED millions (unaudited)</i>	<i>2020 AED million (unaudited) (note 7(c))</i>
Geographic information				
UAE	108.8	78.8	79.7	47.7
Other GCC countries	113.2	19.3	72.5	13.1
Other countries	178.0	197.3	73.2	120.0
	400.0	295.4	225.4	180.8
Less: net sales relating to discontinued operations (note 7(d))	(13.3)	(21.3)	(4.1)	(11.1)
	386.7	274.1	221.3	169.7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

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

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Contract assets		
Trade receivables (note 10)	319.3	433.2
Due from a related party (note 10)	118.8	174.2
	438.1	607.4
Contract liabilities		
Refund liabilities	43.4	128.3
Advances from customers	3.1	31.0
Deferred revenue (note 16)	-	207.0
Commissions payable	37.2	35.4
	83.7	401.7

4.3 Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 6 to 12 months from delivery.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Within one year (note 16)	-	207.0

4.4 OTHER INCOME

	<i>Six months ended 30 June</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	<i>Three months ended 30 June</i>
	<i>2021 AED millions (unaudited)</i>	<i>2020 AED million (unaudited) (note 7(c))</i>		<i>2021 AED millions (unaudited)</i>	<i>2020 AED million (unaudited) (note 7(c))</i>
Liabilities written back (note below and note 10)	65.9	-		65.9	-
Miscellaneous income	3.4	2.2		2.9	0.4
	69.3	2.2		68.8	0.4

During the period ended 30 June 2021, the associate of the Parent Company has waived its rights in relation to the bonus goods and other compensations. As a result, the Group has recorded a gain of AED 32.8 million on the write back of liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

4. PROPERTY PLANT AND EQUIPMENT

- a) During the six months ended 30 June 2021 additions to property, plant and equipment amounted to AED 7.8 million (30 June 2020: AED 7.8 million).
- b) During the six months ended 30 June 2021 depreciation amounted to AED 33.9 million (30 June 2020: AED 37.6 million).
- c) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 15).
- d) The factory and its related buildings of the Parent Company are constructed on plots of land amounting to AED 3.6 million (31 December 2020: AED 3.6 million) which are owned by the Government of Ras Al Khaimah.

5. INVESTMENT IN AN ASSOCIATE

- a) During the period, the Group has a 40% shareholding in Planet Pharmacies L.L.C. ("Planet") which is the distributor of the Company's products and has a wide distribution of retail and wholesale pharmacies in UAE, KSA and Oman. The Group's shares are currently pledged with a bank to obtain a banking facility (note 15).
- b) Details of the Group's investment in Planet Pharmacies which is accounted for using the equity method is as follows:

<i>Name of associate</i>	<i>Place of incorporation and operation</i>	<i>Percentage of ownership</i>	30 June 2021 AED Millions (unaudited)	31 December 2020 AED millions (audited)
Planet Pharmacies L.L.C.	UAE	40%	239.2	270.6

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

	30 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
Balance at the beginning of the period/year	270.6	264.5
Share of associate's consolidated (loss)/profit for the period/year	(31.4)	6.1
At the end of the period/year	239.2	270.6

Subsequently to the period ended 30 June 2021, the Group has purchased the remaining 60% of the issued share capital of the associate and hence the associate will be consolidated with effect from 1 July 2021.

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS**a) Gulf Inject L.L.C.**

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell Gulf Inject L.L.C. ("Gulf Inject"), a wholly owned subsidiary. Accordingly, Gulf Inject has been classified as a disposal group held for sale and as a discontinued operation. The sale is expected to be completed during the year ending 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**a) Gulf Inject L.L.C. (continued)**

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

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating	0.2	4.1
Investing	(0.6)	(0.1)
Net cash (outflow)/inflow	(0.4)	4.0

Basic and diluted loss per share

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

b) Julphar Bangladesh Limited

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell Julphar Bangladesh Limited ("Julphar Bangladesh"). The Group owns 50.5% of Julphar Bangladesh.

During the year ended 31 December 2020, the Group entered into a Sale & Purchase Agreement with respect to its investment in Julphar Bangladesh. The legal formalities relating to the disposal of Julphar Bangladesh have been fulfilled and the sale of Julphar Bangladesh was completed during the six months ended 30 June 2021. Accordingly, a gain of AED 0.5 million was recognized by the Group on the derecognition.

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

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

	<i>Six months ended 30 June</i>	
	<i>2021*</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating	0.1	0.2
Investing	(0.1)	-
Financing	-	(0.1)
Net cash outflow	-	0.1

Basic and diluted loss per share

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**c) Alpha Pharma L.L.C**

On 9 May 2021, a Sale and Purchase Agreement (“SPA”) with M/s Cigalah Healthcare Company Limited (“Cigalah”) was entered into, whereby the Group agreed to sell its 51% shareholding in Alpha Pharma L.L.C to Cigalah. The results from the discontinued operations was a loss of AED 7.4 million.

The legal formalities relating to the disposal of Alpha Pharma have not yet been fulfilled which requires an approval from the General Authority for Competition (“GPA”) in the Kingdom of Saudi Arabia (“KSA”). The management believes that the approval from GPA is highly probable and will be soon obtained and this would not preclude control having been transferred to Cigalah. Therefore, the related carrying values of net assets and non-controlling interests of Alpha Pharma have been derecognized during the six months ended 30 June 2021.

With Alpha Pharma being classified as a discontinued operation, the results of Alpha Pharma have not been presented in the segment information (note 19). The comparative interim condensed consolidated statement of comprehensive income of the Group has been reclassified to show the discontinued operation of Alpha Pharma separately from continuing operations in 2021 and 2020.

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

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>
	<i>(unaudited)*</i>	<i>(unaudited)</i>
Operating	(7.0)	(20.5)
Investing	-	(0.3)
Financing	15.4	21.7
Net cash outflow generated	8.4	0.9

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

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

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

	<i>Six months ended 30 June 2021</i>				<i>Six months ended 30 June 2020</i>			
	<i>Gulf Inject LLC</i>	<i>Julphar Bangladesh Limited**</i>	<i>Alpha Pharma LLC*</i>	<i>Total</i>	<i>Gulf Inject LLC</i>	<i>Julphar Bangladesh Limited</i>	<i>Alpha Pharma LLC</i>	<i>Total</i>
	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>
Revenue from contracts with customers	10.2	1.8	1.3	13.3	15.3	6.0	-	21.3
Cost of sales	(7.4)	(1.0)	(6.1)	(14.5)	(9.1)	(3.3)	-	(12.4)
GROSS PROFIT/(LOSS)	2.8	0.8	(4.8)	(1.2)	6.2	2.7	-	8.9
Other income	3.0	4.1	8.8	15.9	0.1	1.1	-	1.2
Selling and distribution expenses	(0.9)	(2.0)	(0.2)	(3.1)	(2.9)	(8.4)	(6.6)	(17.9)
General and administrative expenses	(1.5)	-	(9.2)	(10.7)	-	-	(16.4)	(16.4)
OPERATING PROFIT/(LOSS)	3.4	2.9	(5.4)	0.9	3.4	(4.6)	(23.0)	(24.2)
Finance income	0.1	-	-	0.1	0.1	-	-	0.1
Finance costs	-	(0.2)	(0.1)	(0.3)	-	-	-	-
Impairment loss recognized on the remeasurement to fair value less cost to sell	-	-	-	-	-	(0.5)	-	(0.5)
PROFIT/(LOSS) BEFORE TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	3.5	2.7	(5.5)	0.7	3.5	(5.1)	(23.0)	(24.6)
Income tax	-	-	(1.9)	(1.9)	-	-	-	-
PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	3.5	2.7	(7.4)	(1.2)	3.5	(5.1)	(23.0)	(24.6)
Profit/(loss) attributable to:								
Equity holders of the Parent	3.5	1.6	(0.5)	4.6	3.5	(2.6)	(11.7)	(10.8)
Non-controlling interests	-	1.1	(6.9)	(5.8)	-	(2.5)	(11.3)	(13.8)
	3.5	2.7	(7.4)	(1.2)	3.5	(5.1)	(23.0)	(24.6)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

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

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

	<i>Three months ended 30 June 2021</i>				<i>Three months ended 30 June 2020</i>			
	<i>Gulf Inject LLC</i>	<i>Julphar Bangladesh Limited</i>	<i>Alpha Pharma LLC*</i>	<i>Total</i>	<i>Gulf Inject LLC</i>	<i>Julphar Bangladesh Limited</i>	<i>Alpha Pharma LLC</i>	<i>Total</i>
	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>	<i>AED millions (unaudited)</i>
Revenue from contracts with customers	4.2	-	(0.1)	4.1	8.7	2.4	-	11.1
Cost of sales	(3.5)	-	-	(3.5)	(4.6)	(1.6)	-	(6.2)
GROSS PROFIT/(LOSS)	0.7	-	(0.1)	0.6	4.1	0.8	-	4.9
Other income	-	0.5	8.5	9.0	-	0.4	-	0.4
Selling and distribution expenses	(0.4)	-	(0.1)	(0.5)	(1.7)	(3.9)	(4.0)	(9.6)
General and administrative expenses	(0.8)	-	(2.2)	(3.0)	-	-	(8.5)	(8.5)
OPERATING PROFIT/(LOSS)	(0.5)	0.5	6.1	6.1	2.4	(2.7)	(12.5)	(12.8)
Finance income	0.1	-	-	0.1	0.1	-	-	0.1
Finance costs	-	-	(0.1)	(0.1)	-	-	-	-
Impairment loss recognized on the remeasurement to fair value less cost to sell	-	-	-	-	-	(0.5)	-	(0.5)
PROFIT/ (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(0.4)	0.5	6.0	6.1	2.5	(3.2)	(12.5)	(13.2)
Profit/(loss) attributable to:								
Equity holders of the Parent	(0.4)	0.5	7.2	7.3	2.5	(1.6)	(6.4)	(5.5)
Non-controlling interests	-	-	(1.2)	(1.2)	-	(1.6)	(6.1)	(7.7)
	(0.4)	0.5	6.0	6.1	2.5	(3.2)	(12.5)	(13.2)

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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

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

- e) The major classes of assets and liabilities of the disposal group classified as held for sale as at 30 June 2021 are as follows:

	<i>30 June 2021 (unaudited)</i>			<i>31 December 2020 (audited)</i>		
	<i>Gulf Inject LLC AED millions</i>	<i>Julphar Bangladesh Limited AED millions</i>	<i>Total AED millions</i>	<i>Gulf Inject LLC AED millions</i>	<i>Julphar Bangladesh Limited AED millions</i>	<i>Total AED millions</i>
ASSETS						
Property, plant and equipment	22.4	-	22.4	23.2	33.9	57.1
Intangible assets	-	-	-	-	8.7	8.7
Inventories	5.9	-	5.9	5.9	4.0	9.9
Trade and other receivables	29.3	-	29.3	15.6	8.6	24.2
Bank balances and cash	2.0	-	2.0	2.4	0.9	3.3
Assets held for sale	59.6	-	59.6	47.1	56.1	103.2
LIABILITIES						
Provision for employees' end of service benefits	0.6	-	0.6	0.6	2.3	2.9
Bank borrowings	-	-	-	-	22.8	22.8
Trade payables and accruals	5.9	-	5.9	4.6	6.7	11.3
Liabilities directly associated with assets held for sale	6.5	-	6.5	5.2	31.8	37.0
Net assets directly associated with assets held for sale	53.1	-	53.1	41.9	24.3	66.2
Less: net assets attributable to non-controlling interest	-	-	-	-	(12.0)	(12.0)
Group's share of net assets directly associated with disposal group	53.1	-	53.1	41.9	12.3	54.2

Write-down of intangible asset

During 2020, an impairment loss of AED 0.5 million was recognised resulting in the disposal group being carried at its carrying amount which is lower than the fair value less cost to sell of AED 27.6 million. Fair value measurement disclosures are provided in note 20.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

8. INVENTORIES

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Raw materials (note (b))	119.0	127.8
Packing materials (note (b))	54.5	47.4
Work-in-progress	16.6	18.6
Finished goods	104.5	97.8
Goods in transit	0.7	15.8
Consumables	18.0	18.5
Spare parts	34.6	34.3
	347.9	360.2
Less: allowance for slow moving inventories (note (a))	(35.7)	(56.0)
	312.2	304.2
Less: inventories attributable to assets held for sale (note 7(d))	(5.9)	(9.9)
	306.3	294.3

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

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Balance at the beginning of the period/year	56.0	18.0
Charge during the period/year	3.0	46.4
Written-off during the period/year	(23.3)	(8.4)
Balance at the end of the period/year	35.7	56.0

b) Includes raw materials and packing materials amounting to AED 8.7 million (31 December 2020: AED 9.2 million) held by a third party.

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 non-listed equity securities and include the following:

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
In UAE markets	19.5	19.6
In other GCC markets	-	0.1
	19.5	19.7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

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 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
Balance at the beginning of the period/year	19.7	22.1
Disposals during the period/year	(0.2)	(0.1)
Loss on revaluation during the period/year	-	(2.3)
	19.5	19.7

As at 30 June 2021, out of the investments amounting to AED 19.5 million (31 December 2020: AED 19.7 million), AED 19.5 million (31 December 2020: 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 7.25% 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 20).

10. TRADE AND OTHER RECEIVABLES

	30 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
Trade receivables	450.0	851.0
Less: allowance for expected credit losses (note below)	(130.7)	(417.8)
	319.3	433.2
Due from a related party (note 18(c))	118.8	174.2
Advances to suppliers	38.7	23.4
Value added tax receivable	12.5	17.1
Other receivables	27.5	24.0
	516.8	671.9
Less: trade and other receivables attributable to assets held for sale (note 7(d))	(29.3)	(24.2)
	487.5	647.7

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

	30 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
Balance at the beginning of the period/year	417.8	415.9
Provided during the period/year	-	1.9
Written off during the period/year	(287.1)	-
Balance at the end of the period/year	130.7	417.8

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

10. TRADE AND OTHER RECEIVABLES (continued)

- b) During 2018, the Saudi Food and Drug Authority (SFDA) had imposed a temporary suspension to export the Parent Company's products to the Kingdom of Saudi Arabia (KSA). The Company deals with an exclusive distributor in KSA and therefore all products sold in KSA are exported to that distributor. As a consequence of this ban, the trading activities between the Parent Company and its Saudi distributor had diminished significantly. Furthermore, the respective receivable ageing has deteriorated and therefore, in 2018 management booked a provision amounting to AED 287.1 million related to receivable balances outstanding from this distributor.

During the six months ended 30 June 2021, the management of the Parent Company negotiated with the distributor for the settlement of outstanding balances and agreed to settle at a consideration of AED 15.4 million. Accordingly, a gain of AED 33.1 million was recognised during the six months ended 30 June 2021 and recorded under 'other income' in the interim condensed consolidated statement of profit or loss on the settlement of all outstanding balances.

On settlement with the Saudi distributor, the management of the Parent Company has netted of all trade receivables and liabilities balances upto 31 May 2021 and have written back the related provisions in the interim condensed consolidated financial statements.

11. CASH AND CASH EQUIVALENTS

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Bank balances	52.8	75.9
Cash in hand	1.3	1.1
	<u>54.1</u>	<u>77.0</u>
Less: cash and bank balances attributable to assets held for sale (note 7(e))	(2.0)	(3.3)
Cash and bank balances	<u>52.1</u>	<u>73.7</u>

12. SHARE CAPITAL

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
<i>Authorised, issued and fully paid</i>		
1,155,227,811 ordinary shares (31 December 2020: 1,155,227,811 ordinary shares) at par value of AED 1 each	<u>1,155.3</u>	<u>1,155.3</u>

- a) During 2020, the Company's Board of Directors in its meeting held on 16 January 2020, decided to restructure the capital base of the Company by reducing the issued share capital by extinguishing the accumulated losses as at 31 December 2019 of AED 503.2 million. Accordingly, the capital reduction was approved in the Annual General Meeting by the shareholders on 9 April 2020. During the year ended 31 December 2020, the decrease in capital was approved by the relevant authorities and regulators and registered with the relevant authorities and hence the capital reduced to AED 655.3 million, before the increase in capital detailed in note (b) below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

12. SHARE CAPITAL (continued)

- b) During 2020, the Company's Board of Directors in its meeting held on 16 January 2020, after the capital reduction also decided to increase capital of the Company by up to AED 500 million through right issue. Accordingly, the capital increase was also approved in the Annual General Meeting by the shareholders on 9 April 2020. During the year ended 31 December 2020, AED 500 million were raised to increase the share capital through a public right issue offering that happened between 29 June 2020 to 12 July 2020, representing at AED 1 per share. The transaction was completed on 28 July 2020 and the new share capital reached AED 1,155.3 million.

13. STATUTORY RESERVE

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year plus last year. The statutory reserve only includes the parent Company as the other subsidiaries do not require a statutory reserve. As the Company has incurred loss during the period, therefore, no additional appropriation has been made in the statutory reserve. This reserve is not available for distribution except in the circumstances stipulated by the law.

14. NON-CONTROLLING INTERESTS

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Non-controlling interests	8.4	168.8

During the six months ended 30 June 2021, the minority party in one of the Group's subsidiary in KSA has injected capital amounting to AED 1.1 million (31 December 2020: AED 13.6 million).

Further, during the six months ended 30 June 2021, the non-controlling interests of the Group's subsidiaries, Julphar Bangladesh and Alpha Pharma amounting to AED 136.5 million, has been derecognized on account of disposal of subsidiaries.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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15. BANK BORROWINGS

	<i>Interest rate(%)</i>	<i>Maturity</i>	30 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
Current interest bearing bank borrowings				
Bank overdraft	3m EIBOR+3%	On demand	-	156.8
Bank overdraft	3m EIBOR+2%	On demand	51.8	-
Bank & other loans (note (a))				
AED 300 million loan	3m EIBOR+2.75%	31 May 2026	-	70.8
AED 150 million loan	1m EIBOR+2.5%	31 December 2021	-	137.7
AED 50 million loan	3m EIBOR+1.65%	28 April 2021	-	15.8
SAR 10 million loan	SIBOR+2%	16 May 2021	-	9.8
Total current interest bearing loans and borrowings			51.8	390.9
Non-current interest bearing bank borrowings				
Bank & other loans (note (a))				
AED 750 million loan	3m EIBOR+2.50%	17 July 2030	540.0	-
AED 300 million loan	3m EIBOR+2.75%	31 May 2026	-	220.9
Total interest bearing bank borrowings			591.8	611.8

a) The bank & other loans comprise of:

	30 June 2021 AED millions (unaudited)	31 December 2020 AED millions (audited)
Syndicated Loan	540.0	-
Ijara Loans	-	137.7
Other Loans	-	317.3
	540.0	455.0

b) The principal features of the bank borrowings are as follows:

i) Syndicated Loan

During the six months ended 30 June 2021, the Parent Company has entered into a syndicated loan arrangement with a consortium of local banks. The total syndicated facility comprises of Ijarah Term Loan Facility of AED 150 million, Conventional Working Capital Finance Facility of AED 260 million and Conventional Facility of AED 600 million with total facility size of AED 1.01 billion. As of the reporting date, the Company had an undrawn facility of AED 418.2 million. The drawdown term loan of AED 540 million (AED 150 million from Ijarah Facility and AED 390 million from Conventional Facility) as of the reporting date is payable in quarterly instalments starting from 30 July 2023.

As per the terms of the agreement, the Parent Company is obliged to pay all the existing liabilities as of 31 December 2020 of AED 602.0 million with the first drawdown value of AED 540 million. Accordingly, the Parent Company had repaid the existing loan from the proceeds of the drawdown value. This loan restructurings did not meet the criteria of modifications of financial liabilities, hence no impact taken to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

15. BANK BORROWINGS (continued)

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

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

The Group's syndicated loan agreement is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios.

ii) Ijara Loan

The Group had taken Ijara loans for general corporate borrowing purposes. Loans were secured against the assets financed and were repayable in periodic instalments. The Group had pledged certain assets (approximately equivalent to Ijara Loan amount) against the loan. During the six months ended 30 June 2021, the liability was repaid in full by the Group.

The Group had obtained banking facilities against the following securities:

- Negative pledge over certain assets.
- Assignment of receivables for at least AED 152 million equivalent and undertaking to route them annually through Obligor's collection account with the Bank.
- Assignment of insurance policy over certain assets.

iii) Other loans

The Group had obtained long and short-term loans from local banks to finance the purchase of the factory's machinery and equipment and to secure working capital requirements. Interest on these loans were calculated on a monthly/quarterly basis. During the six months ended 30 June 2021, the liability was repaid in full by the Group.

c) Bank overdraft

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

d) The group's bank borrowings are denominated in the following currencies as at 30 June:

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
AED	591.8	602.0
SAR	-	9.8
	<u>591.8</u>	<u>611.8</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

15. BANK OTHER BORROWINGS (continued)

e) Movement in borrowings is as follows:

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
At the beginning of the period/year	611.8	902.8
Less: loans repaid during the period/year	(602.0)	(450.5)
Add: new drawdowns	591.8	160.0
Less: exchange gain	-	(0.5)
Less: derecognised on disposal of subsidiary	(9.8)	-
At the end of the period/year	591.8	611.8

16. DEFERRED REVENUE

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.

During the six months ended 30 June 2021 the bonus goods obligation has completely been settled. The net amount of deferred revenue as at 30 June 2021 was AED nil (31 December 2020: AED 207.0 million).

17. BASIC EARNINGS PER SHARE

a) Basis EPS is calculated by dividing the loss for the period attributable to ordinary equity holders of the Parent by the weighted average number of outstanding during the period

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>
Profit/(loss) for the period attributable to the equity shareholders of the Parent:				
Continuing operations	45.3	(72.4)	66.1	(15.2)
Discontinued operations (note 7(d))	4.6	(10.8)	7.3	(5.5)
Profit/(loss) for the period attributable to the equity holders of the Parent	49.9	(83.2)	73.4	(20.7)
Weighted average number of shares	1,155.3	931.8	1,155.3	705.1

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

17. BASIC EARNINGS PER SHARE (continued)

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>
Basic profit/(loss) per share attributable to the equity holders of the Parent (in UAE fils)	4.3	(8.9)	6.4	(2.9)
Basic profit/(loss) per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	3.9	(7.8)	5.7	(2.2)

- b) To calculate EPS for discontinued operations, the weighted average number of shares is as per the table above. The following table provides the loss amount used:

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>
Profit for the period attributable to the equity shareholders of the Parent from discontinued operations (note 7(d)) (in AED millions)	4.6	(10.8)	7.3	(5.5)
Basic earnings per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	0.4	(1.2)	0.6	(0.8)

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

18. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Company's majority shareholders, key management personnel, subsidiaries, associates, directors, Government of Ras Al Khaimah and other businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates"). In the normal course of business, the Group has various transactions with its related parties. Pricing policies and terms of these transactions are approved by the Group's management, or its Board of Directors.

Transactions with related parties under common ownership and management control are eliminated on consolidation.

a) Related party transactions

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

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At 30 June 2021(Unaudited)

18. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>	<i>2021 AED million (unaudited)</i>	<i>2020 AED million (unaudited)</i>
Sales to associate	56.4	70.5	29.2	44.9
Purchases from affiliates	5.8	1.2	5.4	0.8
Finance cost payable to a shareholder	-	3.3	-	2.2
Other income	32.8	-	32.8	-

b) Compensation of key management personnel of the Group

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

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>30 June 2021 AED million (unaudited)</i>	<i>30 June 2020 AED million (unaudited)</i>	<i>30 June 2021 AED million (unaudited)</i>	<i>30 June 2020 AED million (unaudited)</i>
Short term benefits	5.0	2.7	2.5	1.7

c) Due from a related party

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Planet Pharmacies L.L.C. (Associate) (note 10)	118.8	174.2

d) Due to a related party

	<i>30 June 2021 AED millions (unaudited)</i>	<i>31 December 2020 AED millions (audited)</i>
Majan Printing and Packaging Company L.L.C.	5.0	2.2

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.

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At 30 June 2021(Unaudited)

19. SEGMENT INFORMATION

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

- a. Manufacturing
- b. Investments
- c. Others

There are no sales between segments during the period.

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

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components (i.e. combination of all products and services) by distribution and by region.

The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors rely mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

19. SEGMENT INFORMATION (continued)

	<i>For the six months ended 30 June 2021 (unaudited)</i>				<i>For the six months ended 30 June 2020 (unaudited)</i>			
	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>
Segment revenue	386.7	-	-	386.7	274.1	-	-	274.1
Segment result	83.4	(28.9)	(9.1)	45.4	(50.3)	1.2	(20.8)	(69.9)
Depreciation expense	33.9	-	-	33.9	37.6	-	-	37.6
Share of associate's (loss)/profit	-	(31.4)	-	(31.4)	-	0.6	-	0.6
	<i>30 June 2021 (unaudited)</i>				<i>31 December 2020 (audited)</i>			
	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>	<i>Manufacturing AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Total AED millions</i>
Segment assets	1,537.9	258.7	52.1	1,848.7	1,860.1	290.3	73.7	2,224.1
Segment liabilities	350.6	-	591.8	942.4	608.6	-	611.8	1,220.4

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021(Unaudited)

19. SEGMENT INFORMATION (continued)*Information by geographical region*

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

30 June 2021 (unaudited)						
		Total AED millions	UAE AED millions	Egypt AED millions	Others AED millions	
Non-current assets						
Property, plant and equipment		642.9	638.7	0.1	4.1	
Intangible assets		13.5	0.4	13.1	-	
Six months ended 30 June 2021 (unaudited)						
		Total AED millions	UAE AED millions	Egypt AED millions	KSA AED millions	Others AED millions
Revenue		386.7	98.6	47.1	64.3	176.7
31 December 2020 (audited)						
		Total AED millions	UAE AED millions	Saudi Arabia AED millions	Egypt AED millions	Others AED millions
Non-current assets						
Property, plant and equipment		901.3	637.4	258.4	1.0	4.5
Intangible assets		15.0	0.7	-	14.3	-
Six months ended 30 June 2020 (unaudited)						
		Total AED millions	UAE AED millions	Egypt AED millions	Others AED millions	
Revenue		274.1	78.8	7.4	187.9	

The Group has sales to 4 customers whose sales individually are more than 10% of the total external sales. Total amount of sales for the six month ended 30 June 2021 to these customers amounts to AED 171.3 million (30 June 2020: Top 2 customers AED 65.7 million). These revenues are included under manufacturing segment. There are no other non-current assets or revenue included in "Others" which are more than 10% of the total segment non-current assets or total revenue.

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20. FAIR VALUE MEASUREMENTS

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

Fair value of financial instruments carried at amortised cost

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

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2020. 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 2020.

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:

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

<i>Financial assets</i>	<i>Fair Value as at</i>		<i>Fair Value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
	<i>30 June 2021</i>	<i>31 December 2020</i>			
	<i>AED million (unaudited)</i>	<i>AED million (audited)</i>			
Unquoted equity investments - FVTPL	19.5	19.5	Level 3	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)	<ul style="list-style-type: none"> ▪Discount rate ▪Growth rate ▪Discount for lack of marketability
Quoted equity investments – FVTPL	-	0.2	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	None
	<u>19.5</u>	<u>19.7</u>			

Fair value of a disposal group held for sale are measured at fair value less cost to sale

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:

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20. FAIR VALUE MEASUREMENT (continued)

<i>Disposal Group</i>	<i>Fair Value as at</i>		<i>Fair Value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>
	<i>30 June 2021</i>	<i>31 December 2020</i>			
	<i>AED Million (unaudited)</i>	<i>AED Million (audited)</i>			
Julphar Bangladesh	-	27.6	Level 3	Value based on the binding sales offer	None

Fair value hierarchy

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

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

21. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2021</i>	<i>31 December 2020</i>
	<i>AED million (unaudited)</i>	<i>AED million (audited)</i>
Capital commitments	32.1	16.2
Letters of credit	7.9	41.3
Letters of guarantee	38.7	46.1

22. SUBSEQUENT EVENTS

Other than the events disclosed in note 1, note 6 and note 7(a) to these interim condensed consolidated financial statements, there were no other subsequent events from the reporting date to the date the interim condensed consolidated financial statements were authorised for issue that would require adjustment of the balances in the interim condensed consolidated financial statements nor require additional disclosures in the notes to the interim condensed consolidated financial statements.

23. COMPARATIVE INFORMATION

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