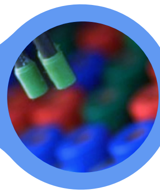
INTEGRATED REPORT
2023

Gulf Pharmaceutical Industries - Julphar

Julphar

Julphar



ESG Report

2023

Gulf Pharmaceutical

Industries Co. (P.S.C.)

www.julphar.com

About this Report

Report overview

This 2023 ESG Report for Gulf Pharmaceutical Industries Co. (P.S.C.) hereinafter known as Julphar is aimed at all Julphar's stakeholders. It is the fourth report of Julphar on key environmental, socio-economic and governance topics of relevance to Julphar and its stakeholders. This report is the main vehicle for disclosing nonfinancial information externally. It contains information that is material or decision-useful to Julphar's stakeholders.

Reporting period and frameworks

- Julphar has reported the information cited in the GRI content index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards
- In line with the requirements of Abu Dhabi Stock Exchange's Environment, Social, and Governance (ESG) Disclosure Guidance for Companies
- With mapping to the UN SDGs

Data management

Data in this report was collected from different departments as part of the preparation of this report. Due to inherent measurement uncertainties, some of our disclosures in this report are estimated or based on assumptions. Moreover, some figures in this report have been rounded up or down. Percentages may have been calculated using rounded numbers.

Reporting topic boundaries

This report covers our activities in the UAE, including our head office and manufacturing plants. Unless otherwise stated, our suppliers' data was not included.

This report was approved by the authorized management and Chief Executive Office prior to its publication. This report was not assured by a third-party.

Contact point for the feedback on the report

At Julphar, we value the views and opinions of our stakeholders, therefore we encourage and welcome your feedback and comments on the content of this report.

Please contact us at: julphar@emirates.net.ae

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Introduction

Chairman's letter

We continue to be committed to bringing sustainable value to the patient community by providing innovative, high quality, accessible and affordable pharmaceutical products.

Sheikh Saqer Humaid Abdulla Alqasimi
Chairman

2023 was a milestone year for Julphar. We moved ahead with the implementation of our Strategy 2030, which we launched last year, with the objectives of growing our products portfolio, expanding our geographical presence, strengthening our in-house R&D and exploring new emerging therapeutical areas. Our contribution to the "We the UAE 2031", across the economy, society, and public health is solidified by our position as one of the leading pharmaceutical companies in the region. Our achievements support in driving the development of an integrated and accessible healthcare system, along with the economic diversification and growth of the UAE and underpinned by our well-established products portfolio.

The successful implementation of this new strategy will be critical to spur our sales and profit trajectory in the coming years.

We continue to be committed to bringing sustainable value to the patient community by providing innovative, high quality, accessible and affordable pharmaceutical products. As one of the largest pharmaceutical manufacturers in the Middle East and Africa, the success of our strategy means that more people are able to access quality and affordable healthcare products.

In particular, in 2023, we invested in new technological equipment, we focused on enhancing our in-house R&D, we launched new products in line with patients' need, and we increased the presence of our products in pharmacies around the GCC.

We understand that our role in the healthcare sector is not just about producing top-quality, cost-effective generic medications that benefit our customers. It also revolves around building an organization that is sustainable and socially responsible. Our ESG commitments drive us to ensure that the same vigilance we apply to producing high-quality pharmaceuticals is also applied to reducing our environmental footprint, recognizing the importance of our people and communities, and keeping transparency and ethics in our corporate governance.

I am very thankful to our shareholders, employees, customers, and business partners for the confidence in our company and I look forward to the next phase of our journey.

CEO's letter

Our investment in our R&D capabilities to advance our products while complying with regulations and upholding the highest ethical standards is pivotal to maintain our leading role in the industry.

Basel Ziyadeh
Chief Executive Officer

We are pleased to present our Environmental, Social, and Governance (ESG) report detailing our efforts, and progress toward our commitment to not only producing quality, accessible medicines, but also creating a sustainable and transparent future.

Julphar's strategy is centered around contributing positively to healthcare, and our approach to ESG is integral to ensure sustainability is firmly embedded as a cornerstone in key areas of our business.

In this fourth ESG report, you will find information about our endeavors to mitigate our environmental impact through our sustainability initiatives focusing on energy and water. Furthermore, we showcase our efforts to uphold our commitment to societal well-being by putting the health and safety of our employees and customers at the center of our decision, and our adherence to conscientious governance through our robust and coherence policy systems.

We thank each one of our stakeholders for their continued faith in our vision and their support for our strategy. We believe it is our collective responsibility to drive change towards a more sustainable future.

Thank you for joining us on this journey and contributing to our vision of a healthier world and a more sustainable tomorrow.

Alongside these achievements, we continued to deliver on our environmental, social and governance (ESG) commitments. We attain to decrease our negative impact on energy, water and waste, and promote an equal and diverse work environment for our employees to strive and develop. Nevertheless, our investment in our R&D capabilities to advance our products while complying with regulations and upholding the highest ethical standards is pivotal to maintain our leading role in the industry. More details on these areas can be found in this report.

2023 at a glance

We have **12 internationally certified facilities**

8% increase in **number of pharmacies** across GCC

Amongst **the largest manufacturers of Insulin in the world** and the only one in UAE

Group headcount of **2,323 employees** with **141 new hires in 2023**

We are one of **the largest pharmaceutical manufacturers** in the Middle East and Africa region

Replaced 6,000 conventional lighting with energy-efficient LED fixtures

Production capacity **1+ million boxes of medicine per day**

2% decrease in total emissions

224 Learning & Development training sessions, with a **160% growth compared to 2022** and covering **2000+ employees**

100% of wastewater from manufacturing plant is treated

21% reduction in water consumption

255 Industrial training sessions covering **200+ students**

02 ABOUT JULPHAR

- We are Julphar
- Value chain
- Our strategy
- ESG integration at Julphar

About Julphar

We are Julphar

Gulf Pharmaceutical Industries Co. (P.S.C.) (Julphar) is one of the leading pharmaceutical companies in the Middle East and Africa. Our company was established in 1980 under the guidance of His Highness Sheikh Saqr Bin Mohammad Al Qasimi and is currently headquartered in the Emirates of Ras Al Khaimah, UAE.

Our business is centered on a core business unit, Generic Medicines and Specialty Products. Our medicines target major therapeutic segments including Diabetes, Gastrointestinal Tract (GIT), Respiratory, Pain Management, Wounds and Scars, Anti-infectives, Anemia, Gynecology, Dermatology, Erectile Dysfunction and Cardiology.

While our first stand-alone facility produced five products, today, our production capacity surpasses 1 million boxes of medicines per day, through 12 internationally certified facilities in the Middle East. We employ more than 2000 people and distribute our products to more than 40 countries on five continents. We are also one of the world's largest producers of insulin – and the only one in the UAE – thanks to our state-of-the-art UAE-based biotechnology facility, with capacity to produce the equivalent of 9 million vials of insulin per year.

Throughout our history, we have remained dedicated to quality healthcare and to expanding our reach to improve patients' lives across the region and worldwide.

Branded generic and specialty medicines

- Our products adhere to rigorous standards, mirroring those of the original branded medicines, and deliver equivalent efficacy to patients.
- We offer over 120 brands across key therapeutic areas and remain dedicated to expanding our portfolio to ensure patients have access to top-quality products.

Our aspiration to lead the industry, our dedication to our mission, and the growing demand for high-quality yet affordable medicine have propelled our expansion over the years. This expansion has enabled us to offer a wide array of healthcare products catering to diverse medical needs of patients. Below you'll find a detailed breakdown of our extensive product categories and capabilities. While the table exclude the production of raw materials for diabetes, which are sold externally, it does cover the raw material materials required for our in-house production of finished goods.

Production capacities of each product category across all regions, country, or markets	Unit	2022	2023
Ampoule	MT	8	9
Capsule	MT	15	15
Cream/Ointment	MT	43	43
Drops	MT	11	11
Liquid Vials - Jusline Epotin	MT	1	1
Lyos Vials	MT	10	10
Powder Vials	MT	25	25
PPS	MT	12	12
Suppositories	MT	14	16
Suspension	MT	23	23
Syrup	MT	28	33
Tablets	MT	69	68

Our journey so far has been marked by considerable and transformational milestones for the pharmaceutical industry in the region.

1980s

1980
Established under the guidance of His Highness Sheikh Saqr Bin Mohammad Al Qasimi.

Registered as a national UAE public shareholding company.

1984
Obtains Ministry of Health approval for first 30 products.

1988
Starts manufacturing liquids and semi-solids.

1990s

1990
Establishes distribution agents in key markets across the globe.

1998
Launches 3 new plants - Julphar II, III and IV.

2000s

2003
Launches biotech plant Julphar VII.

2007
Launches 3 new plants - Julphar VII, IX and X.

2008
Transportation division, MenaCool launched.

2010s

2012
Begins biosimilars production.

Julphar Diabetes Solutions launched.

2013
Officially inaugurates first facility in Ethiopia.

2020s

2021
Julphar started manufacturing Covid-19 vaccine Hayat-Vax.

Acquisition of remaining 60% in Planet Pharmacies.

2022
Julphar embarks on its transformational growth strategy and launches 11 products in the UAE

Value chain

As highlighted in our **Strategy 2030**, our plans to expand our geographical presence and to launch new products reflect our commitment to build a resilient healthcare system in the UAE and in the markets where we are present. Julphar is present worldwide with 12 internationally certified manufacturing facilities globally and a local manufacturing facility in Ethiopia equipped with advanced machineries and technologies to ensure high quality medicine offerings. We have over 3,000 product registration certificates and a production capacity of nearly a million boxes of medicines daily. In 2023 we produced 142.6 Mn packs with Mebo, Triaxone, Risek, Epotine, Amedramine, Julmentine, Vancolon, Azomycin, Cefozime and Adol our key offerings and with plans to boost production further in 2024 to reach 150 Mn packs.

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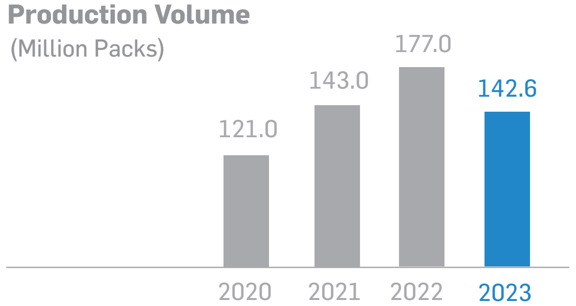
Production Volume
(Million Packs)



To ensure our products accessibility to patients, we have established a robust distribution network and increased our distribution points by 8% compared to 2022 with a total of 279 pharmacies spanning across Gulf Co-operation Council (GCC).

We have a vertically integrated structure in the MENA region whereby we manufacture, distribute, and sell our own products. This structure enables us to control key aspects of our supply chain and translates into competitive pricing, efficient delivery, and quality products.

Therefore, we have two subsidiaries that represent key parts of our value chain:

MENACOOL TRANSPORTATION

MenaCool, our transport division, carries out transportation service by land within the UAE as well as countries across the Middle East and ensures that our medicines are transported with integrity and safety from origin to end point. This transport division operates a fleet of 40 temperature-controlled trucks as per the guidance of our UAE headquarters.

PLANET PHARMACIES

Planet Pharmacies is a pharmaceutical retail and one of the leading pharmacy retail chains in the region. It is a vital part of Julphar's value chain. It operates 279 retail pharmacies in the UAE, Saudi Arabia, and Oman, as well as offers distribution services in the UAE and Oman employing more than 1,140 people. It serves a range of product segments within the healthcare sector including pharmaceuticals, nutraceuticals, and medical devices.

Our strategy

Our **Strategy 2030** defined our path to strategic sustainable growth and is founded on six pillars curated with our patients in mind. Every action we take ultimately reflects our commitment to serving patients and improving their lives. We aim not only to drive successful growth but also build a stronger connection with our key stakeholders, including patients, healthcare professionals and investors.

Maximizing Revenue from Current Product Portfolio

Achieved consistent growth in revenues in recent years and we remain on track to triple our revenues in the coming years as well from our legacy products.

New Product Launches

Launch more than 100 new products by 2030 by capitalizing on our in-house R&D capabilities, and new licensing agreements with top-tier pharma partners.

Geographical Expansions

Enter new territories and key pharma markets including CIS (Commonwealth of Independent States) countries, Turkey and in Africa.

Necessary Good Manufacturing Practices (GMP) approvals including from Pharmaceutical Inspection Conventions (PICs), the World Health Organization (WHO) and the other countries are under preparation which will enable us to expand our business into new strategic regions.

Strategic Business Initiatives

Partner with local Pharmaceutical companies to address manufacturing needs in specific markets.

Advanced Specialty Products Initiative

Venture into well-defined new therapeutic areas, including future treatments for Oncology, and Immunology drugs.

Expanding into the biotechnology space.

Inorganic Growth Initiatives

Explore product acquisition opportunities and forge strategic relationships with global institutions to expand our portfolio, maximize market access and increase market share in our core countries.

ESG integration at Julphar

What ESG means to Julphar

At Julphar, we believe healthy communities are built on the well-being of individuals. This belief, rooted in our values, drives us to operate with responsibility and ethics at every step. We understand that environmental, social, and governance (ESG) issues deeply impact both society and our business. For patients, this means ensuring access to affordable, high-quality medicines in a healthy environment.

In fact, we believe that embracing ESG does not only minimize harm, but fuels progress and socio-economic value creation. We also believe that prioritizing ESG practices enables us to perform better, decrease ESG-related risks, and deliver better financial results. These benefits translate into greater financial resources for research and development, leading to faster advancements in life-saving treatments and innovative healthcare solutions for patients.

Contribution to sustainable development (national and regional)

'We the UAE 2031' aims to translate the vision of His Highness the President of the UAE for the nation's future into a tangible reality. The vision articulates four national priorities - forward society, forward economy, forward diplomacy, and forward ecosystem.

At Julphar, we are committed to contribute to this ambitious vision through our Strategy 2030. We also align with the Sustainable Development Goals (SDGs).

Forward society

We strive to be a pillar in championing the UAE as a global destination for health services. Our contribution is underpinned by imparting the latest technological advancement and investing in the development of our people's capabilities. Our position as a leading pharmaceutical company in the region enables us to assist in building a resilient and high-quality healthcare system and contribute to health security. Furthermore, our expanded and accessible portfolio offerings ensure the physical health of our community.

We endeavor to empower our people by providing them with continuous development and learning opportunities which in turn spur innovation and advance our R&D accomplishment. Our achievements in R&D translate into new products, enabling us to leave a greater impact on the healthcare system. Additionally, our partnerships with leading universities and organizations across the UAE and the Middle East, our scholarships and specialized training at our own center empower young graduates and students, preparing them for a sustainable future.

Forward economy

We believe that prosperous economies are built on healthy community, therefore our role as a pharmaceutical company is pivotal to support the economic growth. of the UAE. On one hand, our pharmaceutical products ensure healthy individuals which in turn drive increased economic productivity, and boost revenue generation. On the other hand, our contribution to the UAE forward economy is characterized by creating job opportunities, nurturing Emirati and national talents in an advanced and innovative environment and boosting non-oil exports.

Julphar material ESG topics

Understanding and addressing the most pressing ESG issues remains at the core of Julphar. The prioritized topics are pertinent to ensure we carry our operations responsibly, ethically, address our stakeholders' concerns and create long term value.

A benchmark analysis was conducted to identify the ESG topics most material and relevant to the generic pharmaceutical industry, to determine if our materiality matrix should be refreshed. As a result of our analysis, we noticed some overlap between our material topics identified in 2020 and peers in the industry. Since our business model has not changed over the last three years, we concluded that our materiality matrix remains valid for 2023.

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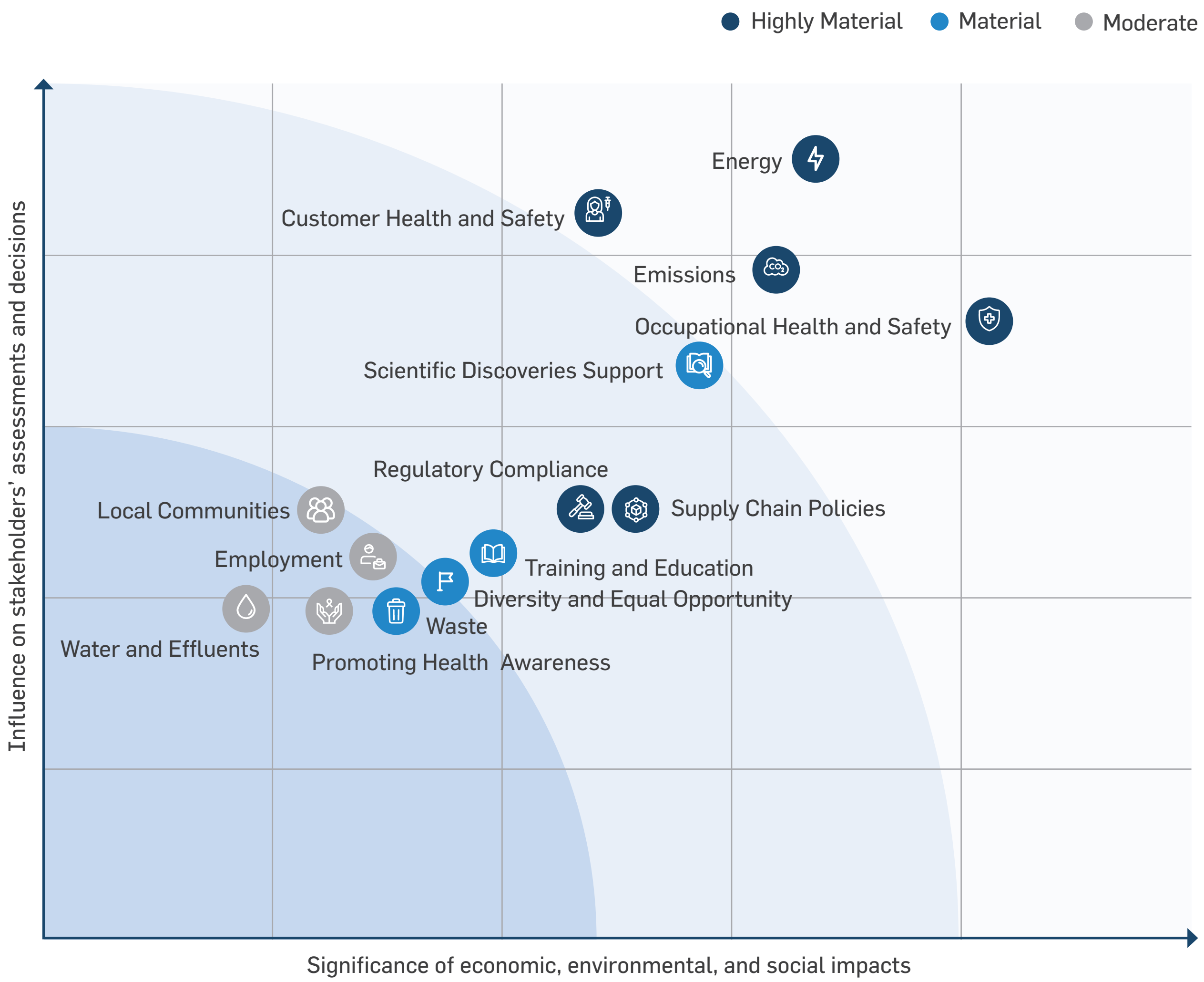
Materiality Matrix



Engagement with our stakeholders is an essential aspect of our approach as a pharmaceutical manufacturer. Our stakeholders include our patients, employees, regulators, healthcare industries, non-governmental organizations, global health organizations, suppliers, as well as the investors community. Each of them plays a key role in shaping our strategic goals and corporate responsibilities.

By actively engaging with them, we are able to identify their needs, concerns, and expectations, which allows us to better align our strategic planning, product development, and ESG initiatives.

Stakeholder engagement

Stakeholder Structure	Channels of Engagement	Focus Areas
Patients	Interactions facilitated by patient advocacy groups.	• Quality production and quality care • Access to health and medicines
Employees	Annual employee satisfaction surveys, roundtable conferences, reviews of performance metrics, training events, town hall meetings, and team meetings.	• Improvements in employee engagement • Workforce analytics • Training and development • Emissions, effluents, and waste • Diversity, inclusion and equal opportunity • Data privacy and security • Employee health, safety, and well-being
Regulators	Collaborative participation and discussion on public policy.	• Accessibility of health and medications • National development • Quality manufacturing and patient safety • Corporate governance • Emiratization • Environmental impacts • Socio-economic impacts
Healthcare Industry	Contribution to industry associations.	• Quality production and patient well-being • Pricing • Pandemic readiness and disaster relief
Non-profit organisation	Cooperation with community partners and collaboration with respect to social and environmental initiatives.	• Addressing the environmental and socio-economic impacts of our operations of emissions, effluents, and waste • Community development campaigns and workshops • CSR activities
Global health leaders	Interactions with global health governance organizations, participation in global health congresses and meetings.	• Accessibility, affordability and availability of quality healthcare • Pandemic preparedness and catastrophe relief • Climate action and resilience • Patient safety and high-quality production • Responsible supply chain
Customers	Tenders, questionnaires, surveys, audits.	• Transparent and agile supply chain management • Quality manufacturing, patient safety • Excellence in service and high-quality products
Suppliers	Questionnaires and audits.	• Management of environmental matters, such as, waste management, low carbon emissions, etc. • Business ethics • Responsible human rights practices • Transparent and agile supply chain • Data privacy and security • High-quality raw materials
Investors	Investor outreach, presentations and conferences, regular meetings with various investor groups, and participation in ESG rankings and ratings.	• Intellectual property • Corporate governance • Climate action and resilience • Business ethics • Anti-bribery and corruption • Access to health and medicines • Pricing

03 | GOVERNANCE & RISK MANAGEMENT

- Organization vision, mission & values
- Corporate governance & organizational structure
- Risk management approach
- Business ethics & culture
- Regulatory compliance

Organization vision, mission & values

VISION

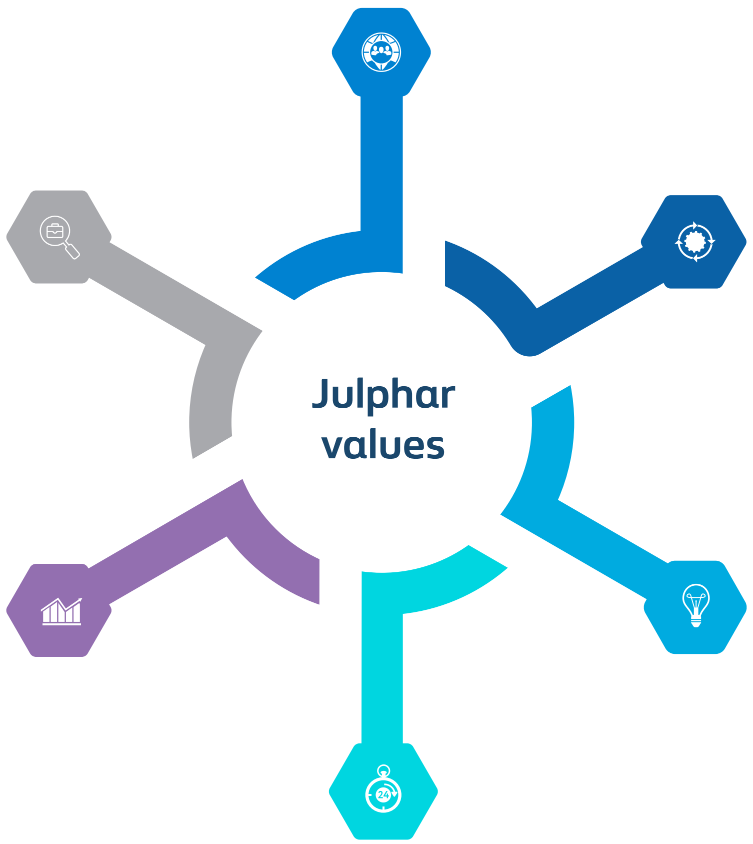
"To become a leading pharmaceutical company, recognized internationally for innovation."

MISSION

"We strive to provide a better quality of life for the entire family, by delivering best-class solutions and real values with compassion and professionalism."

VALUES

"We have a rich heritage, and our business is part of the UAE's fabric."



Leadership
We are committed to excellence in everything we do in our role as leaders in global healthcare.

Respect
We embrace a culture of professionalism with respect for people, honoring the unique contributions provided by a diversity of perspectives and cultures.

Integrity
We act transparently and with honesty and integrity, always with the highest of ethical standards.

Collaboration
We act as one team to achieve a shared goal and forge strong relationships that enable us to maximize the impact of our work and grow as an organization.

Innovation
We believe that high quality research and development (R&D) is crucial to drive innovation and ensure the long-term success of the pharmaceutical industry.

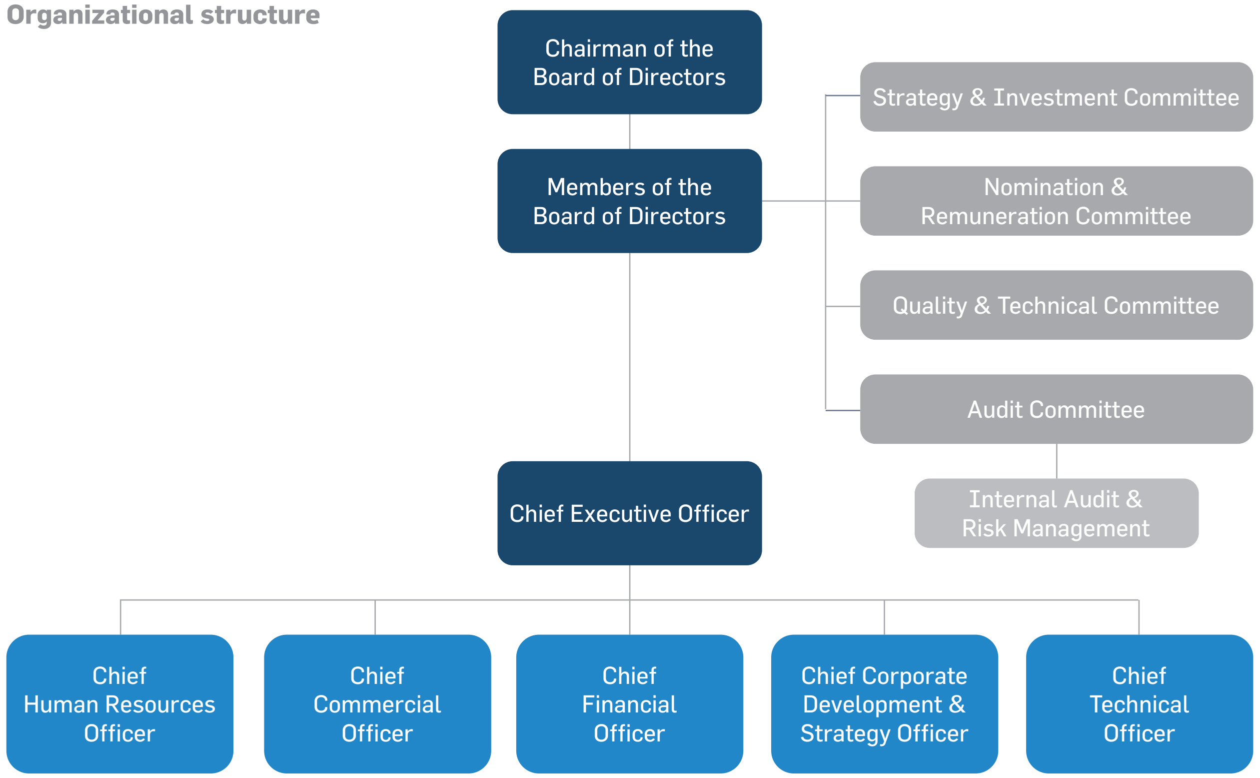
Compassion
It is the cornerstone of our values, and we see it as a long-term investment in people. We celebrate our role in serving people and patients and believe in being truly compassionate and understanding, feeling and identifying with their needs.

Corporate governance & organizational structure

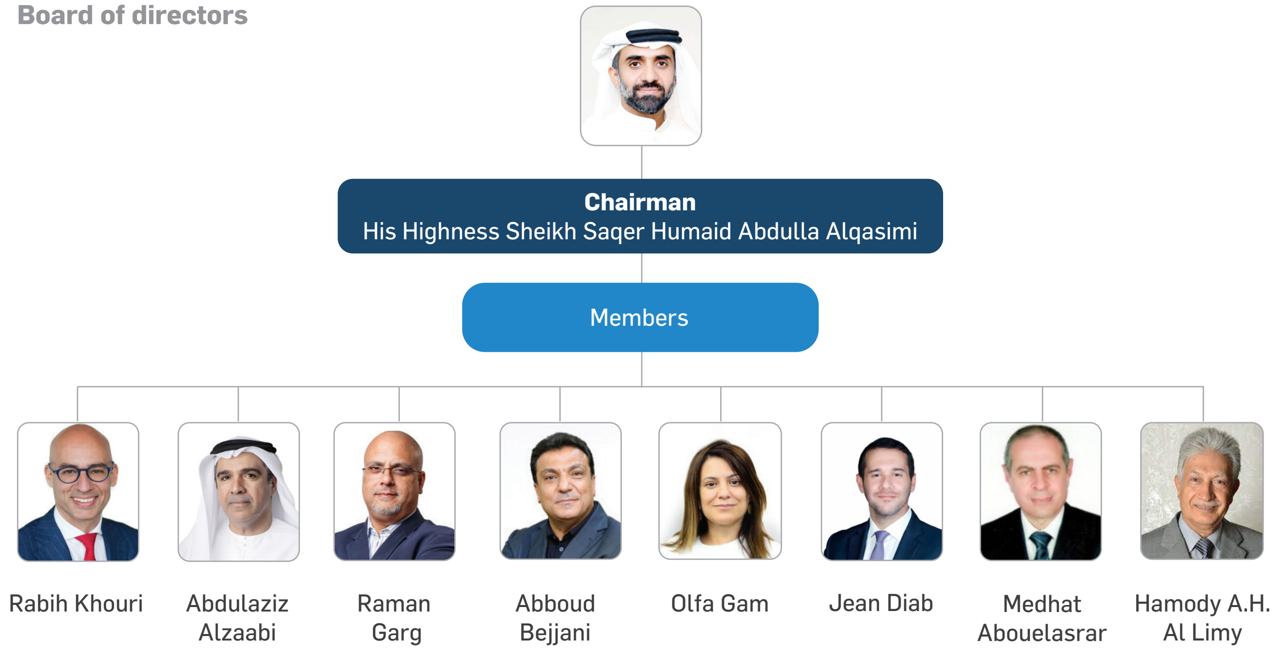
Julphar's success hinges on the guidance of our dedicated Executive Management team. These individuals are entrusted with navigating day-to-day operations and putting strategic plans into action, ultimately driving us towards achieving our established goals. They operate within the framework outlined by the Board of Directors and the Articles of Association, ensuring alignment with company principles and objectives.

Spearheading this team is the Chief Executive Officer (CEO), who bears responsibility for both operational and administrative aspects. Working closely with the Executive Management team, the CEO actively seeks to elevate performance across all areas. Additionally, it's the CEO's responsibility to implement effective internal control systems, ensuring adherence to recommendations from auditors, external oversight bodies, and the Board of Directors with its committees.

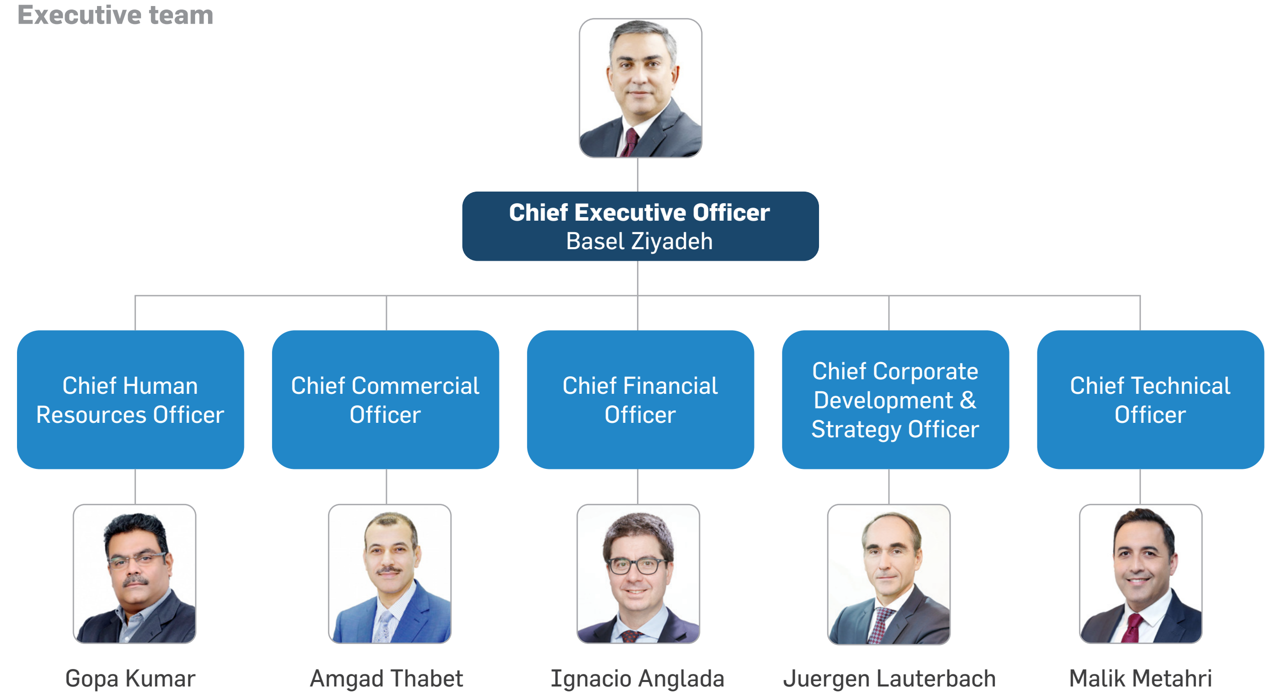
Organizational structure



Board of directors



Executive team



Julphar is committed to ensuring transparency and accountability across all facets of the organization. We diligently adhere to the guidelines established by the Securities and Commodities Authority's Decision No. (3/Chairman) of 2020 concerning the approval of Joint Stock Companies Governance Guide which guided the development of our corporate discipline and governance standards. This dedication extends to reforming our Board Committees and amending our Articles of Association to seamlessly align with these regulations.

Moreover, we follow a thorough corporate governance system that encompasses management, shareholders, employees, clients, and associated companies. Built to protect our stakeholder interests and generate lasting value, this structure facilitates responsible decision-making and the ethical, efficient management of our business.

Driven by our steadfast commitment to transparency, our governance system is regularly reviewed and updated to ensure company policies align with the approved governance framework and manual. This continuous process, supervised by the audit committee, includes revising committee charters, the corporate governance manual, and delegations of authority. In doing so, we maintain the highest standards of business conduct at every level of our organization.

Moreover, as part of our "iTurnaround Project," Wave 1, we implemented robust internal policies focusing on anti-bribery, anti-corruption, anti-tax evasion, whistleblower protection, and third-party due diligence.

These policies solidify our commitment to operating with integrity and upholding the highest ethical standards.

List of committees and their responsibilities

Audit Committee

- Ensure the quality, reliability, and accuracy of financial reports, and conformance to accounting principles.
- Maintain compliance with legal and regulatory requirements and evaluate the efficiency of internal controls.
- Perform internal audits.
- Oversee the work of the internal and external auditors.
- Manage and assess risk.
- Monitor and improve the performance of accounting, auditing, reporting, ethics, compliance, internal controls, and cyber security.

Nomination and Remuneration Committee

- Determine the individual and total compensation for the directors.
- Develop the remuneration policy and review all human resources policies.
- Overview the nomination and selection process of the directors.

Quality and Technical Committee

- Review compliance reports with stakeholders.
- Supervise quality and compliance issues.
- Monitor innovations and production strategies, evaluate competitive position and effectiveness in research and development.
- Review development and implementation of key business policies.
- Follow up on tasks assigned by the Board of Directors.

Strategy and Investment Committee

- Review and monitor the execution of the strategies, annual budget, and business plans as approved by the board of directors.
- Ensure compliance with relevant laws and regulations.
- Examine contracts of strategic significance, financial and accounting matters, and make decisions within the committee's charter.
- Evaluate investment risks and reports, and make recommendations to the Board of Directors.

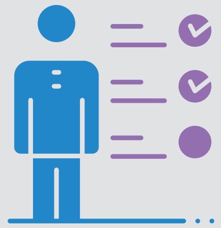
Follow up and Supervision of Insider's Transaction Committee

- Ensure compliance with the Securities and Commodities Authority and the Abu Dhabi Securities Exchange resolutions.
- Overview the insider's transactions and their properties, maintain the register and submit periodic reports and statements to the market.
- Regularly update the list of insiders and inform the concerned authorities in case of any changes.

Risk management approach

At Julphar, we understand that navigating a complex business landscape requires a proactive approach to risk management. Therefore, we incorporate risk assessments into key areas of our operations making sure that risk management is not an isolated function, but rather an integral part of key decision-making processes. We leverage various tools and methods, such as sustainability assessments and stakeholder engagement, to identify and prioritize potential risks and opportunities. We have also implemented a strategic approach towards managing supply chain risks and a third-party due diligence policy that helps us manage and prevent potential risks in our supply chain.

Our risk management system operates on a two-pronged approach:



Primary responsibility:
Owned and implemented by senior management and individual departments, ensuring risk management policies are translated into action.

Secondary oversight:
The Executive Team and senior management actively function as a secondary line of defense, providing additional scrutiny and guidance.

To further enhance our risk management framework, we are undertook departmental risk assessments and established functional risk registers. Our Audit Committee monitors our risk profile and assesses the effectiveness of our Risk & Compliance function annually.

Business ethics & culture

At Julphar, we recognize the crucial role of ethical conduct in maintaining the trust placed in us by our stakeholders and clients, therefore we take a proactive approach to ensure ethical behaviors. We are committed to setting an exemplary culture of integrity and compliance throughout our organization. This is underpinned by a robust set of policies and procedures. Our cornerstone is the Code of Conduct (CoC), which guides the professional behavior of all employees and fosters a positive work environment. It uncompromisingly opposes corruption and bribery in any form.

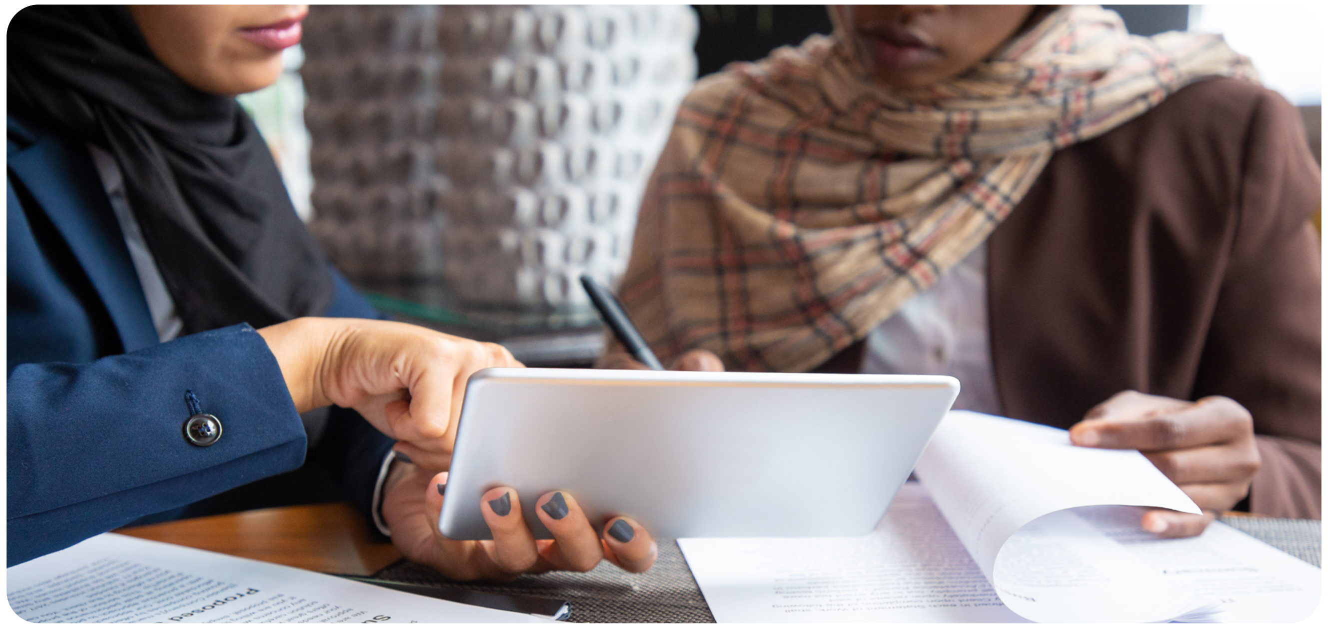
Beyond the CoC, we have established specific policies tailored to address critical areas such as bribery, corruption, tax evasion, conflict of interest, and employee grievances. These detailed guidelines outline clear modes of operation and address the concerns of all stakeholders, including patients, customers and suppliers. We firmly believe in the importance of transparency and accountability, and any violation of these policies is subject to thorough investigation and appropriate action to avoid any reputational risk to Julphar.

Through our commitment to ethical practices, we strive to earn and maintain the trust of all those we interact with. We understand that ethical conduct is not just a regulatory requirement, but a fundamental pillar of sustainable success. Therefore, integrity is fundamental to us and an integral value, which underpin our day-to-day operations and we hold on to for a stronger and more responsible business environment for everyone.

Regulatory compliance

At Julphar, we are committed to upholding the utmost ethical and professional standards, preserving the trust bestowed upon us by our stakeholders and clients. We relentlessly nurture a corporate culture characterized by ethics, integrity, respect, collaboration, compassion, and compliance. We have established organizational policies and a Code of Conduct (CoC), promoting professional conduct across all our employees, and fostering a positive work environment.

Notably, we express zero tolerance for corruption in all its manifestations. We strictly prohibit engagement in solicitation, acceptance, or offering of bribes for business progression or competitive advantages. In line with these principles, we have set policies in motion addressing bribery, corruption, tax evasion, conflicts of interest, and employee grievances separately. These policies not only cover operational protocols but also cater to the needs and worries of all stakeholders, including customers and suppliers. Any breach of these policies incites a rigorous investigation followed by appropriate countermeasures.



Julphar's commitment to responsible business conduct

Code of Conduct

At Julphar, conducting business with the highest ethical and legal standards is paramount, both internally and with external stakeholders. This commitment forms the foundation of our trust-based relationships and fuels our long-term success. Our Code of Conduct outlines the essential rules, standards, and behaviors expected from every employee. By prioritizing ethical conduct at every level, Julphar builds trust and strengthens relationships, ultimately laying the groundwork for our sustainable growth and success. One core principle is represented by our "no tolerance" policy for any form of discrimination. This policy actively prevents workplace hostility and promotes a collaborative spirit, where everyone feels valued and respected. Additionally, we remain fully committed to safeguarding third-party information, by meticulously adhering to applicable laws and contractual obligations.

To ensure clear understanding and consistent application, both the Code of Conduct and Whistleblowing policies are readily available on our intranet for all employees to reference at any time. Furthermore, we emphasize their importance by incorporating "Code of Conduct" training into the onboarding process for every new joiner.

Compliance check

A core objective at Julphar is to foster a culture where acting with integrity, adhering to existing laws, and complying with our policies are fundamental to our organization. Every individual in the company is responsible for upholding our reputation and adhering to our ethical standards, in turn aiding the accomplishment of our business goals. We lay significant importance on maintaining transparent bioethical standards across all our research and clinical development activities. Moreover, our commitment to compliance is also reflected in our environmental management system, mandating us to follow standard operating procedures (SOPs). This ensures our operations meet all environmental compliance requirements.

Anti-corruption practices at Julphar:

At Julphar, ethical practices are a priority and we take serious actions in case of violation of any policy. We consistently monitor and assess our operations to detect any unethical behavior or for risks related to corruption. No corruption cases were identified in 2023.

04 | ECONOMY

- Economic performance
- Sustainability in the supply chain
- R&D discoveries and advancements

Economic performance

As a leading provider of general medicine and speciality products in the Middle East and Africa (MEA), we maintained our strong financial performance in 2023 with revenues of AED 1,653 million. In particular, we achieved 6.1% revenue growth in UAE and other GCC countries. Our revenues have dropped by 29.5% in other countries outside of the GCC due to geopolitical economic situation and currency devaluation. In the next year, we will be looking to strengthen sales organization to increase market share with the existing portfolio and with new product launches in core therapeutic areas to improve our revenues.

We are committed to continue our growth journey and increasingly provide affordable, high-quality medicines for our patients. We aim to explore new therapeutic areas such as oncology, hormones and immunology drugs, and launch new products to expand our reach and cater to more patients' needs. We also aim to expand our business to other strategic locations, thereby creating new revenue streams.

While business expansion is a key driver for growth, it is also a source of unavoidable risk. Therefore, we continuously strive to enhance our systems and processes to adapt to an evolving landscape with minimal and reversible impact on our operations.

Economic performance

KPIs	Unit	2020	2021	2022	2023
Direct Economic Value Generated (Revenues)	**Million AED**	**621**	**1,168**	**1,633**	**1,653**
Geographical Split					
UAE	Million AED	91	356	573	608
Other GCC Countries	Million AED	136	331	633	744
Other Countries	Million AED	394	481	427	301
Total Economic Value Distributed	**Million AED**	**878**	**1,251**	**1,665**	**1,659**
Operating Costs	Million AED	417	782	1,067	1,097
Employee Wages and Benefits	Million AED	262	340	385	389
Payments to Providers of Capital	Million AED	8			0
Payments to Government by Country	Million AED				0
Community Investment	Million AED	0.1			0

Sustainability in the supply chain

The pharmaceutical industry operates within a complex web of sustainability challenges, encompassing environmental, social, and patient-centric considerations. From managing greenhouse gas (GHG) emissions and water scarcity, to ensuring accessible and affordable medicines for all, navigating these risks requires a deep commitment to responsible supply chain management. At Julphar, we fully recognize the critical role of maintaining a reliable, diverse, and sustainable supply chain to avoid jeopardizing the continuity of our business or the quality of our products. We prioritize partnerships with suppliers and healthcare providers that share our values, ensuring ethical sourcing, ethical marketing practices, and equitable access to our medications. We collaborate with diverse healthcare providers across the GCC, both private and governmental, to develop a robust and agile supply chain which could continuously respond to the ever-increasing need for quality medication.

We have formulated an extensive approach to manage and monitor supply chain risks, utilizing our established risk management framework as a foundation. Our supply chain risk mitigation methodology includes an ongoing Single Approved Vendor project (SAV) and a Strategy of Safety Stock replenishment for SEA shipping materials.

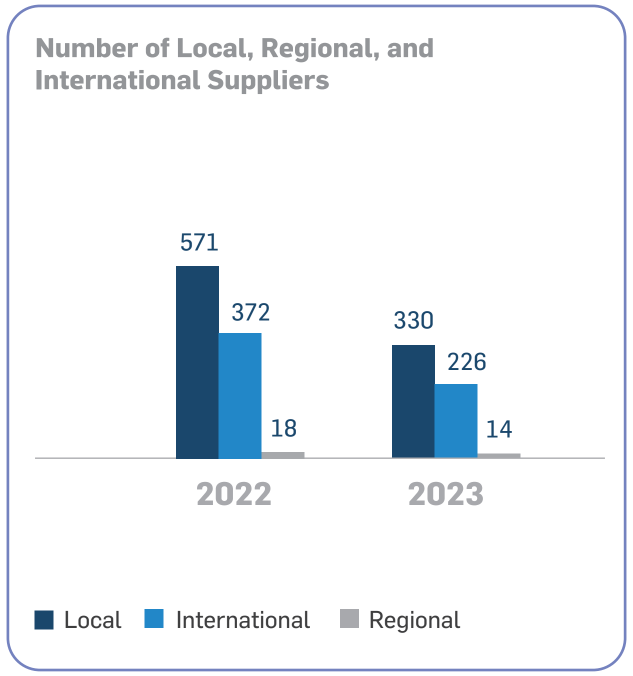
The methodology is designed to mitigate various risks encompassing inaccurate forecasts, shortages in materials, unfulfilled sales demands and extended lead times. This also includes overreliance on a single supplier, constrained material availability, and price fluctuations stemming from geopolitical occurrences. To counter these risks, the methodology utilizes straightforward yet efficient measures like ongoing monitoring, periodic evaluations, prioritization of the pipeline, and proactive ordering. These actions facilitate seamless supply chain operations, minimize the repercussions of potential risks, and foster enhanced efficiency and cost-effectiveness.

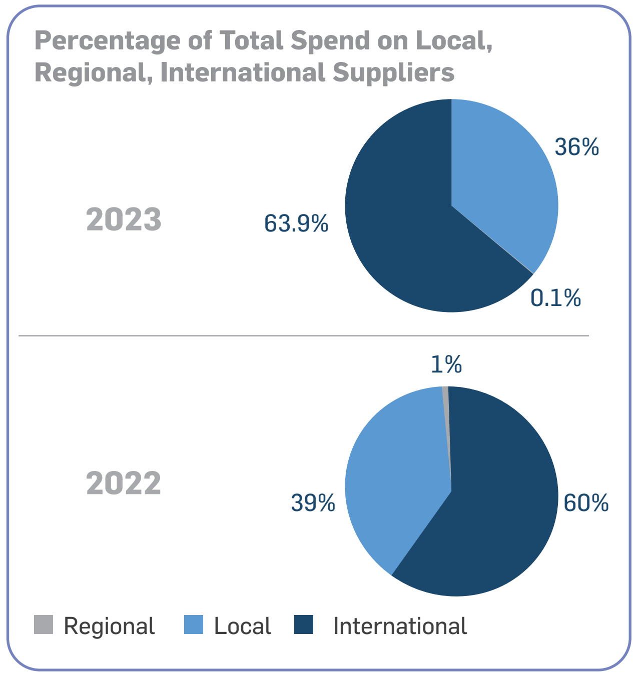
Procurement

The quality of our products depends on the quality of the material provided by our suppliers; therefore, we have established a structured process for assessing and overseeing our suppliers, supported by a supplier evaluation checklist and the establishment of quality agreements with manufacturers. Moreover, we have implemented standard operating procedures and guidelines for conducting third-party due diligence and tackling concerns such as bribery and corruption. These measures ensure the credentials and certifications of vendors are verified and maintain the quality of the procured products.

To manage supply chain risks, our network of suppliers includes local, regional and international suppliers across Asia, Africa, Europe, and America.

We strive to work with local capacities and contribute to the national economy, while simultaneously ensuring diversified procurement practices. In 2023, 58% of our suppliers were local, 40% were international and the remaining 2% were regional suppliers.





Distributor management system

To streamline distributor management, we are implementing a distributor management system that aims to maintain process consistency across our operations. This system clearly delineates the processes and procedures for tasks such as onboarding new distributors, discontinuing existing ones, and reintroducing alternative distributors.

Multiple teams within our organization collaborate to ensure seamless execution and minimizing error rate; this includes our distributor committee, sales and commercial teams as well as our legal teams.

Strategic partnerships

As a leading pharmaceutical company, we engage in unique, mutually beneficial partnerships with other organizations in the industry. Satisfying the needs of our patients is our driver to expand our products offering. Therefore, in 2022 we entered into the below partnerships:

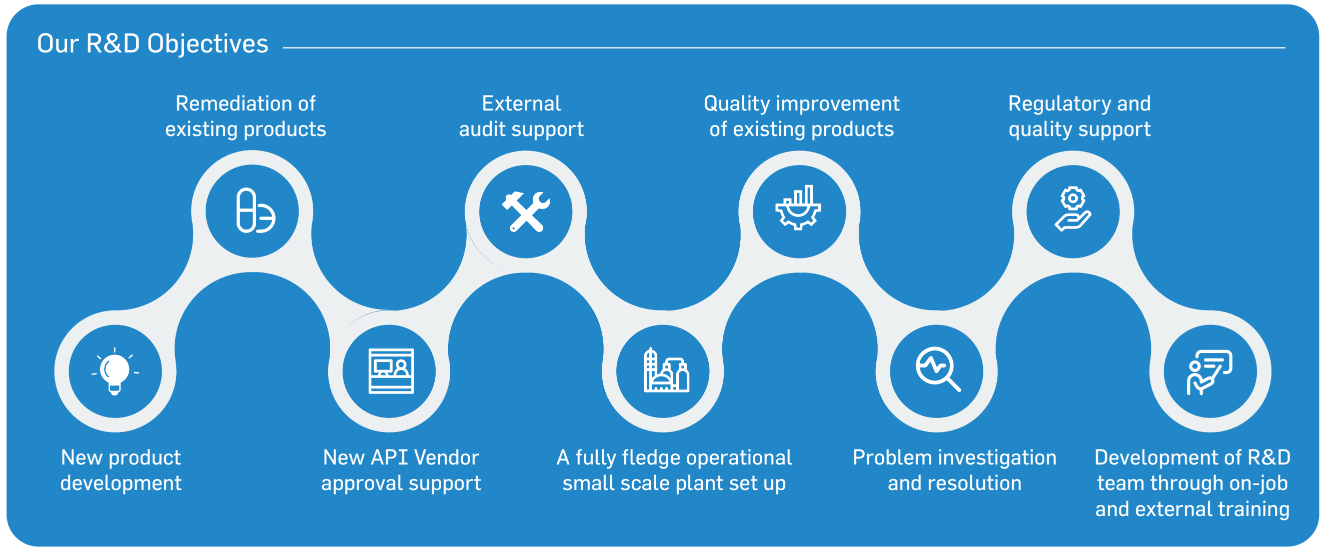
- A licensing and supply agreement with Hetero, a leading Indian generic pharmaceutical company known for its anti-retroviral drugs to procure products in cardiovascular and nervous system health and pain management.
- 'Huadong Medicines', a pioneer in the diabetes market in China is another successful partnership which will allow us to develop, manufacture, and commercialize Liraglutide, a drug used for treating diabetes and obesity. This opportunity will expose us to new markets in 17 countries in the Middle East and North Africa region including UAE, Saudi Arabia, Egypt, Kuwait, Oman, Bahrain, etc. This collaboration opens new opportunities for Julphar to expand its reach in these countries and potentially offer new treatments to patients in the region.
- A step forward for us in the diabetes areas is the signed partnership agreement with Pure Health to commercialize Glargine, a diabetic-controlling drug, under the aegis of the Ministry of Industry & Advanced Technology. This partnership will enable us to establish the first factory of its kind in the Middle East at our plant in Ras Al Khaimah. This new facility will help in meeting the increasing demand for diabetes patients in the region and contribute to the "forward society" agenda of the "We the UAE 2031".

As we move into the implementation of Strategy 2030, forging strong partnerships continues to be a key driver for our growth. In 2023, we entered into the following strategic partnerships:

- Agreement with Jungbunzlauer Ladenburg GmbH-Germany to supply us with the active pharmaceutical ingredient Trisodium Citrate.
- A strategic contract was signed with HEC pharmaceuticals, to grant Julphar the exclusive right to register, manufacture, import, market, promote, distribute, and sell insulin finished product using active pharmaceutical ingredient products provided by HEC.

R&D discoveries and advancements

At Julphar's we are committed to exploring new medical domains, technological prowess, and a relentless pursuit of excellence across diverse therapeutic areas. Our continued focus on R&D will play a vital role in our ability to deliver on our commitment to provide the highest quality of life for our customers through innovative, effective and safe patient - focused drugs. Recognizing R&D's central role in the healthcare industry, we invested 20 million AED in 2023 to build a promising pipeline to positively impact communities and society at large.



Julphar's future in R&D relies on continuously harnessing the latest technological advancement and investing in our employees' capabilities to ensure robust, resilient, and advanced drug delivery systems that prioritize patient experience. During our products' development and production, we are keen to provide stable, bioavailable (absorbed by human bodies), and effective drug products that meet stringent regulatory standards and the highest quality requirements. Our robust pipeline, with over 100 planned launches in key therapeutic areas, reflects our commitment to delivering impactful innovations that revolutionize treatment options and improve patient lives. In 2023, our research and development endeavors have yielded a series of groundbreaking achievements with 29 new products developed, out of which 13 were launched and 10 are launching under progress. Additionally, 8 products were remediated and approved by the Ministry of Health and Prevention.

Our R&D strategy

Accelerating patient access to our medical products is a core objective of our R&D strategy. In 2023, we adopted innovative tools such as Ultra-High Performance Liquid Chromatograph which helps reduce development time and deliver sharper analysis. Such technology also maximizes production and enables us to deliver high-quality medications at a faster rate. Moreover, we continue to embed a Quality by Design approach to our R&D as well as real-time monitoring systems.

Create
Product roadmap with strategic imperatives

Prioritize
Critical products those being the best at it will deliver a meaningful advantage

Develop
The critical products which will support a transformative change

Collaborate
To build a culture of innovation across business through R&D

Deliver
Innovative solutions that define highest levels of customer experience

Our product development, submissions, and regulatory approvals with respective government bodies are represented below.

Product Submission & Regulatory Approval	Unit	2022	2023
New product submitted to RA/MoHAP	Number	9	13
Remediated products submitted to RA/MoHAP	Number	2	5
BE/IVRT study completed	Number	6	9
New products approved by MoHAP	Number	13	18 SKU approved in country of origin

R&D aspirations

Pharmaceutical investments in modern and advanced technologies and treatments are pivotal to pioneer new development techniques, expand medical knowledge, increase efficiency and effectiveness of manufacturing and quality control and launch better products to meet patients' needs. Therefore, we have articulated key aspirations we aim to achieve in R&D:

Antibiotics: Exploration and development of generics with novel molecules, and in particular pursuit of a groundbreaking fifth-generation cephalosporin drug product.

Biosimilars: Investing in biosimilar product developments.

Equipment: Investing in new energy efficient and automated equipment such as galenical equipment to boost development of different dosage.

Neuroscience: Explore neurological health and pursue innovative Multiple Sclerosis therapies, complemented by advancements in Immunomodulatory strategies.

Improve environmental practices through sustainable packaging, digitalization of documents and processes, and responsible sourcing and management of raw materials, energy and water resources.

Key breakthroughs

As we reflect on the achievements of 2023, several developments underscore our dedication to scientific rigor, technological advancement, and a relentless pursuit of excellence. Moving forward, we remain committed to pushing our boundaries in the field of pharmaceutical research and development, delivering impactful, efficient solutions for the benefit of patients' health.

In 2023, we successfully developed the following new products using our Quality by Design approach:

Analgesics (painkillers): Non-narcotic painkillers for effective pain management and rapid-acting painkillers to treat mild and acute pain.

Nasal Allergy and congestion: We developed a breakthrough dual action nasal spray, a non-drowsy, scent-free solutionthat provides relief from allergy and congestion.

Wound care: We are in the process of securing regulatory approval for a wound healing product and a rapid-acting anti-ulcerate.

Successful IVRT studies: In vitro release testing (IVRT) is a critical toolsapproach for drug development and approval process of semisolid dosage forms. Successful IVRT plays a vital role in accelerating the approval, registration and launch of products. Underpinned by our in-house expertise in 2023, 7 IVRT external studies were successfully completed out of which, 2 new products are 2 component mixtures.

Small scale plant establishment: In 2023, we installed new equipment to perform dry mixing and granulation, a key stage in the preparation of tablets and capsules. This new equipment enables us to scale our production capacity and adapt to potential fluctuations in market demand.

R&D rewards, trainings and events

Our Recognition program spotlights team members who surpass expectations, leading innovative projects, delivering exceptional results, or simply going the extra mile. We celebrate individual achievements and team spirit, fueling a culture of continuous improvement and propelling us towards shared goals. By investing in our people, we empower them to make a real difference in the lives of patients worldwide.

Our R&D teams are a core asset to our organization. We continuously invest in employee engagement activities to support their learning and development, promote a healthy working culture and increase community engagement. Below are key training and social events that we undertook in 2023 with our R&D teams:

- A performance management training was organized by our Chief Technical Officer (CTO) to drive 'Quality Compliance Improvement', leverage 'Operational Excellence and Change Management for a Sustainable Performance'. The training is based on our CTO's research and aligned with global best practices and benchmarks and combines theory with practical skills. Participants from the technical operations departments including R&D, regular affairs, medical affairs, quality assurance and control, engineering and maintenance, production plants and supply chain were able to acquire skills and knowledge in performance management, and the value of becoming an integral part of this system. Key topics covered by the training included effective tracking of performance, correct design and usage of ASMART (Aligned, Specific, Measurable, Achievable, Realistic, Timebound) objectives. .
- The R&D department developed a training curriculum to provide universities' students in the UAE with hands on training at the R&D department.
- The R&D department participated in several regional and international events including Walkathons and Marathons which brought together the R&Ds employees as part of team building activities.

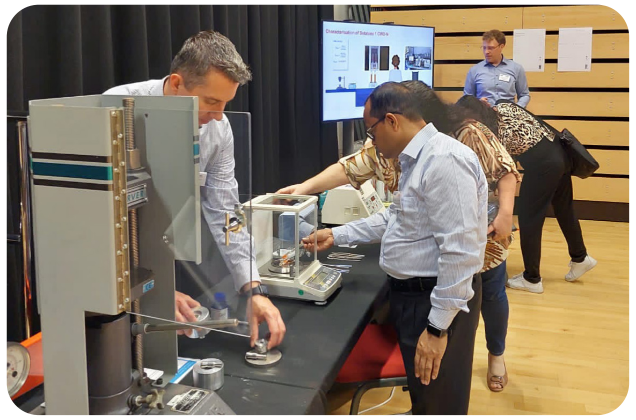
R&D teams attended the Tabletting School 2023 at De MontDefort University in the UK which focuseson. This event focuses on addressing the needs of formulators working in oral solid dosage form research and development. Our R&D team participants acquired knowledge in operating Tabletting equipment and participated in discussions on modern drug development.

Pharmacovigilance at Julphar

At Julphar, we are committed to ensure patient care and safety in relation to the use of our products through active collaborations with regulatory authorities, patients and healthcare professionals. One of the key enablers is our robust pharmacovigilance and risk management program which aims to continuously identify, assess, understand, and prevent adverse effects or issues associated with our medications.

Our pharmacovigilance quality management systems aim for continuous improvement and ensure compliance with relevant regulations, including Good Pharmacovigilance Practices in the MENA region. We also seek to raise awareness on the secure and mindful use of medicines through instructive and educational programs to healthcare professionals.

In 2023, the pharmacovigilance quality management system implemented a 100% e-archival system for documents, an environmentally responsible process to avoid paper use. Besides reducing our environmental footprint, the digitalized process is more efficient and cost-effective in comparison to legacy, paper-based processes.



05 | ENVIRONMENTAL PERFORMANCE

- Energy
- Emissions
- Water & effluents
- Waste

Environmental Performance

At Julphar, we embrace our responsibility as a leading pharmaceutical company to protect the environment and preserve natural resources for future generations. We recognize the profound impact environmental issues can have on public health and society, and which contradicts our mission to improve healthcare, and therefore we are committed to continue improving our environmental sustainability performance.

Thanks to our integrated environmental policy, our periodic impact assessment, and our conscientious management of environmental factors, we were able to minimize our impact on the environment and limit our carbon footprint. Environmental sustainability is fundamental commitment at Julphar, which has pushed us to emphasize efficiency and responsibility across all our activities and operations. Our initiatives encompass the regular treatment of wastewater for responsible irrigation, our proactive initiatives to reduce our carbon footprint, and the safe disposal of waste to prevent harm to the environment and our ecosystem.

Energy

The pharmaceutical industry is energy-intensive due to the high need for power generation, transportation as well as manufacturing processes and operation of specialized equipment. Pharmaceutical manufacturing processes are energy-intensive, requiring significant amounts of electricity, heat, and cooling for various operations such as mixing, heating, sterilization, and drying. The extraction and consumption of fossil fuels to meet this energy demand contribute to greenhouse gas emissions, a major driver of climate change.

At Julphar, diesel is used as a fuel source for steam generation (diesel boilers), power generation (DG sets) and transportation needs, and electricity is utilized in production processes and facilities. As we acknowledge the significance of controlling our energy utilization and minimizing our ecological footprint, we remain dedicated to consistently monitor our real time energy consumption, to identify peak consumption periods and to make more informed and sustainable decision on energy saving and efficiency initiatives.

Some of our initiatives include:

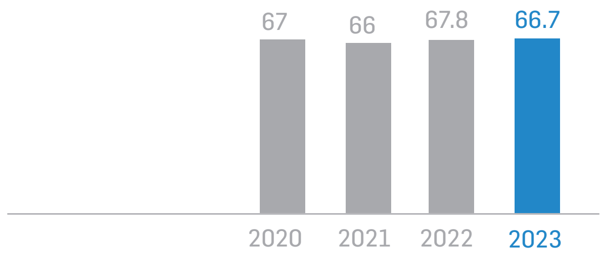
- Continuing our LED Retrofitting initiative from 2022, in 2023, we upgraded 6,000 conventional lighting to energy-efficient LED alternatives across the entire facility. This upgrade was aimed at reducing energy consumption and its resulting environmental impact and operating cost.
- Optimizing our equipment usage by scheduling certain facilities to operate only during designated time periods, aiming to decrease our energy demand.
- Maximizing the efficiency of select boilers while placing others into complete shutdown mode, with the goal of reducing diesel consumption.

These initiatives resulted in a reduction in diesel and electricity consumption, as per the following figures.

LED

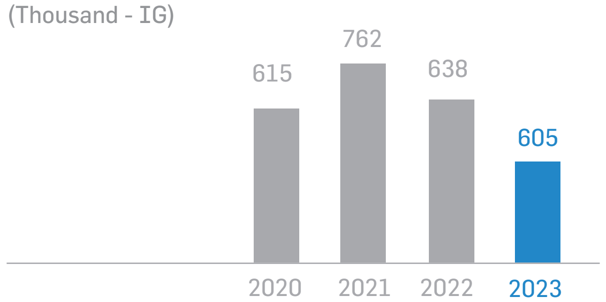
1.6% decrease in electricity consumption in 2023, in comparison with 2022

Electricity Consumption
(Million - KWh)



5% decrease in diesel consumption in 2023, in comparison with 2022

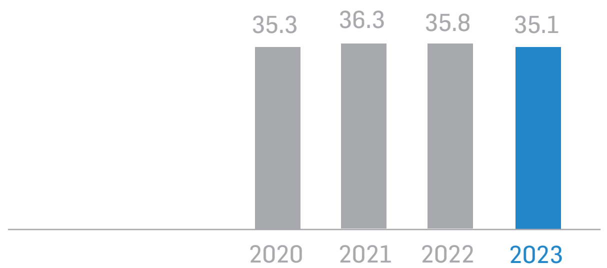
Diesel Consumption
(Thousand - IG)



Emissions

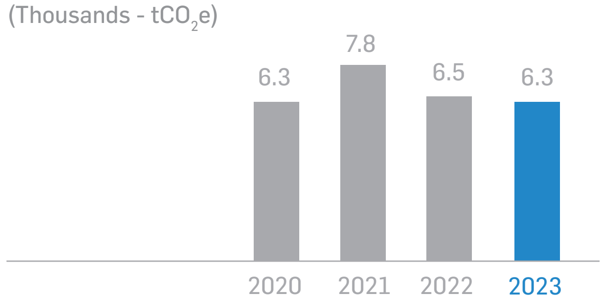
In 2023, our total emissions decreased by 2% compared to the 1.2% decrease in 2022. Although this is a small margin, it evidences the success of the mitigation efforts installed during the year.

Total Ghg Emissions
(Thousand - tCO2e)

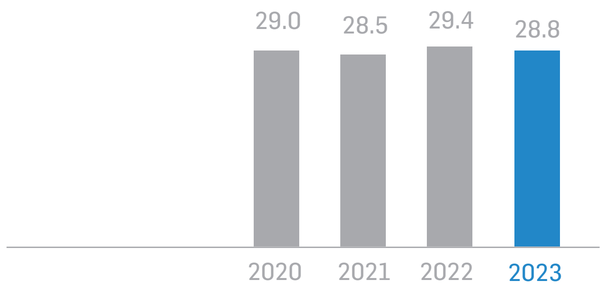


More specifically, due to our reduction in diesel and electricity consumption, we achieved a 3% decrease from 2022 to 2023 in Scope 1 GHG emissions and a 2% decrease in Scope 2 GHG emissions.

Scope 1 GHG Emissions
(Thousands - tCO_2e)



Scope 2 GHG Emissions
(Thousand - tCO_2e)



Water & effluents

Improving water efficiency

The pharmaceutical industry has significant impacts on water and effluents due to the nature of its manufacturing processes, which often involve the use of large quantities of water and the generation of complex chemical waste streams. The Gulf region is also water scarce, which places additional responsibility on our organization to reduce water consumption.

While we treat 100% of wastewater generated at our plants, our commitment to environmental responsibility extends beyond simply treating water. Recognizing the importance of preserving this precious resource, we actively pursue its water efficiency measures in our operations.

Between 2022 and 2023, we achieved a significant 20.8% reduction in water consumption. This success stems from a dual approach: leakage detection and repair accompanied by efficient water utilization. To ensure sustainable water practices, we prioritize maintaining a robust and efficient water infrastructure. We have implemented a rigorous framework of regular inspections and preventive maintenance, focusing on aging pipes and potential leak points in plumbing, fixtures and equipment. By proactively addressing these issues, we prevent unnecessary water consumption and enhance water efficiency across our facilities.

Managing wastewater

Pharmaceutical manufacturing generates complex effluent streams that require treatment before discharge into the environment. Our manufacturing facilities are the main source of our wastewater. We demonstrate our commitment to environmental responsibility by diligently monitoring and managing wastewater. Every quarter, we report the volume of wastewater generated to the Ras Al Khaimah Government Authority as part of our routine operational and maintenance reporting. We operate an internal wastewater treatment plant equipped with an advanced Effluent Treatment Plant (ETP) process. This system handles all wastewater except for chemically contaminated streams. In 2023, the ETP treated a significant 229,000 cubic meters of wastewater, most of which was used for irrigation practices.

Other initiatives to manage our water impact include rigorous regulatory checks conducted by the Ras Al Khaimah Government Authority on a weekly basis, where influent and effluent water is examined. This analysis ensures that treated water meets the required quality standards for safe reuse and environmental protection.

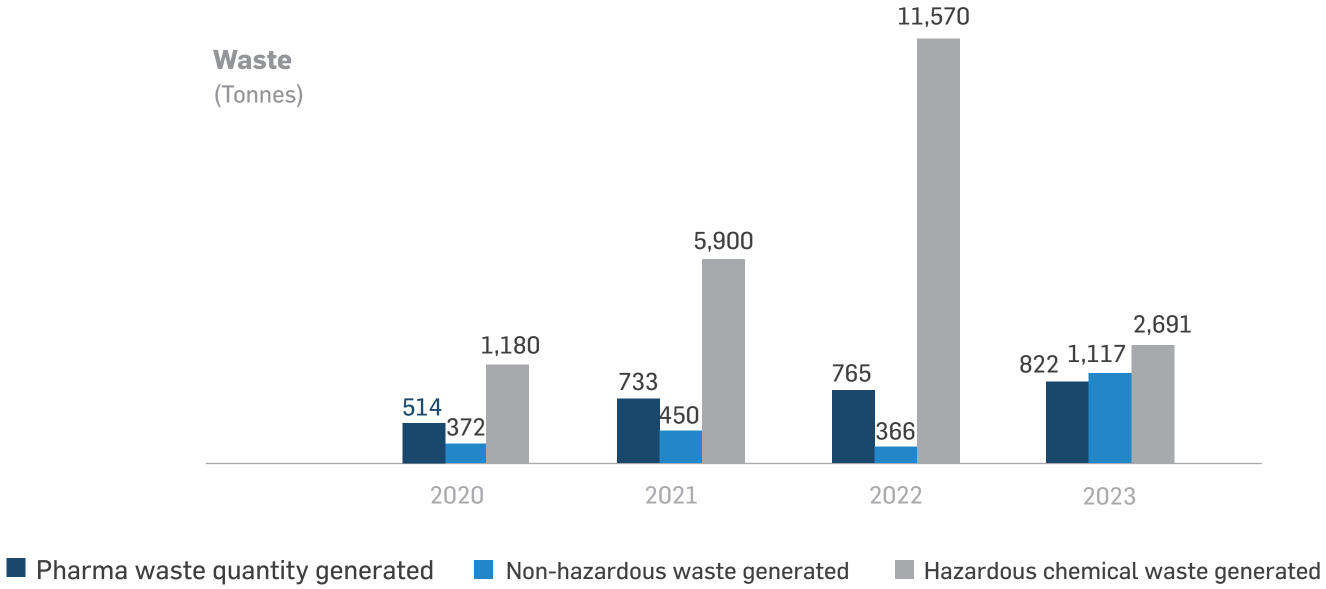
Waste

The pharmaceutical industry has a significant waste impact due to the generation of various types of waste throughout the products' lifecycle, including manufacturing, packaging, distribution, and end-of-life disposal.

We actively embrace our duty towards responsible waste management, aiming to reduce environmental impact through a comprehensive strategy. Our waste management strategy includes waste minimization, segregation and handling based on waste type, and monitoring each waste stream to ensure its safe disposal.

Our newly established waste committee will make recommendations on waste reduction initiatives based on the different types and volumes of waste reported in the waste audits reports.

Looking back at 2023, our waste comprised both non-hazardous waste (primarily sludge) and hazardous waste (mixed pharma waste, finished products, and raw materials). Our waste volume increased in comparison with 2022 due to a higher volume of expiry in RM & FG compared to 2022. Whereas hazardous chemical waste, linked to API production decreased significantly with 2,691 tonnes generated as a result of decrease in production volumes compared to 2022.



Incineration serves as the primary method for disposing of hazardous and chemical waste, while non-hazardous waste is sent to landfills. This year also saw the establishment of partnerships with RAK Municipality, Union Cement, and Al Zarooni and other service providers for comprehensive disposal support.

However, we acknowledge the need for continuous improvement, therefore, each department and plant at Julphar assigned a designated person to participate in a waste management system training with the support of the housekeeping team. During the training, participants were introduced to the different types of reusable materials and encouraged to reuse them. Furthermore, attendees got acquainted with opportunities to reduce the amount of non-recyclable waste generated by our organization. Following the completion of the training, the attendees shared what they have acquired with their respective team members through department level trainings.

We will continue looking for ways to optimize our waste management practices and minimize our environmental footprint.

06 SOCIETY

- Occupational health & safety
- Customer health & safety
- Our people
- Learning & development
- Local community

Society

Occupational health & safety

Pharmaceutical manufacturing involves various occupational hazards and risks, including exposure to hazardous chemicals, biological agents, ergonomic hazards, and physical hazards. Implementing EHS programs and practices is critical to protecting the health and safety of workers, minimizing workplace injuries and illnesses, and promoting a culture of safety within our organization. Accordingly, we have a total of 18 comprehensive Environmental, Health, and Safety (EHS) policies to mitigate workplace risks and ensure the well-being of employees and the surrounding community.

Below are key initiatives we are implementing:

- Standardized operating procedures and guidelines: Every individual working at Julphar, including employees, contractors, suppliers, and even outside drivers, must adhere to clearly defined standard operating procedures and safety guidelines.
- Rigorous trainings: We provide EHS training to all employees, regardless of their job role or function. These trainings equip them with the necessary skills and awareness to identify and mitigate potential hazards.
- ISO 14001 compliance: Our Health and Safety system adheres to the rigorous international standard ISO 14001, demonstrating our commitment to best practices in environmental and occupational safety management.
- Continuous monitoring and improvement: We actively track and analyze all safety-related incidents and conduct monthly injury assessments and take corrective actions to prevent future occurrences.
- Vaccination campaigns: In collaboration with the Preventive Medicine unit in Ras Al Khaimah, we organized a seasonal flu campaign at our premises.
- Internal and external audit: Through internal and external audits, we monitor compliance with our EHS policy and identify areas for improvement.

The table below provides a detailed overview of the types and number of audits conducted annually between 2020 and 2023:

Type and number of audits

Agency	Type of Audit	Unit	2020	2021	2022	2023
Civil Defence R.A.K Government	· Fire fighting facilities inspections · Building inspections	External	3	4	4	5
SGS	· Requirements for the ISO 14001 including EHS	External	1	1	1	1
Ministry of Climate Change and Environment	· Related to all environments	External	1	1	1	1
Our EHS & Security Department	· To audit all the premises/ factories on monthly bases	Internal	NA	12	12	12

Number of incidents

Incidents	Unit	2020	2021	2022	2023
Number of Major Incidents	Number	3	1	3	3
Number of Minor Incidents	Number	7	0	3	3
Number of Work-Related Injuries	Number	10	1	6	6
Number of Fatalities as a Result of Work-Related Injury	Number	0	0	0	0
Lost Workdays as a Result of Injuries	Number	67	21	93	30

In 2023, we reported a total of 6 recordable work-related injuries among employees distributed equally between minor and major incidents. These are non-fatal injuries that resulted in missed workdays, restricted work, or medical treatment beyond first aid. The efficacity of the health and safety measures taken on our premises is reflected in the decrease in the number of lost workdays by 68% compared with 2022.

Focusing on Health and safety training

In 2023, we substantially increased the number of occupational health and safety training sessions to enhance our employees' understanding of potential health and safety risks and prevent adverse outcomes.

In total, 726 employees attended occupational health and safety training initiatives. These encompass:

- Regular programs such as Safety Awareness, Emergency Response Team (ERT) training, Emergency Preparedness and Response.
- Foundational safety induction program tailored for new hires to acquaint them with safety protocols and procedures.
- Specialized training for employees exposed to specific job-related risks (e.g., Forklift Operator Safety Training).
- First Aid training session to train our employees on how to provide immediate assistance and care to someone who has been injured or taken ill.

Number of trainings

	Unit	2020	2021	2022	2023
Number of Occupational Health and Safety Training Programs Conducted	Number	NA	4	2	22
Staff Attending Occupational Health and Safety Training	Number	NA	536	191	726

Customer health and safety

Customer health and safety is a fundamental topic in the pharmaceutical industry, essential for protecting patients' well-being, building trust, complying with regulations, safeguarding public health, and fulfilling ethical and corporate responsibilities. By prioritizing customer health and safety, pharmaceutical companies contribute to improving healthcare outcomes and enhancing patient safety and satisfaction. Key initiatives to support customer health and safety comprise:

- Good Manufacturing Practices: As our products have a paramount impact on people's health and safety, ensuring their safety and quality is our top priority. We meticulously adhere to stringent international standards, including Good Manufacturing Practices (GMP), during product development and production to guarantee every product meets the highest quality and safety requirements.
- Collaborations with leading companies to develop life-changing, innovative medical solutions such as our recent partnerships with Mebo to deliver their products across certain MENA countries. Furthermore, the active pharmaceutical ingredient Trisodium Citrate will be supplied to us by Jungbunzlauer Ladenburg GmbH-Germany through another strategic agreement we signed in 2023.
- Collaboration with Central Medical Center to provide healthcare education to patients and raise public health awareness on appropriate health behaviors.
- We continue to offer a dedicated toll-free system for prompt responses to medical queries. Confidentiality is paramount, and we rigorously safeguard patient data through data protection regulations like General Data Protection Regulations (GDPR)Proactive safety assessment: While all our products undergo thorough health and safety assessments, we go further. In 2023, we proactively examined 55 out of our 384 (14%) major product categories to assess their health and safety impacts.

We believe in transparency and maintaining open communication channels with our customers, we are committed to capture their voices and address their concerns. Our dedicated marketing teams diligently address any product-related complaints, aiming for swift resolution. In 2023, we received a total of 13 complaints for our top five products: Mebo, Adol, Triaxone, Risek, and Epotin. As our patient health, and trust are forefront at Julphar, each complaint is carefully investigated and addressed promptly to avoid adverse events Number of Complaints received against Julphar's Top 5 Products.

Number of Complaints received against Julphar's Top 5 Products

Number of Complaints received against Julphar's Top 5 Products	Unit	2020	2021	2022	2023
Mebo	Number	11	8	1	2
Adol	Number	7	4	4	7
Triaxone	Number	4	0	2	3
Risek	Number	1	1	0	0
Epotin	Number	1	0	0	1

In 2023, we received a total of 34 complaints against all our product offerings. Of these, 23 were found to be invalid. Moreover, no product recalls were made, and our overall complaint rate calculated by dividing the total number of batches produced by the number of complaints received has decreased further compared to previous years as shown in chart below, which reflects the quality of our products offerings. Further, in 2023, we received approval on all our drugs by the Ministry of Health and Prevention following the Corrective Actions and Preventive Actions (CAPAs) taken based on the none critical 66 observations received.

Received complaints	Unit	2020	2021	2022	2023
Number of Received Complaints	Number	62	46	30	34
Valid Complaints	Number	33	22	8	11
Invalid Complaints	Number	29	24	22	23
Complaints Rate	Percentage	1.45	1.85	0.57	0.51

Handling Complaints at Julphar

Julphar prioritizes patient safety and product quality through a robust complaint handling procedure. All complaints, whether received from regulatory bodies, healthcare professionals, or directly from customers, are documented and thoroughly investigated.

A dedicated Quality Assurance (QA) Compliance Department manages the process, ensuring timely and professional responses. Initial data collection determines the severity of the complaint, which is then categorized as Critical, Major, or Minor based on potential health impact:

Critical complaints, such as those involving missing ingredients or potential health risks, receive immediate attention with investigations initiated within 24 hours.

Major complaints, such as incorrect ingredient levels, are investigated within 15 days- Minor complaints such as those related to aesthetic defects or minor deviations from product standards receive a maximum 30-day investigation timeline.

If the complaint is related to an Adverse Event, Adverse Drug Reaction or Lack of Efficiency, the complaint notification is shared with Medical Affairs department for further action and a parallel QA investigates the complaint as well.

Investigations are comprehensive and cover all aspects of manufacturing, packaging, physical checking and product analysis. This rigorous approach ensures the root cause of complaints is identified and appropriate corrective actions are taken. An investigation report summarizes the findings, including potential market impact and overall complaint trends. This information facilitates continuous improvement and strengthens our commitment to product safety and customer health.

Our people

Our people are a cornerstone for our success and growth. Through them, we can drive innovation, advance research, and development, ensure product quality and compliance, gain market access, and adapt to industry changes. Skilled professionals with diverse backgrounds and expertise contribute to the success of our company and help us bring new products to market, increase our reach with healthcare providers and pharmacies, and improve patient outcomes.

Therefore, we believe that a thriving and engaged workforce is essential for navigating this dynamic and life changing industry and achieving ambitious goals. That's why we prioritize attracting and retaining top talent through robust policies, and attractive benefits.

Diversity and equal opportunity

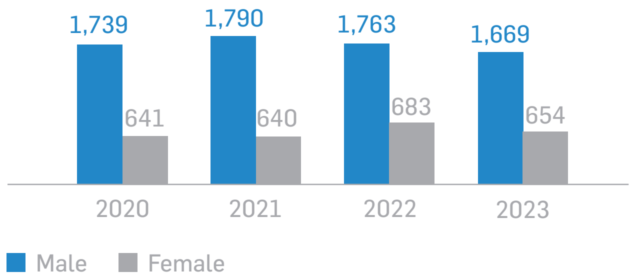
We are an equal opportunity employer, dedicated to providing an inclusive and fair workplace for all individuals regardless of their background.

Our commitment extends beyond recruitment, encompassing fair pay, development opportunities, and a culture of inclusivity. Recognizing the multifaceted needs of our employees, we go beyond providing fair compensation and offer a range of support measures, including interest-free loans, flexible leave options, and an effective grievance redressal system. These initiatives promote employee well-being, foster a positive work environment, and enhance overall productivity. Investing in our people is not just an ethical imperative; it's a strategic investment in our future success.

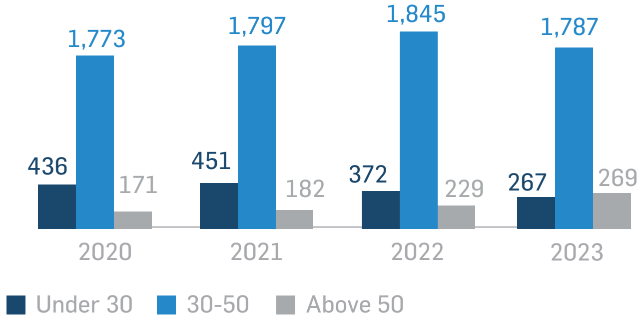
We operate with the highest ethical standards. We strictly prohibit child labor, slavery, and nepotism in the workplace, guided by clear and comprehensive guidelines.

During 2023, Julphar implemented Lean Management through optimizing utilization of resources. The process involved manpower mapping and resource allocation following zero budget concept. As a result of this new business approach which transformed our organization to be more agile and productive, our workforce decreased by 5% in 2023. This takes the total number of employees at Julphar to 2,323 with a 28% female participation.

Number Of Employees By Gender
(Head Count)

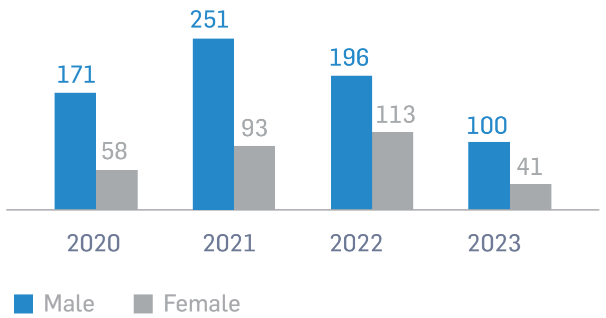


Number Of Employees By Age Group
(Head Count)

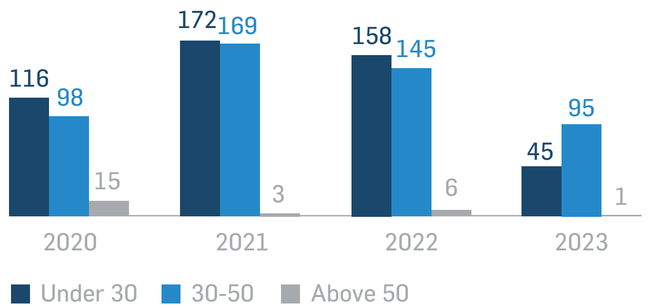


In our efforts to nurture talents and expand our resource base, 141 new hires joined us in 2023, with 29% female talent.

Number Of Employees Hired By Gender

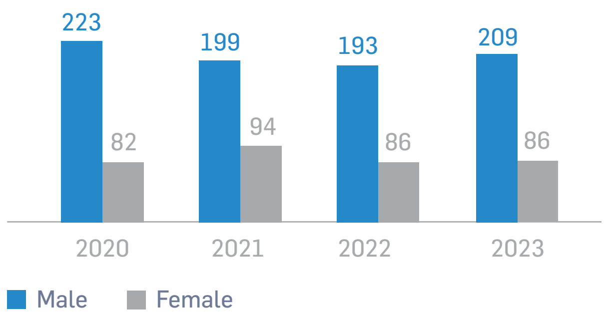


Number Of Employees Hired By Age Group

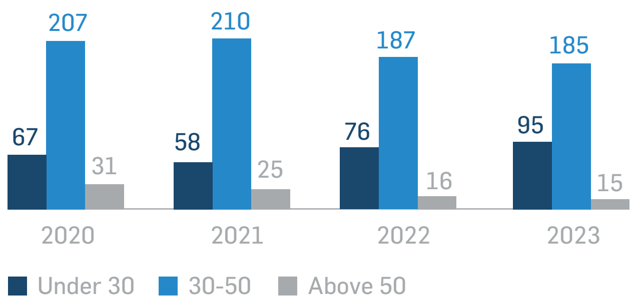


In 2023, a total of 295 employees exited our organization, with an increase by 5.7% compared to 2022. The market dynamics and industry uprise are the main reason behind the employees who exited Julphar. Additionally, the count includes a few downsizing and disciplinary actions for non-compliance.

Number Of Employees Exit By Gender



Number Of Employees Exit By Age Group



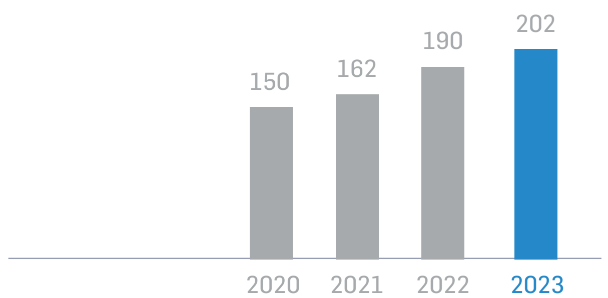
Emiratization

We are committed to strengthening the representation of UAE nationals by championing Emiratization. We continue to further this initiative by recruiting local talent and fostering career advancement and development opportunities for Emirati nationals. We started several initiatives to attract and retain Emirati talents:

- Apprenticeship opportunities: They allow unemployed Emiratis to gain hands-on experience in the pharma industry and put them on the right track to enter the labor market.
- Coordination with different governmental instances (i.e.: Ministry Of Human Resources and Emiratisation), to provide internship programs for UAE nationals to gain technical knowledge in parallel to their university.
- Empowering local talents through continuous provision of training programs to enhance technical and behavioral skills.

As a result of our efforts, we recorded a significant increase in the number of UAE nationals hired in 2023, with a total of 21 new Emirati nationals who were recruited, bringing the number of UAE nationals within the company to 202. Those new hires included a clear majority of 14 female nationals and 7 male nationals. Notably, out of the total 202 Emirati nationals employed in the company, 89% are female. This is a representation of our commitment to gender diversity, as well as the growing number of highly qualified and talented Emirati women who are entering the workforce and making a meaningful impact.

Number of UAE Nationals



Emiratization remains our priority and we aim to achieve an additional 2% Emiratization rate in 2024.

Fair Compensation

As a part of "iTurnaround Project," Julphar has conducted a compensation and benefits analysis and industry benchmarking exercise. This involved having defined a grading structure across the organization during this exercise, defined compensation and benefits bands based on the grading structure, and aligned salary bands with industry benchmarks. This also covers developed financial incentives plans for sales, medical representatives, and line managers.

iTurnaround Initiative and Absher Agreement

In addition, we help local graduates who are interested in the pharmaceutical industry to explore the various opportunities available to them and provide them with the necessary support to enter the workforce. Since the signing of the Absher Initiative Agreement with the Ministry of Presidential Affairs in May 2013, we have committed to employing more UAE nationals. We also participate in national career fairs as part of our Emiratization plan to attract highly qualified graduates.

Learning and organization development

Learning and development are integral to the success of pharmaceutical companies as they enable us to stay competitive, drive innovation, improve productivity, ensure compliance, attract and retain talent, and build leadership capabilities.

In 2023, we conducted 479 learning and development sessions in 2023, representing a significant increase compared to 2022. Those sessions spread across various departments and position levels and imparted necessary skills and technical knowledge. Moreover, we are actively supporting the learning and development of university students through:

- Collaboration with Ras Al Khaimah Medical Health Science to offer their university students with on hands jobs experience in the pharma industry over a six-week period
- Industrial learning and development sessions for students in pharmacy colleges, aims to introduce students to the different areas, roles and functions of the departments at Julphar or give hands on experience at the R&D facility

Spotlight on our learning and organization development program

Training Type	Participants Count	Session Count	Average Man Hours
Capability Building Sessions	1486	88	9.65
GMP Compliance and Technical Sessions	2,282	136	6.1
Industrial Training for Pharmacy College Students	208	255	130

Capability development needs

At Julphar, we conduct structured capability development analysis which serves as the foundation for our developmental agenda.

Our performance management system serves as a primary repository for the organization wide capability assessment. We conduct it through data collection at two distinct levels: first, by gathering input from employees regarding their perceived learning and development requirements; and second, by soliciting feedback from their immediate supervisors or Level 1 (L1) managers regarding learning and development needs identified at the team level. This dual approach helps us pinpoint individual needs and address broader skills gaps within teams, ultimately leading to a more equipped and engaged workforce.

Learning and development protocol

In 2023, we established a learning and development protocol for customer-facing functions to drive consistent promotional messages across markets. The protocol follows a standardized curriculum with specific learning objectives and outcomes relevant to the employees' years of experience. We follow a rigorous program whereby:

- A learning objective and training outline is shared with the participants at least one week before the training program to provide a clear overview of the goals and content structure
- Pre and post training assessments are conducted for participants to measure improvement as a result of the training
- A participant handout is distributed at the end of the learning and development session for future learning and development refreshers

Our competency framework

Our competency framework is part of our performance management system and is implemented for two broad job levels, team leader and above, as well as senior specialist and below. Our framework focuses on eight behavioral competencies including, Change and Learning Agility, Professional Competence and Business Acumen, Problem Solving and Decision Making, Taking Ownership and Accountability, Process Compliance, Time and Task Management as well as Teamwork and Collaboration.

Julphar's competency profiles are clear roadmaps for employee development. They outline essential skills, expected mastery levels. These indicators are ranked on a five-point scale, allowing each employee to be precisely positioned based on their performance and role expectations.

Talent management

- Internal Talent development and career planning
- External talent acquisition by assessing the candidates potential as well as cultural fitment in Julphar

At Julphar, we nurture internal talents by ensuring they are equipped with the right skillsets and technical knowledge. The Talent Development Initiative we introduced provides our employees with a chance to change their career path at Julphar by taking over open vacancies in which they might be interested. The development initiative exposes high performers to different functional and cross functional projects in addition to undergoing structured Managerial Development Program' and 'Leadership Development Program'. This flexibility allows the employees to fulfill their career aspirations while responding to our business growth and development requirements.

We're proud that this year, 2,254 of our employees, 92% of our workforce, actively participated in performance reviews, demonstrating their commitment to personal and professional growth.

In 2023, 40 employees from senior management underwent Project Management Workshop and 44 employees from middle management underwent Emotional Intelligence Development Program. Moreover, 93 frontline managers in the Head Office underwent Managerial Excellence Program whereas 100 frontline managers in other countries underwent Leadership Development Program. In addition to that, 48 identified subject matter experts underwent Technical Upskilling Course and cascaded down learnings at the shop floor for technicians.

Local Community

Blood donation campaign

Supporting local communities is a core element of our Environmental, Social, and Governance (ESG) commitments. In 2023, Julphar Clinic partnered with the Emirates Cancer Society and Emirates Health Service to organize four vital blood donation campaigns. Julphar Clinic was established as an integrated medical facility and aiming to provide healthcare services to our employees and their families. The clinic coordinates with hospitals and medical centers to ensure the highest quality of medical support is provided and strives to continuously add new scopes of services to accommodate for the changing needs of our employees.

Through these initiatives, 194 Julphar staff members voluntarily donated blood for patients in need.

Campaign for early detection of breast cancer

Additionally, Julphar Clinic, in collaboration with Emirates Cancer Society, actively participated in the Zayed al Khair Pharmacy event, providing essential medication to approximately 200 attendees and patients in need. This partnership is aligned with our commitment to supporting the patient community and improve access to healthcare.

Family day

Marking International Family Day, Julphar and the Emirates Cancer Society collaborated on a unique initiative: a field trip for families coping with cancer. This heartwarming event provided a day of shared joy and connection, reminding participants of the importance of family and community support.

Empowering local communities during Ramadan

During the Holy Month of Ramadan, we actively participated in a local community event alongside the community police and the Zayed Charitable and Humanitarian Foundation. Our dedicated employees volunteered their time and resources to distribute meals to fasting individuals near traffic intersections.

Our environment is clean

Furthermore, our people participated along other entities in the Emirate in a sustainability event entitled "Our Environment is clean" organized by the Community Police Department and the Tourism Police Department. The event aimed at cleaning up the desert, beaches and mountainous, as well as raising awareness and guidance to citizens, residents and tourists on how to reduce environmental pollution.

Appendices

GRI content index

Gulf Pharmaceutical Industries has reported with reference to the GRI Standards for the period from 1 January 2023 to 31 December 2023. The table below provides a reference for GRI content in the report.

GRI Standard	Disclosure	Page Number(s) and/ or Direct Answer	Omission
GRI 1: Foundation 2021	GRI 1 does not include any disclosures		
General Disclosures			
GRI 2: General Disclosures 2021	2-1 Organizational details	12,13,14	
	2-2 Entities included in the organization's sustainability reporting	2	
	2-3 Reporting period, frequency, and contact point	2	
	2-4 Restatements of information	33	
	2-5 External assurance	2	
	2-6 Activities, value chain and other business relationships	14,15	
	2-7 Employees	52,53	
	2-9 Governance structure and composition	24,25,26	
	2-10 Nomination and selection of the highest governance body	24,25	
	2-11 Chair of the highest governance body	25	
	2-12 Role of the highest governance body in overseeing the management impacts	24,25,26	
	2-13 Delegation of responsibility for managing impacts	24,25,26	
	2-14 Role of the highest governance body in sustainability reporting	24,25,26,29	
	2-15 Conflicts of interest	27, 28, 29	
	2-16 Communication of critical concerns	24, 25, 26	
	2-17 Collective knowledge of the highest governance body	54,55,56	
	2-18 Evaluation of the performance of the highest governance body	55	
	2-19 Remuneration policies	26	
	2-20 Process to determine remuneration	26,27	
	2-22 Statement on sustainable development strategy	6,7,15,16	
	2-23 Policy commitments	27,28,29	
	2-24 Embedding policy commitments	27,28,29	

GRI Standard	Disclosure	Page Number(s) and/ or Direct Answer	Omission
GRI 2: General Disclosures 2021	2-25 Processes to remediate negative impacts	27,28,51,52	
	2-26 Mechanisms for seeking advice and raising concerns	27,28	
	2-27 Compliance with laws and regulations	27,28	
	2-28 Membership associations	NA	
	2-29 Approach to stakeholder engagement	18,19	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	18	
	3-2 List of material topics	18	
Economic Performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	32-33	
Procurement Practices			
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	34-35	
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	27,28,29	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	28,29	
	205-2 Communication and training about anti-corruption policies and procedures	27,28,29	
	205-3 Confirmed incidents of corruption and actions taken	28,29	
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	43	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	43	
	302-4 Reduction of energy consumption	43	
	302-5 Reductions in energy requirements of products and services	43	
Water and Effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	44	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	44	
	303-2 Management of water discharge-related impacts	44	
	303-3 Water withdrawal	44	
	303-4 Water discharge	44	
	303-5 Water consumption	44	

GRI Standard	Disclosure	Page Number(s) and/ or Direct Answer	Omission
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	43,44	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	44	
	305-2 Energy indirect (Scope 2) GHG emissions	44	
	305-5 Reduction of GHG emissions	43	
Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	45	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	45	
	306-2 Management of significant waste-related impacts	45	
	306-3 Waste generated	45	
	306-4 Waste diverted from disposal	45	
	306-5 Waste directed to disposal	45	
Supplier Environmental Assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	33,34	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	33,34	
	308-2 Negative environmental impacts in the supply chain and actions taken	33,34	
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	52	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	52,53	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	54	
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	48,49,50	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	48,49,50	
	403-2 Hazard identification, risk assessment and incident investigation	48,49,50	
	403-3 Occupational health services	48,49,50	
	403-4 Worker participation, consultation and communication on occupational health and safety	49,50	
	403-5 Worker training on occupational health and safety	49,50	
	403-6 Promotion of worker health	48,49,50	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	48	
	403-8 Workers covered by an occupational health and safety management system	48	
	403-9 Work-related injuries	49	
	403-10 Work-related ill health	49	

GRI Standard	Disclosure	Page Number(s) and/ or Direct Answer	Omission
Training and Education			
GRI 3: Material Topics 2021	3-3 Management of material topics	54,55,56	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	54,55,56	
	404-2 Programs for upgrading employee skills and transition assistance programs	54,55,56	
	404-3 Percentage of employees receiving regular performance and career development reviews	54,55,56	
Diversity and Equal Opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	52	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	25,52,53	
Non-discrimination			
GRI 3: Material Topics 2021	3-3 Management of material topics	27,28,29	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	27,28,29	
Child Labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	52	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risks for incidents of child labor	52	
Forced or Compulsory Labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	52	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	52	
Local Communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	56,57	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programs	56,57	
	413-2 Operations with significant and potential negative impacts on local communities	56,57	
Supplier Social Assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	33,34	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	33,34	
	414-2 Negative social impacts in the supply chain and actions taken	33,34	

ADX ESG guidance

Category	Metric	Calculation	Page Number(s) and/or Direct Answer
Environment	E1. GHG Emissions	E1.1 Total amount, in CO_2 equivalents, for Scope 1	44
		E1.2 Total amount, in CO_2 equivalents, for Scope 2	44
		E1.3 Total amount, in CO_2 equivalents, for Scope 3	NA
	E2. Emissions Intensity	E2.1 Total GHG emissions for output scaling factor	43
		E2.2 Total non-GHG emissions per output scaling factor	NA
	E3. Energy Usage	E3.1 Total amount of energy directly consumed	43
		E3.2 Total amount of energy indirectly consumed	43
	E4. Energy Intensity	Total direct energy usage per output scaling factor	NA
	E5. Energy Mix	Percentage: Energy usage by generation type	43
	E6. Water Usage	E6.1 Total amount of water consumed	44
		E6.2 Total amount of water reclaimed	44
	E7. Environmental Operations	E7.1 Does your company follow a formal Environmental Policy?	Yes
		E7.2 Does your company follow specific waste, water, energy and/or recycling policies?	Yes
		E7.3 Does your company use a recognized energy management system?	Yes
	E8. Environmental Oversight	Does your Management Team oversee and/or manage sustainability issues?	Yes
	E9. Environmental Oversight	Does your Board oversee and/or manage sustainability issues?	Yes
	E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience and product development	NA
Social	S1. CEO Pay Ratio	S1.1 Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation	NA
		S1.2 Does your company report this metric in regulatory filings?	No
	S2. Gender Pay Ratio	Ratio: Median male compensation to median female compensation	NA
	S3. Employee Turnover	S3.1 Percentage: Year-over-year change for full-time employees	52, 53
		S3.2 Percentage: Year-over-year change for part-time employees	NA
		S3.3 Percentage: Year-over-year change for contractors/consultants	NA
	S4. Gender Diversity	S4.1 Percentage: Total enterprise headcount held by men and women	52
		S4.2 Percentage: Entry- and mid-level positions held by men and women	52
		S4.3 Percentage: Senior- and executive-level positions held by men and women	25

Category	Metric	Calculation	Page Number(s) and/or Direct Answer
Social	S5. Temporary Worker Ratio	S5.1 Percentage: Total enterprise headcount held by part-time employees	NA
		S5.2 Percentage: Total enterprise headcount held by contractors and/or consultants	NA
	S6. Non-discrimination	Does your company follow non-discrimination policy?	Yes
	S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	49
	S8. Global Health and Safety	Does your company follow an occupational health and/or global health and safety policy?	Yes
	S9. Child and Forced Labor	S9.1 Does your company follow a child and/or forced labor policy?	Yes
		S9.2 If yes, does your child and/or forced labor policy also cover suppliers and vendors?	Yes
	S10. Human Rights	S10.1 Does your company follow a human rights policy?	Yes
		S10.2 If yes, does your human rights policy also cover suppliers and vendors?	Yes
	S11. Nationalization	Percentage of national employees	53
	S12. Community Investment	Amount invested in the community as a percentage of company revenues	33
Governance	G1. Board Diversity	G1.1 Percentage: Total board seats occupied by men and women	25
		G1.2 Percentage: Committee chairs occupied by men and women	25
	G2. Board Independence	G2.1 Does your company prohibit CEO from serving as board chair?	Yes
		G2.2 Percentage: Total board seats occupied by independent board members	24
	G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability?	No
	G4. Supplier Code of Conduct	G4.1 Are your vendors or suppliers required to follow a Code of Conduct?	No
		G4.2 If yes, what percentage of your suppliers have formally certified their compliance with the code?	NA
	G5. Ethics and Prevention of Corruption	G5.1 Does your company follow an Ethics and/or Prevention of Corruption policy?	Yes
		G5.2 If yes, what percentage of your workforce has formally certified its compliance with the policy?	100%
	G6. Data Privacy	G6.1 Does your company follow a Data Privacy policy?	Yes
		G6.2 Has your company taken steps to comply with GDPR rules?	No
	G7. Sustainability Reporting	Does your company publish a sustainability report?	Yes
	G8. Disclosure Practices	G8.1 Does your company provide sustainability data to sustainability reporting frameworks?	No
		G8.2 Does your company focus on specific UN SDGs?	Yes
		G8.3 Does your company set targets and report progress on the UN SDGs?	Yes
	G9. External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm?	No

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GOVERNANCE REPORT
2023

Gulf Pharmaceutical Industries - **Julphar**

CONTENT TAB

Overview of Gulf Pharmaceutical Industries - Julphar Company

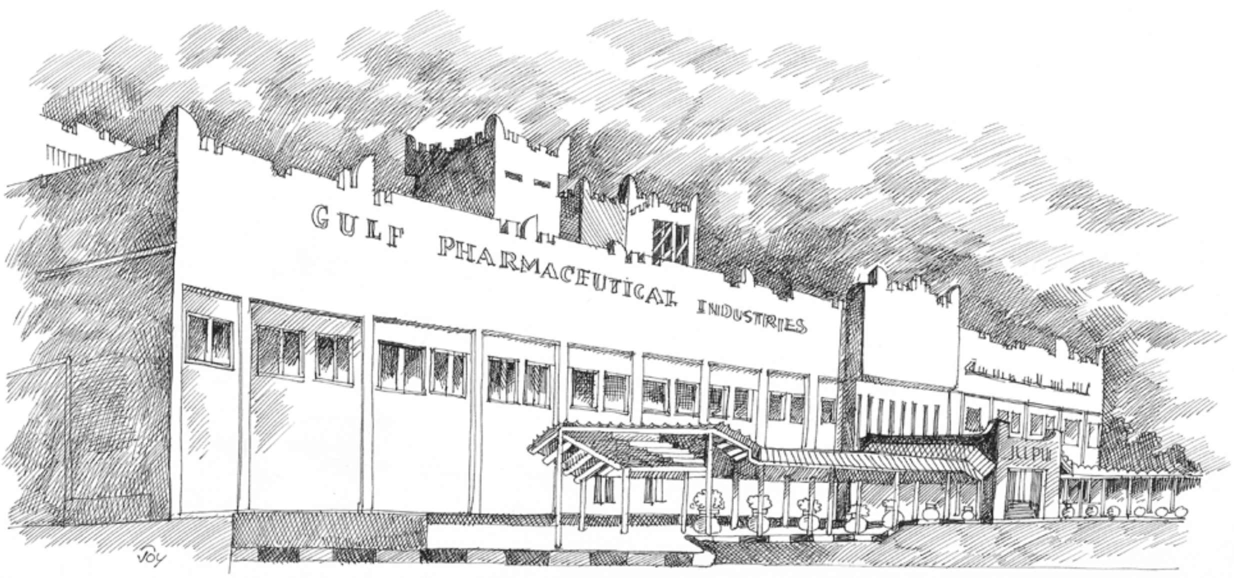
Gulf Pharmaceutical Industries - Julphar, which was established in 1980 under the guidance of His late Sheikh Saqr bin Mohammed Al Qasimi, is one of the largest pharmaceutical manufacturing companies in the Middle East and Africa. It is listed on the Abu Dhabi Securities Exchange.

The company has cemented its leading market position over four decades by providing high-quality medical solutions and medications at affordable prices to families around the world. It is one of the largest insulin manufacturers in the world and the only one in the United Arab Emirates. Julphar has a strong market position in the UAE, Saudi Arabia, Iraq, Egypt, Algeria, Libya, Kuwait, Bahrain, Lebanon, Jordan, Oman, Tunisia, Ethiopia and Yemen.

Its business revolves around two main units: General Medicines and Julphar Diabetes.
The company exports a wide range of pharmaceutical products in more than 30 countries. It operates 12 internationally accredited manufacturing facilities.

Planet Pharmacies, a wholy owned subsidiary of Julphar, is a leading pharmaceutical distributor in the Middle East, including a strong retail pharmacy network in the UAE, Saudi Arabia and Oman.

The company conducts robust research and development activities with more than 100 scientific staff, medical and regulatory affairs experts and has more than 3,385 employees in 16 countries.



Corporate governance system measures taken during 2023 and how they were implemented.

Gulf Pharmaceutical Industries Company - Julphar is committed to providing accurate, integrated, and up-to-date information to stakeholders, in accordance with legislative and regulatory requirements within a framework of transparency.

In accordance with the Corporate Governance Rules, the Board of Directors elected during 2023 is composed by a majority of independent and non-executive members. Its standing committees Nomination and Remuneration Committee and Audit Committee were established. Furthermore, the Strategy and Investment Committee and the Quality and Technical Committee were also established. The company complied with women's representation on the Board of Directors.

The company follows a transparency and disclosure policy which in turn reflects all the disclosure requirements (financial and non-financial disclosures) within the applicable statutory periods.

Ownership and transactions in company securities by Board members, their spouses, and their children during 2023

S.N	Name	Position	Shares held as at 31/12/2023	Total Sale Transaction	Total Purchase Transaction
1	Sheikh Saqer Humaid Alqasimi	Chairman	0	0	0
2	Mr. Rabih Khouri	Vice-Chairman	0	0	0
3	Mr. Abdulaziz Abdulla Alzaabi	BOD Member	0	0	0
4	Mr. Hamody A.H. Al limy	BOD Member	0	0	0
5	Mr. Mr. Raman Garg	BOD Member	0	0	0
6	Mrs. Olfa Gam	BOD Member	0	0	0
7	Mr. Abboud Bejjani	BOD Member	0	0	0
8	Mr. Medhat Abouelasrar Al Gamal	BOD Member	0	0	0
9	Mr. Jean Maroun Diab	BOD Member	0	0	0

During 2023, the company's securities were not traded by any of the spouses or children of Board of Directors members, nor do they own any securities in it.

Formation of Board of Directors

Statement of formation of the current Board of Directors:

Julphar's articles of association stipulate that the company shall be managed by a board of directors consisting of nine members elected by the General Assembly Meeting of shareholders by secret cumulative vote.

The formation of the Board of Directors must take into account the provisions of the Commercial Companies Law, as amended, and the regulations issued in implementation thereof.

Nominations for Julphar Board of Directors membership were opened in March 2023, and the following Board members were elected at the General Assembly Meeting convened on 13 April 2023.

S.N	Name	Title
1	Sheikh Saqer Humaid Alqasimi	Chairman
2	Mr. Rabih Khouri	Vice-Chairman
3	Mr. Abdulaziz Abdulla Alzaabi	Board of Directors Member
4	Mr. Hamody A.H. Al limy	Board of Directors Member
5	Mr. Raman Garg	Board of Directors Member
6	Mrs. Olfa Gam	Board of Directors Member
7	Mr. Abboud Bejjani	Board of Directors Member
8	Mr. Medhat Abouelasrar Al Gamal	Board of Directors Member
9	Mr. Jean Maroun Diab	Board of Directors Member

Sheikh/ Saqr bin Humaid Al Qasimi

Chairman

Category: Non-executive and non-independent

Experience and qualifications: Bachelor's degree in Finance from California State University in the United States of America. More than 25 years of experience in the equities, commodities, and currency markets.

Experience in private equity management in several sectors, including logistics, education, healthcare, real estate, and its F&B and experinece in the military sector.

Time as a Board of Directors member since his first election: Since 2005

Memberships and positions in any other joint-stock companies: None

Any other important regulatory, governmental, or commercial positions: None

Mr. Rabih Khouri

Vice Chairman

Category: Non-executive and independent

Experience and qualifications: Master of Engineering from École Centrale Paris and Master of Business Administration from Cambridge University, CPA, more than 25 years of experience in investments and consulting.

Time as a Board of Directors member since her first election: Since 2021.

Memberships and positions in any other joint-stock companies:

Board of Directors member at Ras Al Khaimah Gas.

Board of Directors member at Ras Al Khaimah Economic Zones (RAKEZ) Authority.

Executive Committee member at Ras Al Khaimah Ports, RAKEZ, and Stevin Rock.

Any other important regulatory, governmental, or commercial positions: Chief Investment Officer at the Investment and Development Office (IDO) in the Emirate of Ras Al Khaimah.

Mr. Abdulaziz Abdullah Al Zaabi

Board of Directors Member

Category: Non-executive and independent

Experience and qualifications: Bachelor's degree in international business administration from San Jose University in the United States of America; more than 30 years of business management experience in real estate, banking, real estate and banking investments; experience in Federal National Council affairs.

Time as a Board of Directors member since his first election: Since 2017.

Memberships and positions in any other joint-stock companies:

Chairman of RAK Properties Company.

Any other important regulatory, governmental, or commercial positions:

Former Second Deputy Speaker of the Federal National Council.

Chairman of Ras Al Khaimah Charity Association.

Mr. Hamody A.H. Al limy

Board of Directors Member

Category: Non-executive and independent

Experience and qualifications: PhD in chemistry and more than 40 years of experience in the pharmaceutical industry.

Time as a Board of Directors member since his first election: Since 2022.

Memberships and positions in any other joint-stock companies: None in UAE.

Board Member of the Arab Company for Drug Industries and Medical Appliances (Acdima).

Chairman of the Arab Company for Drugs – Sudan.

Chairman of Arab Pharmaceutical Company Tassili – Algeria.

Any other important regulatory, governmental, or commercial positions: None in UAE.

Mr. Raman Garg

Board of Directors Member

Category: Non-executive and independent

Experience and Qualifications: 30 years of experience in global multinational companies and private equity funds including Sequoia Capital, Max New York Life Insurance Company, The Coca-Cola Company, PepsiCo, AkzoNobel, and ITC.

Certified Chartered Accountant by the Institute of Chartered Accountants of India.

Cost Accountant with the Institute of Cost Accountants of India.

Secretary with the Institute of Company Secretaries of India.

Time as a Board of Directors member since his first election: Since 2020.

Memberships and positions in any other joint-stock companies:

General Manager of Ras Al Khaimah Poultry & Feeding Company.

Any other important regulatory, governmental, or commercial positions:

Chief Financial Officer of Al Hamra Group in the Emirate of Ras Al Khaimah.

Mrs. Olfa Gam

Board of Directors Member

Category: Non-executive and independent

Experience and qualifications: More than 25 years of experience in the pharmaceutical and biotechnology industry, especially in Europe, in the operations field.

Industrial Engineer and MBA.

Certified Black Belt.

Time as a Board of Directors member since her first election: Since 2021.

Memberships and positions in any other joint-stock companies: None.

Any other important regulatory, governmental, or commercial positions: None.

Mr. Abboud Bejjani

Board of Directors Member

Category: Non-executive and independent

Experience and qualifications: Advanced Management

Harvard Business School, Boston.

Master of Finance, Saint Joseph University of Beirut, Lebanon.

Managing Partner in Informed Company in the Healthcare and Life Sciences Consulting Department.

Certified Principal Consultant for multinational healthcare consultancy companies

Time as a Board of Directors member since his first election: Since 2020

Memberships and positions in any other joint-stock companies: None in UAE

Board of Directors member at Ultra Group, Saudi Arabia

Former Vice President of AbbVie and Abbott, Former MENA chairman for PhRMA

Any other important regulatory, governmental, or commercial positions: None

Mr. Medhat Abouelasrar Al Gamal

Board of Directors Member

Category: Non-executive and non-independent

Experience and qualifications: Bachelor's degree in pharmaceutical sciences; more than 45 years of experience in sales, distribution, and management of various departments in pharmaceutical and medical preparations companies.

Time as a Board of Directors member since his first election: Since 2019.

Memberships and positions in any other joint-stock companies: None.

Any other important regulatory, governmental, or commercial positions: None.

Mr. Jean Maroun Diab

Board of Directors Member

Category: Non-executive and independent

Experience and qualifications: Master's in Finance, Durham University.

Head of Investment at the Investment and Development Office (IDO) in the Emirate of Ras Al Khaimah.

Former Director of KAMCO, former Associate in Eastgate Capital and Consultant in Ernst & Young.

Time as a Board of Directors member since his first election: 2023.

Memberships and positions in any other joint-stock companies: None.

Any other important regulatory, governmental, or commercial positions: Board of Directors member at:

Planet Pharmacies LLC.

Ras Al Khaimah Medical and Health Sciences Universitys.

Arabian Healthcare Group.

American University of Ras Al Khaimah.

Statement of women's representation on the Board of Directors for 2023

The company fulfilled the required women's representation on the Board of Directors.
At the General Assembly Meeting convened on 13 April 2023, Ms Olfa Gam was re-elected to the company's Board of Directors as a non-executive and independent member.
Ms Gam holds a Bachelor's degree in Industrial Engineering from the National Engineering School of Tunis and an MBA from Vlerick Business School in Belgium. She has more than 24 years of experience in the pharmaceutical and biotechnology industry and a proven track record of leading industrial and operational transformation.

Rewards, allowances, and fees received by Board of Directors members

Total remuneration paid to Board members for 2022

No remuneration was paid to Board of Directors members for 2022. Article 38 of the company's Articles of Association, however, stipulates that "Fees may be paid to a Board of Directors member in a lump sum not exceeding AED 200,000 (two hundred thousand dirhams) at the end of the fiscal year, subject to Meeting approval, in the following cases:
The company does not achieve profits. ..."

On that basis, the payment of total fees of AED 1,800,000 to Board of Directors members was approved at the General Assembly Meeting convened on 13 April 2023.

Total proposed remuneration for Board of Directors members for 2023, which will be presented at the annual General Assembly Meeting for approval

The Board of Directors remuneration item will be presented and discussed in the General Assembly Meeting on April 22nd, 2024.

Details of the allowances that Board of Directors members received for 2023 for attending sessions of the Board committees

No allowances were paid during 2023 to any Board members for attending sessions of the Board committees.

Details of the additional allowances, salaries, or fees received by a Board of Directors member, other than committee attendance allowances, and the reasons for the same

In 2023, Sheikh Saqer bin Humaid Al Qassimi received an amount of AED 720,000 for representing Planet Pharmacies LLC and its branches in front of governmental bodies concerned with commerce and health. He undertook this action to adhere to the legal representation mandates of those entities and to accommodate Planet's corresponding necessity, in accordance with the prescribed procedure in both the United Arab Emirates and the Sultanate of Oman.

Sheikh Saqer bin Humaid Al Qassimi has been one of the representatives of Planet Pharmacies LLC and its branches in this legal capacity since 2016. He received the financial compensation determined by the Planet board of directors for that representation after having been appointed by its board of directors and notified the Julphar Board of Directors.

Number of Board of Directors meetings held during fiscal year 2023

S.N	Date of Meeting	Number of Attendees	Number of Proxy Attendees	Names of Absent Directors
1	14/02/2023	9	0	0
2	16/03/2023	8	0	Jamal Salem Al Nuaimi *
3	11/05/2023	9	0	0
4	10/08/2023	6	0	Rabih Khouri, Olfa Gam, and Medhat Abu Al-Asrar
5	10/11/2023	8	0	Rabih Khouri

*Former Board of Directors member

Number of Board of Directors resolutions issued by circulation during fiscal year 2023

During the year 2023, the Board of Directors issued seven decisions by circulation, and the table below shows their dates:

Date of Passing Decision	08/02/2023	02/03/2023	13/06/2023	20/06/2023	11/09/2023	23/11/2023
No.	1	1	2	1	1	1

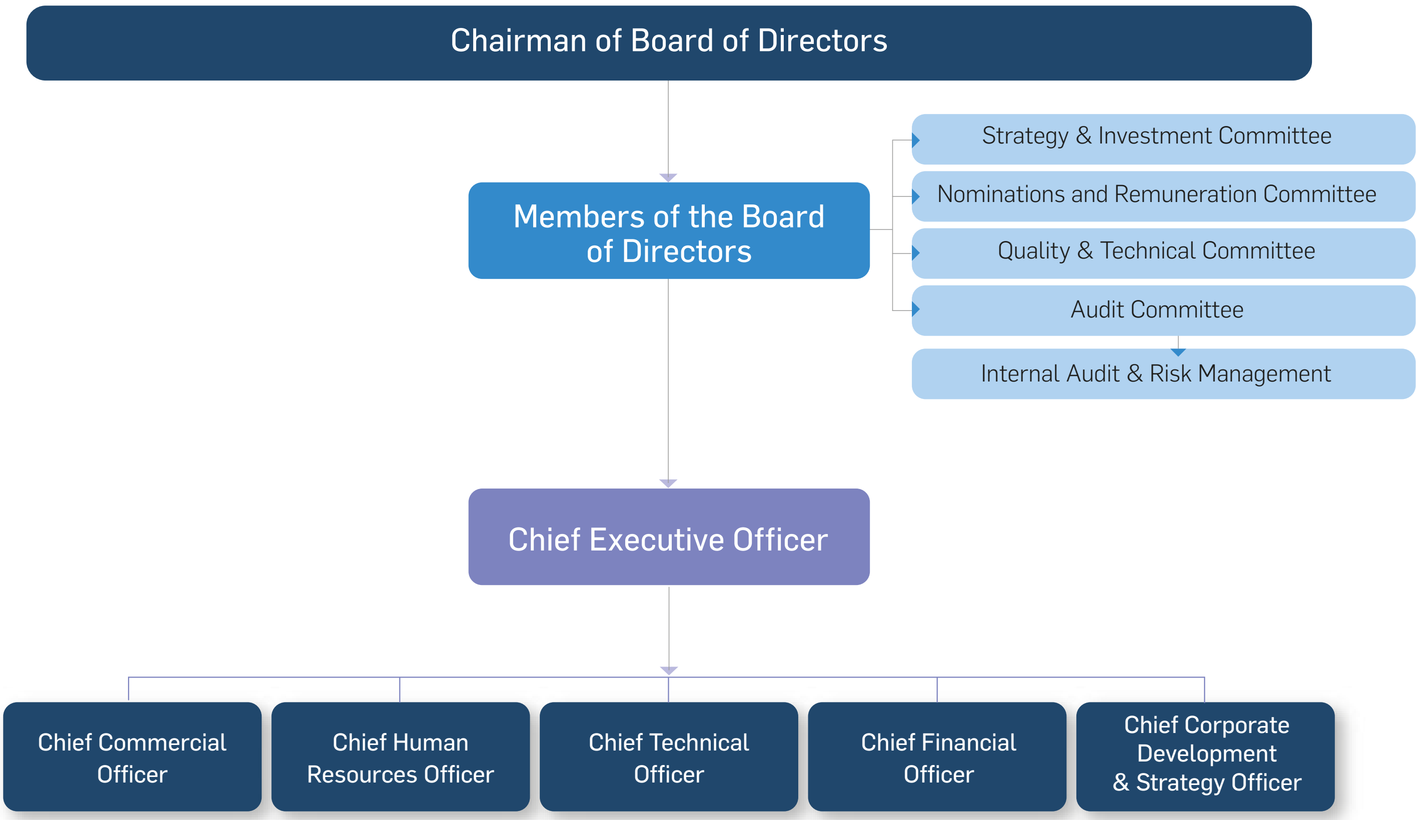
Board of Directors duties and powers carried out by a Board or Executive Management member during 2023 based on a delegation from the Board:

During 2023, none of the members of the Board of Directors or Executive Management were delegated any Board of Directors duties or powers.

Details of transactions with related parties (stakeholders) during 2023:

No transactions with related parties (stakeholders) occurred during 2023.

Company current organizational structure



Detailed statement of senior executives in the first and second ranks as per the organizational structure, their jobs and dates of appointment, and a statement of the total salaries and bonuses paid to them:

The Julphar executive management carries out its primary role of managing day-to-day business in accordance with the responsibilities and tasks entrusted to it and the powers delegated to them by the Board of Directors, within the framework of the Governance Rules, the articles of association and the powers delegated by the Board of Directors. It carries out its work in accordance with the mechanism for achieving the company's planned goals.

> On February 13, 2023, Mr Basel Ziyadeh was appointed as the new CEO of the company after Mr Essam Farouk, the previous CEO, resigned for personal reasons.
> Furthermore, on July 3, 2023 Mr Malik Metahri was appointed to the position of Chief Technical Officer, succeeding Mr Georges Ibrahim, who resigned for personal reasons.

The following table presents a detailed statement of senior executives in the first and second ranks as of 2023:

S.N	Position	Date of appointment	Total salaries and remuneration paid in 2023 (AED)	Total bonuses paid in 2023 (AED)	Any other cash/ in kind bonuses for 2023 or due in the future	*Date of resignation
1	Chief Executive Officer	13/02/2023	2,286,523	-		-
2	Chief Financial Officer	09/05/2022	1,345,836	99,972		-
3	Chief Corporate Development & Strategy Officer	01/10/2019	1,421,000	142,800		-
4	Chief Commercial Officer	03/08/2020	930,000	124,620		-
5	Chief Human Resource Officer	03/05/2020	604,800	82,253		-
6	Chief Technical Officer	03/07/2023	683,501	-		-
7	Chief Executive Officer	05/04/2020	521,283	945,000		28/02/2023
8	Chief Quality Officer	28/04/2019	364,000	112,464		28/04/2023

*Date of resignation: for those who resigned during 2023

External Auditor

Overview Of The Company's Auditor:

Ernst & Young is one of the largest professional services firms and one of the four largest audit firms in the world. It has a presence in more than 150 countries around the world and is a leader in providing audit, professional consultancy, and tax services.

At the annual General Assembly Meeting convened on 13 April 2023, the shareholders voted to reappoint Ernst & Young as auditor for fiscal year 2023, and their fees were set at AED 654,025.

Statement of fees and costs for the audit or services provided by the external auditor, according to the following table:

Name of the Audit office:	Ernst & Young Middle East (Dubai Branch)
Name of the partner Auditor:	Ms. Wardah Ebrahim
Number of years spent as an external Auditor or the company:	5 years
Number of years the partner Auditor has spent Auditing the company's accounts:	2 years
Number of years the partner Auditor has spent Auditing the company's controlling entities accounts:	4 years
Total audit fees for 2023 (AED)	AED 1,266,225
Fees and costs of other special services other than Auditing the financial statements for the year 2023 (AED):	AED 3,927,350

Statement of other services provided by another external Auditor during 2023	
Name of Auditor:	**Details of services provided**
Moore Stephens	Accounting consulting services
Moore Stephens	Inventory count
Price wate rhouse Coopers	Tax consulting services
Price water house Coopers	Accounting consulting services
Price water house Coopers	Reorganisation and structuring advisory services
KPMG	Corporate tax consulting services
NIRA	Submission of the quarterly VAT return
NIRA	Filing of the ESR return for the FY22
KGRN Accounting Associates	Assistance with VAT refund
Actuarial Consultants (Abdul Rahim Abdul Wahab)	Actuarial valuation
Grant Thornton	Corporate Tax Impact assesssment
UHY Jamed Chartered accountants	ESR
UHY Jamed Chartered accountants	Authority matrix review & SOP updates
UHY Jamed Chartered accountants	ADHICS audit
UHY Jamed Chartered accountants	Sales audit for Retail outlets
Push Digit Chartered Accountants	Sales audit for Retail outlets
KPMG	Advisory services

Reservations included by the company's auditor in the 2023 interim and annual financial statements

No reservations were expressed by the auditors in the company's 2023 audited annual financial statements were published on March 15, 2024.

Audit Committee

Audit Committee chair's acknowledgement of his responsibility for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

The Committee chair, Mr. Raman Garg, acknowledges that he is responsible for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

Names of the Audit Committee members, and a statement of its powers and the tasks assigned to it:

The company's Board of Directors committees were reconstituted at its meeting No. 3 of 2023, held on 11 May 2023. The Audit Committee consists of the following members:

Committee Chairman: **Mr. Raman Garg**

Committee Member: **Ms. Olfa Gam**

Committee member from outside the company's Board of Directors: **Mr. Razi Adel Dulani**

Committee member from outside the company's Board of Directors: **Mr. Carol Blery**

The Audit Committee carries out its work in accordance with Article 61 of Securities and Commodities Authority Chairman's Resolution No. 03/Chairman of 2020 concerning Approval of the Joint Stock Companies Governance Guide. The main functions, responsibilities, and powers of the Audit Committee are to monitor and review the financial statements as well as the company's internal control and risk management systems and make the necessary recommendations to the Board of Directors regarding the administrative and financial internal control systems at the company.

The Committee also organizes contracting and interactions with the company's external and internal auditors. This is in addition to its primary role of ensuring the company's commitment to implementing all approved operational and financial policies and procedures.

Number of meetings held by the Audit Committee during 2023

S.N	Date	Attendees	Not in attendance	Purpose of meeting
1	06/02/2023	4	0	Presentation of the quarterly internal audit report and preliminary results for YE 2022
2	06/03/2023	4	0	Approval of the financial results for YE of 2022
3	04/05/2023	4	0	Review of the financial results for Q1 of 2023
4	09/05/2023	4	0	Review and approval of the financial results for Q1 of 2023
5	08/05/2023	4	0	Presentation of the quarterly internal audit
6	08/08/2023	3	1	Review and approval of the financial results for Q2 of 2023
7	15/08/2023	3	1	Presentation of the quarterly internal audit
8	07/11/2023	4	0	Review and approval of the financial results for Q3 of 2023
9	08/11/2023	4	0	Presentation of the quarterly internal audit

Nomination and Remuneration Committee

Nominations and Remuneration Committee chair's acknowledgement of his responsibility for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

The Committee chair, Mr. Abboud Bejjani, acknowledges that he is responsible for the committee's system in the company and for reviewing its working mechanism and ensuring its

Names of the Nomination and Remuneration Committee members, and a statement of its powers and the tasks assigned to it:

As previously mentioned, the company's Board of Directors committees were reconstituted at its meeting No. 3 of 2023, held on 11 May 2023.

The Nomination and Remuneration Committee consists of the following members:

Committee Chairman : **Mr. Abboud Bejjani**

Committee Member : **Mr. Jean Maroun Diab,** who replaced Mr. Rabih Khouri in November 2023

Committee Member : **Mr. Medhat Abo Al Asrar El-Gamal**

The Nomination and Remuneration Committee carries out its work in accordance Article 59 of Securities and Commodities Authority Chairman's Resolution No. 03/Chairman of 2020 concerning Approval of the Joint Stock Companies Governance Guide. Its functions, responsibilities, and powers are principally to determine the total individual and overall remuneration for Board of Directors members in accordance with the approved procedures and to develop a remuneration policy for executive management linked to the company's performance.

The Committee is also responsible for preparing and reviewing human resources policies in accordance with relevant laws and regulations. The Committee supervises the procedures for nominating Board of Directors members and the standards and conditions for their selection.

Number of meetings held by the Nomination and Remuneration Committee during 2023

S.N	Date	Number of attendees	Number of absent
1	13/01/2023	2	1
2	06/03/2023	3	0
3	12/12/2023	2	1

Insider Transaction Follow-up and Supervision Committee

Follow-up and Supervision Committee chair's acknowledgement of his responsibility for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

The Committee chair, Mr. Juergen Lauterbach, acknowledges that he is responsible for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

Names of the Follow-up and Supervision Committee members, and a statement of its powers and the tasks assigned to it:

Committee Chairman : **Mr. Jurgen Lauterbach**
Committee Member : **Mr. Gopa Kumar**
Committee Member : **Ms. Hessa Al Shehhi**

The functions of the insider transaction follow-up and supervision committee are to:

- ✔ Comply with the regulations of the Securities and Commodities Authority and the Abu Dhabi Securities Exchange and the amendments contained therein.
- ✔ Prepare a special register that includes principal and temporary insiders' names and information.
- ✔ Update it continuously and whenever necessary.
- ✔ Supervise insiders' records, transactions, and holdings.
- ✔ Send periodic reminders to insiders on trading ban periods and the necessity of compliance with the applicable laws and regulations.

Summary of Report on The Committee's Work During 2023

The Committee updated the list of company insiders throughout the year and on an ongoing basis with the Abu Dhabi Securities Exchange. The Committee is also in the process of reviewing and updating its internal policies.

Other Committees Approved By The Board Of Directors

In addition to the Board of Directors standing committees, it has two other committees, namely the Strategy and Investment Committee and the Quality and Technical Committee, which were reconstituted during 2023. The Board of Directors determined their members, powers, and functions as needed.

Strategy and Investment Committee

Strategy and Investment Committee chair's acknowledgement of his responsibility for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness

The Committee chair, Mr. Jean Maroun Diab, acknowledges that he is responsible for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

The Strategy and Investment Committee consists of the following members:

Committee Chairman	: Mr. Jean Maroun Diab
Committee Member	: Ms. Olfa Gam
Committee Member	: Mr. Abboud Bejjani
Committee member from outside the company's Board of Directors	: Mr. Karol Michalak
Committee member from outside the company's Board of Directors	: Mr. Carol Bleiry
Served as Committee Chair until September 2023	: Mr. Rabih Khouri

Competences and Assigned Functions

The Committee acts as a link between the Board of Directors and the company's management by adopting executive resolutions on matters referred to the Committee that fall within its competence.

The committee's competences include, but are not limited to, the following:

- ✔ Review and approval of strategies by the Board of Directors
- ✔ Prepare and monitor compliance with relevant legislation and regulations
- ✔ Oversee initiatives that are likely to have a material impact from a regulatory or competitive perspective on the reputation of the company and others
- ✔ Review the company's annual business plan andbudget and submit recommendations for Board of Directors approval
- ✔ Supervise the evaluation of the company's performance compared to the business plan and then submit recommendations to the Board of Directors
- ✔ Review contracts related to important strategies and other essential matters related to accounting and finance, approve them within the limits stated in the Committee's charter
- ✔ Other responsibilities such as reviewing reports, economic feasibility studies, and investment risk assessments, and approving or rejecting them before presenting them to the Board of Directors for approval, and monitoring strategic projects and important transformation initiatives
- ✔ Discuss and approve management studies and recommendations regarding partnerships or making direct or indirect investments as permitted by the company's articles of association
- ✔ Carry out any other work assigned by the company's Board of Directors

Number of meetings held by the Strategy and Investment Committee During 2023

During 2023, the Strategy and Investment Committee held 16 meetings with the majority of its members in attendance.

Quality and Technical Committee

Quality and Technical Committee chair's acknowledgement of responsibility for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

Committee chair Ms. Olfa Gam acknowledges her responsibility for the committee's system in the company and for reviewing its working mechanism and ensuring its effectiveness.

Quality and Technical Consists of The Following Members:

Committee Member: **Ms. Olfa Gam**

Committee Member: **Mr. Abboud Bejjani**

Committee Member: **Mr. Hamoudi Abbas**

Competences and assigned functions

The Board of Directors Quality and Technical Committee contributes to fulfilling the Board's oversight responsibilities with regard to quality, technical and regulatory compliance as well as scientific and technical direction.

The Committee's competences include, but are not limited to, the following:

- ✔ Review reports related to important non-financial compliance issues with the relevant personnel in the company's quality and compliance department.
- ✔ The Committee has primary oversight responsibility for all areas of quality and compliance issues (non-financial compliance).
- ✔ Supervise the company's innovations and product line strategies, evaluate the competitive position of the company's pharmaceutical portfolio and potential new treatments, monitor the company's approach to developing new markets, and monitor the company's effectiveness in research, development, and intellectual property.
- ✔ Review the development and implementation of key business policies by management, including security and safety policies, quality assurance and control policies, corporate social responsibility policies, regulatory affairs policies, production policies, etc.
- ✔ Undertake the tasks and duties assigned by the Board of Directors from time to time.

Number of meetings held by the Quality and Technical Committee during 2023

During 2023, the Quality and Technical Committee held two meetings with the majority of its members in attendance.

Internal Audit

Board's acknowledgement of its responsibility for the internal Audit in the company and for reviewing its working mechanism and ensuring its effectiveness.

The Board of Directors acknowledges that it is responsible for the Internal Audit at Julphar and for reviewing the working mechanism of the Internal Audit and ensuring its effectiveness through the work and functions of its committees. The company's Internal Audit organizes the audit and Internal Audit working procedures and follows up on the external audit work, which is an important part of implementing an effective Internal Audit, in addition to the implementation of the governance system. The Internal Audit Department works under the supervision and monitoring of the Board of Directors Audit Committee, and its role is represented in the following tasks:

- ✔ Ensure the validity and integrity of working procedures in the administrative and financial departments.
- ✔ Verify the effectiveness and efficiency of financial and administrative performance.
- ✔ Identify, address problems and monitor the implementation of corrective actions.
- ✔ Evaluate the company's risk management methods and procedures and the proper application of its governance rules.
- ✔ Verify that the company and its employees comply with the provisions of the applicable laws, regulations, and decisions that regulate its work.
- ✔ Contribute to the furtherance of financial and administrative performance by providing recommendations and suggestions to stakeholders in the company.
- ✔ Ensure the implementation of internal policies and procedures.
- ✔ Review the financial data presented to the company's senior management for the preparation of the financial statements.

Internal Audit department director's name, qualifications, and date of appointment

The Company's Internal Audit Department is headed by Mr. Yasser Fouad who was appointed on 16th May, 2021, a Certified Internal Auditor (CIA) USA and Associated Chartered Accountant (ACCA), Association of Chartered Certified Accountants, UK, Certified Management Accountant (CMA), USA and holds a Bachelor Degree of Commerce of the Arab Republic of Egypt.

Compliance officer's name, qualifications, and date of appointment

Mr. Ahmed Kamal holds the position of compliance officer in the company in February 10, 2022 in addition to his position as Head of the Legal Affairs Department.

He is a qualified legal counsellor. He holds a Bachelor of Law Degree and is registered as an appellate lawyer with the Egyptian Bar Association. He has more than 10 years of extensive legal and professional experience in several sectors, including, real estate and pharmaceutical industries, in the Middle East and North Africa.

He has worked in the legal departments of several companies and institutions, such as Al Hamra Group LLC, Al Marjan Island, DAMAC Properties, and other prestigious institutions and law firms in the UAE.

How the Internal Audit Department handles any major problems in the company or those disclosed in the annual reports and accounts

The Internal Audit Department has a continuous monitoring program for audit observations. It involves working with the relevant departments, developing agreed-upon corrective and preventive procedures, setting deadlines for compliance with the same at the specified times, and continuous follow-up to ensure that they are completed as agreed upon.

Number of reports issued by the Internal Audit Department to the company's Board of Directors.

The Internal Control Department issued four reports during 2023 to the Audit Committee, which in turn presents them to the company's Board of Directors.

Details of disclosure violations committed during 2023, the causes, and how to address them and avoid recurrences in the future

The company did not commit any violations during 2023 with regard to the disclosure of interim and annual financial reports or other required disclosures.

The company's cash and in-kind contributions to local community development and environmental conservation during 2023

During 2023, the company made no cash payments. However, it has significantly contributed to enhancing the local community's environmental development through the following measures.

Blood donation campaign: In 2023, Julphar Clinic partnered with the Emirates Cancer Society and Emirates Health Service to organize four vital blood donation campaigns. Julphar Clinic was established as an integrated medical facility and aiming to provide healthcare services to our employees and their families. The clinic coordinates with hospitals and medical centres to ensure the highest quality of medical support is provided and strives to continuously add new scopes of services to accommodate for the changing needs of our employees. Through these initiatives, 194 Julphar staff members voluntarily donated blood for patients in need.

Campaign for early detection of breast Cancer: Additionally, Julphar Clinic, in collaboration with Emirates Cancer Society, actively participated in the Zayed al Khair Pharmacy event, providing essential medication to approximately 200 attendees and patients in need. This partnership is aligned with our commitment to supporting the patient community and improve access to healthcare.

Family day: Marking International Family Day, Julphar and the Emirates Cancer Society collaborated on a unique initiative: a field trip for families coping with cancer. This heartwarming event provided a day of shared joy and connection, reminding participants of the importance of family and community support.

Empowering local communities during Ramadan: During the Holy Month of Ramadan, we actively participated in a local community event alongside the community police and the Zayed Charitable and Humanitarian Foundation. Our dedicated employees volunteered their time and resources to distribute meals to fasting individuals near traffic intersections.

Our environment is clean: Furthermore, our people participated along other entities in the Emirate in a sustainability evententitled "Our Environment is clean" organized by the Community Police Department and the Tourism Police Department. The event aimed at cleaning up the desert, beaches and mountainous, as well as raising awareness and guidance to citizens, residents and tourists on how to reduce environmental pollution.

General Information

Company's share price on the Abu Dhabi Securities Exchange at the end of each month during fiscal year 2023

Month	Maximum Price	Minimum Price	Closing Price
January	1.120	1.090	1.100
February	1.060	0.997	1.030
March	0.987	0.910	0.910
April	0.970	0.965	0.970
May	0.908	0.880	0.895
June	0.855	0.832	0.854
July	0.877	0.865	0.870
August	0.862	0.840	0.853
September	0.849	0.820	0.838
October	0.816	0.770	0.770
November	0.757	0.749	0.749
December	0.771	0.769	0.769

Distribution of shareholder equity as of 31/12/2023 (individuals, companies, governments), categorized as local, Gulf, Arab, or foreign

S.N	Shareholder category	Percentage Of Shares Owned			
		Individuals	Companies	Government	Total
1	Local	24.656%	36.901%	12.240%	73.797%
2	Gulf	12.201%	0.437%	0%	12.638%
3	Arab	1.236%	11.305%	0%	12.541%
4	Foreigner	0.875%	0.149%	0%	1.024%
	Total	38.968%	48.792%	12.240%	100%

Performance of the company's stock compared with the general market index and the relevant sector index during 2023

Month	Company Share Price	General Index (Abu Dhabi Securities Exchange)	Healthcare Sector Index
January	1.100	9,811.560	3,310.700
February	1.030	9,844.810	3,057.950
March	0.910	9,430.250	3,216.050
April	0.970	9,789.170	3,187.550
May	0.895	9,406.570	3,083.980
June	0.854	9,550.400	3,099.290
July	0.870	9,787.130	3,024.270
August	0.853	9,810.210	3,600.320
September	0.838	9,785.320	3,790.010
October	0.770	9,343.880	3,653.250
November	0.749	9,559.570	4,055.190
December	0.769	9,577.850	3,721.030

Shareholders who own 5% or more of the company’s share capital as at 31/12/2023

S.N	Name	Number of Shares Held	Percentage of Shares Held From the Company Capital
1	Middle East Pharma Investments	278,334,700	24.093%
2	Government of Ras Al Khaimah	141,400,221	12.240%
3	Arab Company for Drug Industries & Medical Appliances Acdima	105,713,772	9.151%
4	Yasser bin Yousef bin Mohammed Naghi	103,970,503	9.000%
5	Mohamed Abdulaziz Rabie Shaheen Al Muhairi	87,552,538	7.579%
6	Sheikh Faisal bin Saqr bin Mohamed Al Qassimi	82,919,262	7.178%
	Total	799,890,996	69.241%

Shareholders distribution according to shareholding as at 31/12/2023

S.N	Share ownership	No. of shareholders	Number of shares owned	Shareholding percentage in the share capital
1	Less than 50,000	1,570	8,847,094	0.766%
2	50,000 to less than 500,000	249	40,503,769	3.506%
3	500,000 to less than 5,000,000	85	109,985,001	9.521%
4	More than 5,000,000	16	995,891,947	86.207%
	Total	1,920	1,155,227,811	100%

Measures taken regarding investor relations controls, indicating the following:

The company has a department for investor relations in order to provide the necessary services to shareholders. The website has a page for investor relations to enable easy access to company data and all disclosures.

Name of Investor Relations Officer: **Hessa Al Shehhi**

Phone Number: **0097172045273**

Email: **investors@julphar.net**

Link to Investor Relations page: **https://www.julphar.net/en/investors**

Special resolutions presented in the General Assembly Meeting convened during 2023 and the actions taken in relation there to.

At the General Assembly Meeting convened on 13 April 2023, the meeting items were ordinary items. No special resolutions were included or discussed.

Name and date of appointment of the rapporteur for Board of Directors meetings:

The duties of the rapporteur for Board of Directors meetings were assigned to Loulwa Al Shehhi in 09 August 2022, who holds a bachelor's degree in law from the University of Sharjah. She has practical experience in the banking sector and pharmaceutical sector.

Detailed statement of material events and important disclosures that the company encountered during 2023.

Date	Events/disclosures
13/01/2023	Julphar participated in the 28th edition of the Dubai International Pharmaceutical Technologies Conference and Exhibition (DUPHAT 2023)
09/02/2023	The former CEO, Mr Essam Mohamed, resigned from his position for personal reasons, and Mr Basel Ziyadeh was appointed as the new CEO.
27/04/2023	The former Chief Technical Officer, Mr Georges Ibrahim, resigned from his position for personal reasons.
18/05/2023	A licensing and technology transfer agreement was signed with Sunshine Lake Pharma of China to begin manufacturing insulin biosimilars in the Middle East and North Africa.
03/07/2023	Mr. Malik Metahri was appointed as the new Chief Technical Officer.

The company's transactions with related parties during 2023 which are equal to 5% or more of the company's capital.

The company did not have any transactions equivalent to 5% or more of the company's capital with related parties during 2023.

The company's Emiratisation percentage at year-end in 2021, 2022, and 2023.

S.N	Year	Number of UAE national employees	Percentage
1	2021	163	6.6%
2	2022	190	9.8%
3	2023	202	11%

Innovative projects and initiatives the company has undertaken or is currently developing during 2023.

The company has been working on several projects and initiatives to improve its environmental footprint, including:

- ✔ Water saving projects (under development) to save 5% of consumed water annually.
- ✔ Diesel saving project (under development) to save 3-5% of consumed diesel annually.

Chairman	Audit Committee Chairman	Nominations and Remuneration Committee Chairman	Head of Internal Audit
DocuSigned by: 3E44F6EEC2A74DD...	DocuSigned by: 13F74869E11942A...	DocuSigned by: A6DAEC7D5DE94BA...	DocuSigned by: yasser Fouad 1D9A12A133894DC...
Date: ....../....../......	Date: ....../....../......	Date: ....../....../......	Date: ....../....../......

Financial Results for the Period Ended

31 December, 2023

Gulf Pharmaceutical Industries - Julphar

Julphar

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Report of the Board of Directors

The Board of Directors of Gulf Pharmaceutical Industries P.S.C. (the "Company") and its subsidiaries (the "Group" or "Julphar") is pleased to present their report along with the audited consolidated financial statements of the Group for the year as of and ended 31 December 2023.

Financial Performance

Julphar recorded net sales of AED 1,638.0 million, a 1.4% increase against net sales of AED 1,616.1 million of last year. Net sales through our pharmacy retail and whole sales operations, Planet Pharmacies, continues to show a strong momentum, with growth at 6.2% compared to last year, and reaching to net sales of AED 1,067.2 m.

EBITDA from Continuing Operations[1] reaches AED 108.9 million in 2023 compared to a EBITDA from continuing operations of AED 144.6 million in the previous year.

The company generated AED 94.2 million positive Cash Flow from Operating Activities compared to a cash flow of AED 19.3 million in the previous year.

Net debt stood at AED 739.6 million as of 31 December 2023, which is a 9.1% increase compared to previous year.

Julphar continues making sustained progress on the following areas:

a. Delivering strong market share increase in core markets including United Arab Emirates, GCC countries, with special emphasis in Kingdom of Saudi Arabia.

b. Continue delivering cost saving and efficiency initiatives resulting in lower cost in General and administrative expenses and Selling and distribution expenses in relation to Sales compared to previous year when excluding one time events.

c. Continue executing new product launches initiatives and increasing the products pipeline with 54 new products approved in different countries in 2023, which will be consequently launched in future periods.

In 2023, successful licensing and technology transfer agreement signed in the 1st half of the year with Sunshine Lake Pharma to Pioneer Insulin Biosimilar Manufacturing in MENA .

Outlook 2024:

The Group will continue its transformation program during 2024 and the plans for growth of the Group are as follows:

1. Continued focus on the strategic areas of business.

2. Strengthen sales organization in core markets and increase market share with the existing portfolio.

3. New alliances and partnerships to strengthen the product portfolio of the Company.

4. Launch new products in core therapeutic areas.

5. Invest in capital expenditure new manufacturing technologies and improve operations efficiency.

We are confident that all initiated programs will support the ongoing transformation and will position the Julphar Group as one of the leading healthcare groups in Emerging Markets.

Proposed dividend

Due to accumulated losses incurred by the Group in year and the accumulated losses, the Board has not recommended any dividend declaration to the shareholders of the Company for the year 2023.

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[1] *EBITDA from Continuing Operations does not include depreciation from assets held for sale in the previous year and finance income and interest on lease liabilities in the current year.*

Auditors

The independent auditors, Ernst & Young, Dubai have signified their willingness to continue in office. The reappointment and remuneration will be proposed at the Annual General Meeting of the Company.

Acknowledgements

The Board would like to express their gratitude and appreciation to all shareholders, customers and business partners, government agencies, banks and financial institutions and employees, whose continued commitment, support and co-operation has been a great strength and encouragement.

On behalf of the Board,

Sh. Saqer Humaid Al Qasimi
Chairman

14 March 2024

ERNST & YOUNG – MIDDLE EAST (SHARJAH BRANCH)
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PL No. 2845

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF PHARMACEUTICALS INDUSTRIES P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Pharmaceuticals Industries P.S.C. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountant' *International Code of Ethics for Professional Accountants (including International Independence Standards*) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Impairment of non-financial assets: The Group performed a quantitative and qualitative impairment assessment on its cash generating units (CGUs). Management conducted the impairment test based on its assessment of indicators such as deteriorated operational performance of the CGUs in previous years and continued under utilization of some of the CGUs or assets. These indicators may imply that the carrying value of some of the non-financial assets of the Group might not be fully recoverable. Management identified certain independent CGUs, for the purposes of impairment assessment of the Group. For the CGUs where impairment indicators exist, management estimated the recoverable amounts of the CGUs, being higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Given the significant judgments made by management to estimate the recoverable amount of the CGUs, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions required a high degree of auditor judgment. Accordingly, we have identified this to be a key audit matter. Refer to notes 14 and 15 to the consolidated financial statements for the relevant disclosures and note 3.6 for key source of estimation uncertainty.	Our procedures to test the impairment analysis prepared by management of the Group for the identified CGUs included the following: ▪ Where impairment indicators exist, we examined the methodology used by management to assess the recoverable amounts of the CGUs in accordance with IFRS; ▪ We evaluated the assumptions used by management of the Group in determining the recoverable amount of the CGUs and assessing whether appropriate valuation methodologies have been applied; ▪ We evaluated the reasonableness of management's significant assumptions by comparing it to the (1) the historical operating results of the CGU's and (2) internal communications to management and the Board of Directors; ▪ With the support of our internal valuation specialists we assessed the appropriateness of Weighted Average Cost of Capital ("WACC"), used as a discount factor and terminal growth rate used in the determination of cash flow forecast; ▪ We performed sensitivity analyses of significant assumptions used to evaluate the change in the recoverable amount of the CGUs resulting from changes in the inputs and assumptions. We also assessed the historical accuracy of management's projections by comparing it with the actual data and; ▪ Assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	***How our audit addressed the Key Audit Matter***
<u>Allowance for slow-moving inventories:</u> The gross balance of inventory as at 31 December 2023 is AED 725.9 million, against which provision for slow moving and obsolete inventory amounting to AED 60.7 million was made. The Group assesses the valuation of all inventory items including raw materials, packing materials, work-in process and finished goods at each reporting date. Obsolete, expired, slow-moving and defective inventories are written down to its estimated net realisable value if less than cost. We have considered allowance for slow-moving inventories to be a key audit matter because it requires management's assessment of the estimates of whether a write down is required. Key parameter for the inventory valuation includes expiration dates of the inventory. The measurement of any excess of cost over net realisable value is judgemental considering the involvement of a number of qualitative factors that are affected by market and economic conditions outside the Group's control. Refer to note 3.6 to the consolidated financial statements for the key source of estimation uncertainty, note 16 for inventory disclosure and movement of allowance for slow-moving inventories.	As part of our audit, the procedures to test the management's estimate of allowance for slow-moving and obsolete inventory included the following: ▪ We obtained through inquiry an understanding from management and evaluated the design of the internal controls over the Group's process pertaining to inventory valuation and allowance for slow-moving inventories. We also obtained an understanding about the management's assessment of inventory valuation, including the development of forecasted usage of inventories and consideration of how factors outside the Group's control might affect management's judgement related to valuation of slow-moving, expired, obsolete and defective inventory; ▪ We observed the inventory count performed by management's expert and assessed the physical existence and condition of selected samples of the inventories; ▪ We evaluated the significant assumptions taken applied by management and tested the completeness of the underlying data used by management to value the slow-moving inventories; ▪ We tested the expiration dates of the inventory for a sample of inventory items based on the product expiration data and prospective assumptions on their expiries. We compared the provision based on the expiration data with the provision recognised by management; ▪ We tested the valuation of year-end inventory for a sample of selected inventory items, including review of judgements considered regarding obsolescence and net realizable value; and ▪ We also checked that appropriate disclosures have been made in the consolidated financial statements in compliance with the IFRS.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Company's Articles of Association and UAE Federal Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. 32 of 2021, we report that for the year ended 31 December 2023:

i) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. 32 of 2021;

iv) the financial information included in the Board of Director's report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2023, if any, are disclosed in notes 17 and 18 to the consolidated financial statements;

vi) note 28 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during financial year ended 31 December 2023, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and

viii) note 8 reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

14 March 2024

Sharjah, United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	***2023 AED millions***	*2022 AED millions*
Continuing operations			
Revenue from contracts with customers	4	**1,638.0**	1,616.1
Cost of revenue	5	**(1,089.3)**	(1,058.2)
Gross profit		**548.7**	557.9
Other income	6	**12.4**	49.0
Selling and distribution expenses	7	**(388.2)**	(367.3)
General and administrative expenses	8	**(209.1)**	(229.0)
Gain from investments and others		**3.5**	2.0
Operating (loss)/ profit		**(32.7)**	12.6
Finance income	9	**6.0**	3.6
Finance costs	10	**(64.0)**	(40.1)
Loss before tax for the year from continuing operations		**(90.7)**	(23.9)
Net income tax and zakat expense	11	**(9.2)**	(2.8)
Loss for the year from continuing operations		**(99.9)**	(26.7)
Discontinued operations			
Hyperinflation adjustment on net monetary position	35	**(3.1)**	(9.5)
Profit for the year from discontinued operations	12(b)	**4.5**	4.5
		1.4	(5.0)
LOSS FOR THE YEAR		**(98.5)**	(31.7)
Loss attributable to:			
Equity holders of the Parent		**(99.1)**	(29.4)
Non-controlling interests	12(b)	**0.6**	(2.3)
		(98.5)	(31.7)
Earnings per share:			
Basic and diluted			
Loss per share attributable to the equity holders of the Parent (in UAE fils)	13	**(8.6)**	(2.5)
Earnings per share for continuing operations:			
Basic and diluted			
Loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	13	**(8.6)**	(2.3)

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	***2023 AED millions***	*2022 AED millions*
Loss for the year		**(98.5)**	(31.7)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**(23.6)**	(41.9)
Hyperinflation adjustment relating to discontinued operations	35	**3.5**	16.8
(Loss)/ gain on cash flow hedge	33	**(8.5)**	26.9
Reclassification adjustment to profit or loss	33	**1.4**	1.3
		(27.2)	3.1
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value of financial asset at fair value through other comprehensive income (FVTOCI)	18	**-**	(7.0)
Actuarial gain on employees' end of service benefits	23	**3.7**	-
Total other comprehensive loss for the year		**(23.5)**	(3.9)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(122.0)**	(35.6)
Total comprehensive loss attributable to:			
Equity holders of the Parent		**(122.3)**	(40.2)
Non-controlling interests	12(b)	**0.3**	4.6
		(122.0)	(35.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 AED millions	2022 AED millions
ASSETS			
Non-current assets			
Property, plant and equipment	14	**573.6**	632.4
Right of use assets	29	**135.5**	119.9
Intangible assets	15	**143.8**	158.3
Deferred tax asset	11	**0.8**	0.6
Derivative financial instrument	33	**18.6**	25.2
Financial asset at fair value through other comprehensive income	18	**0.3**	0.3
		872.6	936.7
Current assets			
Inventories	16	**661.7**	672.8
Financial assets at fair value through profit or loss	17	**20.5**	19.5
Trade and other receivables	19	**621.9**	643.8
Bank balances and cash	20	**240.8**	92.3
		1,544.9	1,428.4
Assets held for sale	12(c)	**36.4**	34.3
		1,581.3	1,462.7
TOTAL ASSETS		**2,453.9**	2,399.4
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**1,155.3**	1,155.3
Statutory reserve	22	**185.5**	185.5
Foreign currency translation reserve		**(212.5)**	(192.7)
Cash flow hedging reserve	33	**19.6**	26.7
Fair value reserve	18	**(7.0)**	(7.0)
Accumulated losses		**(346.7)**	(251.3)
Equity attributable to shareholders of the Parent		**794.2**	916.5
Non-controlling interests		**12.0**	11.7
Total equity		**806.2**	928.2

Sh Saqer Humaid Al Qasimi
Chairman

Mr. Basel Nimer Ali Ziyadeh
Chief Executive Officer

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2023

	Notes	*2023 AED millions*	*2022 AED millions*
Non-current liabilities			
Provision for employees' end of service benefits	23	**84.0**	80.9
Bank and other borrowings	24	**765.0**	712.5
Deferred tax liability	11	**8.0**	3.3
Lease liabilities	29	**91.6**	76.0
		948.6	872.7
Current liabilities			
Trade payables and accruals	25	**427.7**	487.0
Income tax and zakat payable		**7.7**	5.9
Bank and other borrowings	24	**215.4**	58.0
Lease liabilities	29	**38.6**	39.2
		689.4	590.1
Liabilities directly associated with the assets held for sale	12(c)	**9.7**	8.4
		699.1	598.5
Total liabilities		**1,647.7**	1,471.2
TOTAL EQUITY AND LIABILITIES		**2,453.9**	2,399.4

Sh Saqer Humaid Al Qasimi
Chairman

Mr. Basel Nimer Ali Ziyadeh
Chief Executive Officer

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to the equity holders of the Parent								
	Share capital AED million	*Statutory reserve AED million*	*Foreign currency translation reserve AED million*	*Cashflow hedge reserve AED million*	*Fair value reserve AED million*	*Accumulated losses AED million*	*Total AED million*	*Non-controlling interests AED million*	*Total equity AED million*
As at 1 January 2021	1,155.3	185.5	(160.7)	(1.5)	-	(221.9)	956.7	7.1	963.8
Loss for the year	-	-	-	-	-	(29.4)	(29.4)	(2.3)	(31.7)
Other comprehensive (loss)/ income for the year	-	-	(32.0)	28.2	(7.0)	-	(10.8)	6.9	(3.9)
Total comprehensive (loss)/ income for the year	-	-	(32.0)	28.2	(7.0)	(29.4)	(40.2)	4.6	(35.6)
As at 31 December 2022	1,155.3	185.5	(192.7)	26.7	(7.0)	(251.3)	916.5	11.7	928.2
Loss for the year	-	-	-	-	-	(99.1)	(99.1)	0.6	(98.5)
Other comprehensive (loss)/ income for the year	-	-	(19.8)	(7.1)	-	3.7	(23.2)	(0.3)	(23.5)
Total comprehensive (loss)/ income for the year	-	-	(19.8)	(7.1)	-	(95.4)	(122.3)	0.3	(122.0)
As at 31 December 2023	**1,155.3**	**185.5**	**(212.5)**	**19.6**	**(7.0)**	**(346.7)**	**794.2**	**12.0**	**806.2**

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	***2023 AED millions***	*2022 AED millions*
OPERATING ACTIVITIES			
Loss before tax for the year from continuing operations		**(90.7)**	(23.9)
Profit/ (loss) before tax for the year from discontinued operations	12(b)	**3.5**	(3.2)
Loss before tax for the year		**(87.2)**	(27.1)
Adjustments for:			
Depreciation of property, plant and equipment	14(b)	**80.8**	76.3
Depreciation of right of use asset	29	**42.2**	36.9
Amortisation of intangible assets	15	**18.6**	18.8
Liabilities written back	6	**(1.5)**	(39.0)
Allowance for slow-moving inventories	16(a)	**47.8**	24.0
Allowance for expected credit loss on receivables	19(a)	**12.7**	7.0
Other receivables written off		**2.3**	-
Provision for employees' end of service benefits	23	**13.0**	13.5
Hyperinflation adjustment	35	**3.1**	9.5
Fair valuation gain on financial asset at FVTPL		**(1.0)**	-
Receivable from a divested subsidiary written off		**-**	9.8
Loss on disposal of property, plant and equipment		**(0.1)**	0.1
Finance income	9	**(6.0)**	(3.6)
Finance costs	10	**64.0**	40.1
		188.7	166.3
Changes in working capital			
Trade and other receivables		**6.9**	(68.9)
Inventories		**(36.7)**	(42.9)
Trade payables, accruals and deferred revenue		**(57.8)**	(18.2)
Cash used in operations		**101.1**	36.3
Employees' end of service benefits paid	23	**(6.2)**	(12.4)
Income tax and zakat paid		**(2.7)**	(4.6)
Net cash flows from operating activities		**92.2**	19.3
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	**(22.1)**	(63.7)
Purchase of intangible assets	15	**(4.9)**	(1.7)
Proceeds from disposal of property, plant and equipment		**0.1**	-
Deposits having maturities after three months and less than one year		**(3.3)**	10.4
Finance income received		**6.0**	3.6
Proceeds from divestment of subsidiaries		**-**	51.4
Purchase of quoted equity investments at FVTOCI	18	**-**	(7.3)
Net cash flows used in investing activities		**(24.2)**	(7.3)

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2023

	Notes	***2023 AED millions***	*2022 AED millions*
FINANCING ACTIVITIES			
Proceeds from bank borrowings	24(c)	**150.0**	85.0
Utilization of bank overdraft and trust receipts facility, net	24(c)	**104.9**	(33.9)
Repayment of bank borrowings	24(c)	**(45.0)**	-
Repayment of lease liabilities	29(b)	**(48.6)**	(42.8)
Interest paid		**(57.9)**	(34.6)
Net cash from/ (used in) financing activities		**103.4**	(26.3)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**173.4**	(14.3)
Currency translation differences		**(28.2)**	(42.3)
Cash and cash equivalents at 1 January		**86.4**	143.0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	**231.6**	86.4

The attached notes 1 to 36 form part of these consolidated financial statements.

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.

Information on the Group’s structure is provided in note 2.

The consolidated financial statements were authorised for issue in accordance with the resolution of the Board of Directors on 14 March 2024.

2. GROUP INFORMATION

These consolidated financial statements reflect the operations of the Group as at 31 December 2023. By virtue of shareholders and other agreements, the Company holds directly or indirectly a controlling interest and has the power to govern the financial and operating policies in each of the subsidiaries listed below (collectively referred to as the "Group" and individually referred to as "Group Entities"):

Serial No.	*Name of subsidiary*	*Country of Incorporation*	***Percentage of Ownership*** ***2023***	*2022*	***Subsidiary activity***
Direct subsidiaries					
1.	Mena Cool Transportation F.Z.E.	United Arab Emirates	**100%**	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C. (note (b))	Ethiopia	**55%**	55%	Manufacturing medicines
3.	Julphar SES L.L.C. (note (a))	Egypt	**99.8%**	99.8%	General trading
4.	Julphar Diabetes L.L.C. (note (a))	United Arab Emirates	**100%**	100%	Manufacturing medicines
5.	Julphar Company for Trading and Distribution L.L.C. (note (a))	Egypt	**99.8%**	99.8%	General trading
6.	Mena Cool Machinery Trading (note (a))	United Arab Emirates	**100%**	100%	General trading
7.	Julphar Life L.L.C. (note (a))	United Arab Emirates	**100%**	100%	General trading
8.	Julphar Tunisie (note (a))	Tunisia	**99%**	99%	Distributor of Julphar’s products in Tunisia
9.	Julphar Gulf Pharmaceuticals Kenya Limited (note (a))	Kenya	**100%**	100%	Distributor of Julphar's products in Kenya
10.	Planet Pharmacies L.L.C	United Arab Emirates	**100%**	100%	Distribution, wholesale and retail trading of medicines and cosmetic products.

2. GROUP INFORMATION (continued)

Serial No.	*Name of subsidiary*	*Country of Incorporation*	*Percentage of Ownership* 2023	2022	*Subsidiary activity*
Indirect subsidiaries					
Subsidiary of Mena Cool Machinery Trading					
1.	Julphar General Trading L.L.C. (note (a)	United Arab Emirates	**100%**	100%	General trading
Subsidiary of Julphar Company for Trading and Distribution L.L.C.					
1.	Julphar Egypt Company L.L.C.	Egypt	**100%**	100%	Distributors of Julphar's products in Egypt
Subsidiary of Julphar Egypt Company L.L.C.					
1.	Julphar Plus (note (a) and (c))	Egypt	**100%**	100%	Manufacturing and distribution of medicines
Subsidiaries of Planet Pharmacies L.L.C.					
1.	Julphar Drug Store Sharjah	United Arab Emirates	**100%**	100%	Trading in medicines and medical equipment
2.	Julphar Drug Store LLC (Abu Dhabi)	United Arab Emirates	**100%**	100%	Trading in medicines and medical equipment
3.	Awafi Drug Store	United Arab Emirates	**100%**	100%	Trading in medicines and medical equipment
4.	Julphar Healthy Services	United Arab Emirates	**100%**	100%	Facilities management services, health treatment undertaking services and hospitals management
5.	Health First Investment LLC	United Arab Emirates	**100%**	100%	Investment in commercial, industrial, and healthcare enterprises and their management
6.	Health First Pharmacy LLC (Abu Dhabi)	United Arab Emirates	**100%**	100%	Trading in medicines and medical equipment
7.	Kawakeb Al Saydaliyat Company LLC	Kingdom of Saudi Arabia	**100%**	100%	Trading in medicines and medical equipment
8.	Planet Pharmacies LLC	Sultanate of Oman	**100%**	100%	Trading in medicines and medical equipment
9.	Future Medical Co. Ltd	Sultanate of Oman	**100%**	100%	Trading in medicines and medical equipment
Subsidiaries of Julphar Healthy Services					
1.	Scientific Pharmacy LLC	Sultanate of Oman	**100%**	100%	Trading in medicines and medical equipment
Subsidiary of Kawakeb Al Saydaliyat Company LLC					
1.	Zahrat Al Rawdah Pharmacies Limited Liability Company	Kingdom of Saudi Arabia	**100%**	100%	Retail and wholesale trading in medicines and cosmetics

2. GROUP INFORMATION (continued)

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

b) During the year ended 31 December 2023, the Board of Directors of the Group has renewed its intention to sell this subsidiary and thus as of 31 December 2023, management has classified the subsidiary as a disposal group held for sale (note 12). As of the reporting date, the sale of the subsidiary has not been completed and the sale is expected to be completed within the next year.

c) Certain % of the Group's ownership stake in these entities is held through beneficial ownership arrangement with the legal owner.

d) In 2022, 5 indirect subsidiaries of Planet Pharmacies L.L.C. were closed.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation

The consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is the Parent Company's functional currency and presentation currency of the consolidated financial statements. All values are rounded to the nearest million except where otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value through profit or loss (note 17) and fair value through other comprehensive income (note 18) and derivative financial instruments measured at fair value (note 33).

The consolidated financial statements provide comparative information in respect of the previous period.

3.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the applicable provisions of the Articles of Association of the Company and UAE Federal Law No. 32 of 2021.

3.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

3.4 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the 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 2023, except for the adoption of new standards effective as of 1 January 2023 as mentioned below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These new standards and interpretations are disclosed below.

a) New and amended standards effective for annual period beginning on or after 1 January 2023

- IFRS 7 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar-Two Model Rules – Amendments to IAS 12

The amendments and interpretations apply for the first time in 2023, but do not have any material impact on the consolidated financial statements of the Group.

b) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Majority of the amendments below are not expected to have a material impact on the Group's consolidated financial statements.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from annual periods beginning on or after 1 January 2024 and must be applied retrospectively)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed)
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is still permitted and must be disclosed)
- Lack of exchangeability – Amendments to IAS 21 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information)

3.5 Material accounting policy information

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Business combinations and goodwill (continued)
When the Group acquires a business, it assesses the financial assets, including those assets that meet the definition of, and recognition criteria for intangible assets in IAS 38, and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

For the business combination achieved in stages, the Group is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Acquisition of controlling interest in an entity that is not a business
When the Group acquires controlling interest in an entity that is not considered a business, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for intangible assets in IAS 38) and liabilities assumed. Asset or a group of assets that does not constitute a business is recognised at cost, which is the amount of consideration paid or payable, plus any non-controlling interest recognised related to that asset or a group of assets. The cost of the Group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Acquisition of an asset or a group of assets that does not constitute a business does not give rise to goodwill or gain on bargain purchase.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Current versus non-current classification (continued)
A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement
The Group measures financial instruments such as financial assets at fair value through profit or loss, and non-financial assets such as a disposal group held for sale, at fair value at each statement of financial position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices 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; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Fair value measurement (continued)
The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosure for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 31.

Revenue from contracts with customers
The Group is in the business of manufacturing and selling of medicines, drugs and various other types of pharmaceutical and medical compounds in addition to cosmetic compounds. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring then to the customer.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the medicines at the customer's location.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration.

Variable consideration
If the variable consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Contracts with the sale of goods provide customers with a right to return the goods when the goods actually expire. The rights of return give rise to variable consideration.

Rights of return
The Group uses the expected value method to estimate the variable consideration. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer in relation to non-pharmaceutical items.

Volume rebates
The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

The disclosures of significant estimates and assumptions relating to the estimation of variable consideration for returns and volume rebates are provided in note 3.6.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Revenue from contracts with customers (continued)
Loyalty discounts
Some of the Group's subsidiaries have a loyalty programme for retail customers which allows customers to accumulate discounts on every purchase that can be redeemed against goods and services. The loyalty discounts give rise to a separate performance obligation as they provide a material right to the customer.

Customer option that provides a material right
Free goods
Free goods are issued to customers as sales incentives. The free goods give rise to a separate performance obligation as they provide a material right to the customer that the customer would not receive without entering into that contract.

A portion of the transaction price is allocated to the separate performance obligation based on relative stand-alone selling price and recognised as deferred revenue until the free goods are provided. The Group recognises revenue for the option when those future goods or services are transferred to the customer.

Contract balances
Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Assets and liabilities arising from rights of return
Rights of return assets
A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities
A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's carrying amount.

Value added tax
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

	Life
Buildings	10 to 25 years
Plant and machinery	3 to 17 years
Installations	4 to 25 years
Motor vehicles	3 to 10 years
Furniture and fixtures	4 to 10 years
Tools and equipment	3 to 10 years
Leasehold improvements	4 to 25 years

Capital work-in-progress is not depreciated and is stated at cost. When ready for intended use, capital work in progress is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with Group's policy.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognised upon disposal (i.e., at the date of the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Intangible assets (continued)

Research and development costs

Research and development costs are charged to the consolidated statement of profit or loss in the period in which they are incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Licenses and permits

Licenses, registrations and permits comprise of rights to distribute Julphar's products in certain countries that have been acquired as part of a business combination and are recognised at fair value at the acquisition date. The amount is recognised by calculating the present value of the expected future economic benefits to arise from these licenses and permits. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 5 to 20 years.

Trade names

Trade names acquired are recognised initially at fair value. Trade names are assessed to have an indefinite useful life and are assessed for impairment at least on an annual basis.

Customer and supplier relations

Customer and supplier relations represent the value attributed to the long-term relationships held with existing customers and suppliers at the date of acquisition and are amortised over their useful economic life. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 10 years and 15.5 years for customer relations and supplier relations respectively.

Hospital relations

Hospital relations represent the value attributed to the relationships with the hospitals and clinics for managing and operating the pharmacies within the hospitals and clinics. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 4.5 years.

Loyalty program

Loyalty program is operated by the Group to generate a base of customers to provide the Group with repeat sales over the forecast period. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 6.5 years.

Computer Software

Acquired computer software is capitalized and it amortised using the straight-line basis over the useful life of 3 years.

	Useful lives	*Amortisation method*	*Internally generated or acquired*
Licenses and permits	5 to 20 years	Amortised on a straight-line basis	Acquired
Trade name	Infinite	No amortisation	Acquired
Customer and supplier relations	10 to 15.5 years	Amortised on a straight-line basis	Acquired
Hospital relations	4.5 years	Amortised on a straight-line basis	Acquired
Loyalty program	6.5 years	Amortised on a straight-line basis	Acquired
Computer software	3 years	Amortised on a straight-line basis	Acquired

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials and packing materials: purchase cost on weighted average basis; and
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Inventories are initially valued at standard cost, which approximates to historical cost determined on a weighted average basis. At the reporting date, the management determines the variances between the actual cost and the standard cost of the inventory items and recognise the variances within the cost of goods sold.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials and packing materials held for use in the production of inventories are not written down below cost if the final finished goods in which they are to be used is expected to be sold at or above cost.

The Group reviews the inventory quantities on hand and recognises a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, discontinued, defective due to quality issues, damaged, if they become obsolete, expired, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory which is no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions are recognised.

Goods-in-transit
Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon up to the reporting date.

Spare parts and consumables
Spare parts and consumables that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment and are integral to the functionality of the related equipment are capitalised and amortised as part of that equipment when used. In all other cases, spare parts and consumables are carried as inventory and recognised in the consolidated statement of profit or loss as consumed.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Impairment of non-financial assets (continued)
An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Leases
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 as follows.

	Life
Offices and pharmacies	1 to 10 years

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.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances, trade receivables other receivables, receivable from a divested subsidiary and financial assets at fair value through profit or loss and financial assets fair value though other comprehensive income.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's bank balances, trade receivables and other receivables and receivable from a divested subsidiary are financial assets measured at amortised cost.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes an unquoted investment which the Group had not irrevocably elected to classify at fair value through OCI.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Dividends on investments are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as investment income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investment under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated statement of comprehensive income.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables and accruals, bank borrowings and lease liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
The Group has no financial liability classified at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

This category generally applies to bank borrowings, trade payables, accruals and lease liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Derivative financial instruments and hedge accounting (continued)
Initial recognition and subsequent measurement (continued)
If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Bank balances and cash
Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, bank balances and cash consist of cash and short-term deposits.

Employee's end of service benefits
Employees' benefits to non-UAE nationals' employees
Accruals are made for employees in the UAE for estimated liability for their entitlement to annual leave and leave passage as a result of services rendered up to the statement of financial position date. Provision is also made, for the end of service benefits, using actuarial techniques, due to employees in accordance with the Labour Law of the counties in which they reside for their periods of service up to the statement of financial position date.

The accruals relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension and social security policy with the UAE
The Group is a member of the pension scheme operated by the federal Pension General and Social Security Authority. Contributions for eligible UAE national employees are made and charged to the consolidated statement of profit or loss in accordance with the provisions of the applicable law. The Group has no further payment obligations once the contribution has been paid. The Group has categorized the contribution policy as defined contribution plan.

Taxes
Current tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Taxes (continued)
Deferred tax (continued)
Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Zakat
Zakat is calculated by the Group in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalisation.

Foreign currencies
The Group's consolidated financial statements are presented in AED, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Foreign currencies (continued)

i) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Effective 1 January 2022, on adoption of IAS 29, the financial statements of the subsidiary, having operations in Ethiopia, has been adjusted for the effects of inflation as per the requirements of IAS 29. Hence, the subsidiary's assets, liabilities, income and expenses are expressed in AED using exchange rates prevailing at the reporting date. Refer to note 35 for the details.

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 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
- Is a subsidiary acquired exclusively with a view to resale

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Non-current assets held for sale and discontinued operations (continued)
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 consolidated statement of profit or loss.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured and presented in the consolidated statement of profit or loss net of any reimbursement.

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3.6 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that may affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Spare parts and consumables as inventory
The Group has determined that it has very large number of minor items of spare parts and consumables and concluded that these items are recognised as inventory. These are expensed out when consumed.

Determining the lease term of contracts with renewal and termination options – Group as lessee
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.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)
The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Assets held for sale
During the years ended 31 December 2023 and 2022, the Group has classified its 55% of shareholding of Julphar Pharmaceutical PLC ("Julphar Ethiopia") as assets held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- Julphar Ethiopia is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- The management is committed to sell the asset and an active programme to locate a buyer has already been initiated.

For more details on discontinued operations refer note 12.

Classification of financial assets
The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed, and information is provided to the management. The information considered included:

- the stated policies and objectives for the financial asset and the operation of those policies in practise;
- how the performance of the financial asset is evaluated and reported to the Group's management;
- the risks that affect the performance of the business mode (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and time of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for stock losses
The Group's management determines the amount of provision for stock as follows:

1. Raw materials **-** Raw materials with near expiry are assessed for use in the production or for any alternative options. If the raw materials are deemed not to be usable, provision for expiry is recorded in the consolidated statement of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for stock losses (continued)
2. Packaging materials - Packaging materials which are for discontinued products or inactive are assessed for any other alternative options. If the packaging materials are deemed not to be usable, provision is recorded in the consolidated statement of financial position.

3. Finished Goods – (a) Manufacturing segment - finished goods with less than 1/3 year shelf life are deemed not to be usable or sold in the market as per regulations in which the Group operates. Full provision for finished goods with less than 1/3 shelf life is recorded in the consolidated statement of financial position. (b) Planet segment - full provision is required for finished goods with less than 90 days shelf life for the stock existed in the retail pharmacies and 180 days for the stock existed in the wholesale warehouses. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

4. Other inventories – Includes goods in transit, consumables, work-in-progress, and spare parts are assessed for obsolescence or for any other alternative uses. If these are deemed not to be usable/obsolete, provision is recorded in the consolidated statement of financial position.

At the reporting date, provision for stock losses were AED 60.7 million (2022: AED 46.7 million) (note 16). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the dividend growth mode (“DGM”). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculations are based on available data from binding sales transactions, for similar assets or observable market prices less incremental costs of disposing of the asset and using cost approach adjusted for obsolescence that market participant buyers would consider. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

Useful lives of property, plant and equipment
The Group’s management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group’s management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the Group’s management believes the useful lives differ from previous estimates.

Provision for expected credit losses on financial assets
When measuring ECL, probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses on financial assets (continued)
When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The operation’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

Deferred tax
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Estimating sales return liability
The Group estimates the sales return liability based on historic data of past 3 years by analysing sales return on a monthly basis and by using a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the sales return liability.

Estimating volume rebates
The Group’s expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer’s historical rebates entitlement and accumulated purchases to date.

The Group applied the statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected volume rebates quarterly and the rebates accruals are adjusted accordingly. Estimates of volume rebates are sensitive to changes in circumstances and the Group’s past experience regarding rebate entitlements may not be representative of customers’ actual rebate entitlements in the future. As at 31 December 2023, the amount recognised as accruals for the volume rebates was AED 19.9 million (2022: AED 18.7 million).

Estimating the incremental borrowing rate for lease
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates etc.) when available and is required to make certain entity-specific estimates (such as the Group’s economic environment).

Useful lives of intangible assets
The Group’s management estimates the useful lives of intangible assets based on the period during which the assets are expected to be available for use and also estimates their recoverability to assess if there has been an impairment. The amounts and timing of recorded expenses for amortization and impairments of intangible assets for any period are affected by these estimates. The estimates are reviewed at least annually and are updated if expectations change as a result of commercial obsolescence, generic threats and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company’s intangible assets in the future.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiary is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non -monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the consolidated financial statements of a Group becomes necessary. Following management's assessment, the Group's subsidiary, operating in Ethiopia have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of Ethiopian subsidiary have been expressed in terms of the measuring units current at the reporting date.

The economy of Ethiopia was assessed to be hyperinflationary during 2023, and hence hyperinflation accounting has been applied.

The cumulative impact of adjusting the Group's results for the effects of hyperinflation is set out in note 35.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

	2023 AED millions	*2022 AED millions*
Gross sales	**1,700.0**	1,667.7
Less: commission	**(46.9)**	(35.1)
Net Sales	**1,653.1**	1,632.6
Less: net sales relating to discontinued operations (note 12(a))	**(15.1)**	(16.5)
	1,638.0	1,616.1

4, REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

4,1 Disaggregated revenue information (continued)

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:

	2023 AED millions	*2022 AED millions*
Geographic information		
UAE	**608.3**	573.2
Other GCC countries	**744.3**	632.5
Other countries	**300.5**	426.9
	1,655.7	1,632.6
Less: net sales relating to discontinued operations (note 12(b))	**(15.1)**	(16.5)
	1,638.0	1,616.1

4.2 Contract balances

	2023 AED millions	*2022 AED millions*
Contract assets		
Trade receivables (note 19)	**530.5**	553.3

	2023 AED millions	*2022 AED millions*
Contract liabilities		
Refund liabilities (note 25)	**68.4**	51.2
Rebate and accruals (note 25)	**19.9**	18.7
Advances from customers (note 25)	**1.5**	1.5
Commissions payable (note 25)	**22.9**	30.6
	112.7	102.0

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 Group generally grants its customers the right of return within a period of 14 days from the date of purchase only for non-medicine items in retail sales. However, the Group does not record a provision for sales returns in retail sales as these returns are insignificant to overall consolidated financial statements.

5. COST OF REVENUE

	2023 AED millions	*2022 AED millions*
Raw materials consumed and third-party purchases	**837.5**	789.1
Salaries and wages	**112.2**	109.7
Depreciation of property, plant and equipment (note 14(b))	**63.8**	62.5
Consumption of laboratory items	**45.7**	63.3
Electricity and water	**27.9**	29.1
Others	**9.8**	13.4
	1,096.9	1,067.1
Less: cost of sales relating to discontinued operations (note 12(b))	**(7.6)**	(8.9)
	1,089.3	1,058.2

6. OTHER INCOME

	2023 AED millions	*2022 AED millions*
Liabilities written back (note below)	**1.5**	39.0
Cafeteria operating income	**-**	1.3
Exchange gain	**-**	0.2
Other income	**10.9**	8.5
	12.4	49.0

In 2023 and 2022, the Company has written off certain liabilities which are no longer required.

7. SELLING AND DISTRIBUTION EXPENSES

	2023 AED millions	*2022 AED millions*
Salaries, wages and related expenditures	**208.2**	186.9
Advertisement and promotion	**61.9**	64.5
Research and development expenditures	**19.4**	20.7
Sales expenses	**16.5**	7.5
Variable lease payment recognised as rent expenses (note 29(c))	**12.9**	17.1
Freight charges	**12.1**	19.7
Scrapping	**10.7**	16.6
Allowance for expected credit losses	**12.7**	7.0
Marketing materials	**4.0**	5.4
Product registration	**3.2**	4.5
Depreciation of property, plant and equipment (note 14(b))	**2.4**	2.4
Penalties on sales	**1.1**	-
Others	**24.0**	15.7
	389.1	368.0
Less: selling and distribution expenses relating to discontinued operations (note 12(b))	**(0.9)**	(0.7)
	388.2	367.3

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2023 AED millions	*2022 AED millions*
Salaries, wages and related expenditures	**68.5**	88.6
Depreciation of right of use assets (note 29(a))	**42.2**	36.9
Legal and professional	**28.7**	22.1
Amortisation of intangible assets (note 15)	**18.6**	18.8
Depreciation of property, plant and equipment (note 14(b))	**14.6**	11.4
Utilities	**10.3**	9.5
Value added tax expense	**5.9**	5.5
Bank charges and commission	**4.0**	3.9
Services	**2.1**	2.8
Loss on exchange	**1.1**	1.6
Transportation and visa charges	**0.9**	2.6
Others	**12.2**	25.9
	209.1	229.6
Less: general and administrative expenses relating to discontinued operations (note 12(b))	**-**	(0.6)
	209.1	229.0

9. FINANCE INCOME

	2023 AED millions	*2022 AED millions*
Interest income on fixed deposits	**6.0**	3.6

10. FINANCE COSTS

	2023 AED millions	*2022 AED millions*
Interest on bank and other loans	**49.7**	32.6
Interest on bank overdraft	**6.8**	0.7
Interest on lease liabilities (note 29(b))	**6.1**	5.5
Amortisation of time value of money relating to interest rate cap (note 33)	**1.4**	1.3
	64.0	40.1

11. INCOME TAX AND ZAKAT

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

	2023 AED millions	*2022 AED millions*
Current income tax		
Current year	**6.6**	5.3
Deferred tax charge/ (credit)		
Current year charge/ (credit)	**4.7**	(0.7)
Total income tax charge reported in the consolidated statement of profit or loss	**11.3**	4.6
Less: income tax expense relating to discontinued operations (note 12(b))	**(2.1)**	(1.8)
	9.2	2.8

Components of deferred tax are as follows:

	2023 AED millions	*2022 AED millions*
Difference in accounting and tax base of intangible assets	**62.7**	14.2
Deferred tax liability	**8.0**	3.3
Deferred tax asset mainly on account temporary differences	**0.8**	0.6
Total deferred tax liabilities, net	**(7.2)**	(2.7)

A significant part of the Group's operations are carried out in non-taxable jurisdictions and presently the Group's operations in the UAE are not subject to corporate tax (note 34). However, the Group's operations in other countries including Egypt, Kingdom of Saudi Arabia, Sultanate of Oman and Ethiopia are subject to taxation at the rates applicable in the respective countries.

12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Julphar Pharmaceuticals P.L.C.

During the year ended 31 December 2021, the Board of Directors of the Company decided to sell Julphar Pharmaceuticals P.L.C. ("Julphar Ethiopia"). The sale of Julphar Ethiopia is expected to be completed within a year from the reporting date. As at 31 December 2023, the Board of Directors has renewed its intention to sell Julphar Ethiopia. Accordingly, Julphar Ethiopia has been classified as a disposal group held for sale and as a discontinued operation.

With Julphar Ethiopia being classified as a discontinued operation, the results of Julphar Ethiopia have not been presented in the segment information (note 28). There was no write-down of carrying amount immediately before and after the classification of the disposal group as held for sale. The comparative consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Julphar Ethiopia separately from continuing operations in 2023 and 2022.

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

a) Julphar Pharmaceuticals P.L.C. (continued)

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

	2023 AED millions	*2022 AED millions*
Operating	**8.8**	8.7
Financing	**(3.2)**	(0.2)
Net cash outflow	**5.6**	8.5

Basic and diluted profit/ (loss) per share
Basic and diluted *profit/ (loss)* per share is disclosed in note 13.

b) The results of the discontinued operation for the year are presented below:

	2023 AED millions	*2022 AED millions*
Revenue from contracts with customers	**15.1**	16.5
Cost of sales	**(7.6)**	(8.9)
Gross profit	**7.5**	7.6
Selling and distribution expenses	**(0.9)**	(0.7)
General and administrative expenses	**-**	(0.6)
Operating profit	**6.6**	6.3
Hyperinflation adjustment on net monetary position (note 35)	**(3.1)**	(9.5)
Profit/ (loss) before tax for the year	**3.5**	(3.2)
Income tax expense	**(2.1)**	(1.8)
PROFIT/ (LOSS) FOR THE YEAR	**1.4**	(5.0)
Other comprehensive income		
Hyperinflation adjustment	**3.5**	16.8
Currency translation differences	**(4.2)**	(1.6)
Total other comprehensive (loss)/ income for the year	**(0.7)**	15.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**0.7**	10.2

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

b) The results of the discontinued operation for the year are presented below (continued):

	2023 AED millions	*2022 AED millions*
Loss attributable to:		
Equity holders of the Parent	**0.8**	(2.7)
Non-controlling interests	**0.6**	(2.3)
	1.4	(5.0)

	2023 AED millions	*2022 AED millions*
Total comprehensive income attributable to:		
Equity holders of the Parent	**0.4**	5.6
Non-controlling interests	**0.3**	4.6
	0.7	10.2

c) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December 2023 are as follows:

	2023 AED millions	*2022 AED millions*
ASSETS		
Property, plant and equipment	**9.1**	9.6
Inventories	**4.2**	4.8
Trade and other receivables	**1.5**	2.9
Bank balances and cash	**21.6**	17.0
Assets held for sale	**36.4**	34.3
LIABILITIES		
Trade payables and accruals	**7.6**	6.8
Income tax payable	**2.1**	1.6
Liabilities directly associated with assets held for sale	**9.7**	8.4
Net assets directly associated with assets held for sale	**26.7**	25.9
Less: net assets attributable to non-controlling interests (note 32)	**(12.0)**	(11.7)
Group's share of net assets directly associated with disposal group	**14.7**	14.2

13. BASIC/ DILUTED LOSS PER SHARE (EPS)

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

	2023 AED millions	*2022 AED millions*
Profit/ (loss) for the year attributable to the equity holders of the Parent:		
Continuing operations	**(99.9)**	(26.7)
Discontinued operations	**0.8**	(2.7)
Loss for the year attributable to the equity holders of the Parent	**(99.1)**	(29.4)
Weighted average number of shares	**1,155.3**	1,155.3
Basic loss per share attributable to the equity holders of the Parent (in UAE fils)	**(8.6)**	(2.5)
Basic loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	**(8.6)**	(2.3)

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

	2023 AED millions	*2022 AED millions*
Profit/ (loss) for the year attributable to the equity holders of the Parent from discontinued operations	**0.8**	(2.8)
Basic profit/ (loss) per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	**0.1**	(0.2)

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

14. PROPERTY PLANT AND EQUIPMENT

	Land AED millions	*Buildings AED millions*	*Plant and machinery AED millions*	*Installations AED millions*	*Motor vehicles AED millions*	*Furniture and fixtures AED millions*	*Tools and equipment AED millions*	*Leasehold improvements AED millions*	*Capital - work-in progress AED millions*	*Total AED millions*
Cost										
At 1 January 2022	3.7	505.6	1,082.3	130.8	31.5	30.0	7.1	13.5	20.3	1,824.8
Additions	-	2.1	12.4	2.3	2.8	12.0	2.8	6.4	22.9	63.7
Transfer from CWIP	-	0.4	6.6	3.8	0.1	0.7	0.1	-	(11.7)	-
Disposals	-	-	-	-	(0.4)	-	-	-	(0.1)	(0.5)
Write offs	-	-	-	-	-	(1.8)	(0.2)	(0.2)	-	(2.2)
Exchange differences	-	-	(0.1)	-	-	-	-	-	-	(0.1)
At 31 December 2022	3.7	508.1	1,101.2	136.9	34.0	40.9	9.8	19.7	31.4	1,885.7
Additions	-	-	5.8	0.7	0.5	5.2	2.9	2.5	4.5	22.1
Transfer from CWIP	-	-	19.0	2.4	-	0.3	-	-	(21.7)	-
Disposals	-	-	(1.0)	-	(1.2)	-	(0.1)	-	-	(2.3)
At 31 December 2023	**3.7**	**508.1**	**1,125.0**	**140.0**	**33.3**	**46.4**	**12.6**	**22.2**	**14.2**	**1,905.5**
Depreciation and impairment										
At 1 January 2022	-	266.2	734.1	121.1	30.4	17.5	0.9	9.3	-	1,179.5
Charge for the year (note (b))	-	17.5	45.7	3.4	0.8	3.2	2.4	3.3	-	76.3
Disposals	-	-	-	-	(0.4)	-	-	-	-	(0.4)
Write offs	-	-	-	-	-	(1.7)	(0.2)	(0.2)	-	(2.1)
At 31 December 2022	-	283.7	779.8	124.5	30.8	19.0	3.1	12.4	-	1,253.3
Charge for the year (note (b))	-	17.5	47.0	3.4	1.0	4.8	3.4	3.7	-	80.8
Disposals	-	-	(1.0)	-	(1.1)	-	(0.2)	-	-	(2.3)
Exchange differences	-	-	-	-	-	-	0.1	-	-	0.1
At 31 December 2023	**-**	**301.2**	**825.8**	**127.9**	**30.7**	**23.8**	**6.4**	**16.1**	**-**	**1,331.9**
Net book value:										
At 31 December 2023	**3.7**	**206.9**	**299.2**	**12.1**	**2.6**	**22.6**	**6.2**	**6.1**	**14.2**	**573.6**
At 31 December 2022	3.7	224.4	321.4	12.4	3.2	21.9	6.7	7.3	31.4	632.4

14. PROPERTY PLANT AND EQUIPMENT (continued)

a) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 24).

b) The above depreciation charge has been allocated in the consolidated statement of income as follows:

	2023 AED millions	*2022 AED millions*
Cost of sales (note 5)	**63.8**	62.5
General and administrative expenses (note 8)	**14.6**	11.4
Selling and distribution expenses (note 7)	**2.4**	2.4
	80.8	76.3

c) The factory and its related buildings of the Parent Company are constructed on plots of land amounting to AED 3.7 million (2022: AED 3.7 million) which are owned by the Government of Ras Al Khaimah.

d) Capital work-in-progress mainly includes significant modification/enhancement of plant of the Parent Company.

15. INTANGIBLE ASSETS

	Licenses and permits AED millions	*Trade name (note (a)) AED millions*	*Supplier relations AED millions*	*Customers relations AED millions*	*Loyalty program AED millions*	*Hospital relations AED millions*	*Others AED millions*	*Total AED millions*
Cost:								
At 1 January 2022	33.4	53.2	26.8	35.6	22.2	35.5	7.7	214.4
Additions	1.7	-	-	-	-	-	-	1.7
At 31 December 2022	35.1	53.2	26.8	35.6	22.2	35.5	7.7	216.1
Additions	4.9	-	-	-	-	-	-	4.9
Exchange differences	0.1	-	-	-	-	-	-	0.1
At 31 December 2023	**40.1**	**53.2**	**26.8**	**35.6**	**22.2**	**35.5**	**7.7**	**221.1**
Accumulated amortisation:								
At 1 January 2022	21.3	-	0.9	1.8	1.7	3.9	7.6	37.2
Charge for the year (note 8)	2.1	-	1.7	3.6	3.4	7.9	0.1	18.8
Foreign currency translation difference	1.8	-	-	-	-	-	-	1.8
At 31 December 2022	25.2	-	2.6	5.4	5.1	11.8	7.7	57.8
Charge for the year (note 8)	2.0	-	1.7	3.6	3.4	7.9	-	18.6
Foreign currency translation difference	0.9	-	-	-	-	-	-	0.9
At 31 December 2023	**28.1**	-	**4.3**	**9.0**	**8.5**	**19.7**	**7.7**	**77.3**
Net book value:								
At 31 December 2023	**12.0**	**53.2**	**22.5**	**26.6**	**13.7**	**15.8**	-	**143.8**
At 31 December 2022	9.9	53.2	24.2	30.2	17.1	23.7	-	158.3

a) In 2021, the Group acquired an additional 60% in Planet Pharmacies LLC ("Planet") and the Group consequently recognised certain trade names with an indefinite useful life. An impairment test was performed by management in compliance with the standards wherein any indefinite life intangible asset is tested for impairment irrespective of whether there is any indication of impairment as at reporting date.

15. INTANGIBLE ASSETS (continued)

Impairment testing of trade name

Impairment testing of the trade name was conducted at the level of the asset itself. The recoverable amount was determined based on the fair value of the trade name calculated using the relief from royalty method using the revenue generated from the trade name.

Key assumptions

	2023	*2022*
Royalty rate	**1.75%**	1.75%
Maintenance fee	**5%**	5%
Growth rate	**7%**	7%
Terminal year growth rate	**3.4% to 5.4%**	2.4% to 5.2%%
Discount rate	**14.3% to 16.9%**	14.1% to 18.1%

Sensitivity to changes in key assumptions

Management believes that any reasonably possible changes in key assumptions used to determine the recoverable amount will not result in any impairment of the trade name.

Management has adequately evaluated its future cash flows and other key assumptions and believes that the likelihood of the carrying value of the CGU exceeding their recoverable amounts is remote.

Changes made in the key assumptions as detailed below, considering all other variables are constant will change the estimated recoverable amount equal to its carrying amount:

Key assumptions

	2023	*2022*
Royalty rate	**1.3%**	1.4%
Maintenance fee	**25%**	21%
Discount rate	**17.9% to 21.1%**	16.2% to 19.1%

For the growth rate and terminal growth rate, only when there is a declining rate for the year ended 31 December 2023 and 31 December 2022 that the estimated recoverable amount will equal to its carrying amount.

16. INVENTORIES

	2023 AED millions	*2022 AED millions*
Raw materials (note (b))	**143.6**	134.2
Packing materials (note (b))	**57.1**	60.4
Work-in-progress	**15.0**	14.5
Finished goods	**430.5**	439.9
Goods in transit	**6.4**	1.3
Consumables	**29.7**	32.0
Spare parts	**44.3**	42.0
	726.6	724.3
Less: provision for stock losses (note (a))	**(60.7)**	(46.7)
	665.2	677.6
Less: inventories attributable to assets held for sale (note 12(c))	**(4.2)**	(4.8)
	661.7	672.8

16. INVENTORIES (continued)

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

	2023 AED millions	*2022 AED millions*
At 1 January	**46.7**	55.7
Charge during the year	**47.8**	24.0
Written-off during the year	**(33.8)**	(33.0)
At 31 December	**60.7**	46.7

b) Includes raw materials and packing materials amounting to AED nil (2022: AED 0.2 million) held by a third party.

c) Inventories charged to cost of sales amounted to AED 837.5 million (2022: AED 789.1 million) (note 5).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The financial asset at fair value through profit or loss is denominated in AED and is held for trading in the UAE market amounting to AED 20.5 million (2022: AED 19.5 million).

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

	2023 AED millions	*2022 AED millions*
At 1 January	**19.5**	19.5
Unrealized gain on revaluation for the year	**1.0**	-
	20.5	19.5

Investment in unquoted equity security represents investment in an entity which is engaged in manufacturing of packing materials. The Group has 7.25% equity investment in the entity. Management has performed a valuation and recorded the investment at fair value. Fair value has been computed using dividend growth model (31 December 2022: dividend growth model). They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (note 30).

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

	2023 AED millions	*2022 AED millions*
Fair value of financial assets at FVTOCI	**0.3**	0.3

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI) (continued)

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

	2023 AED millions	*2022 AED millions*
Fair value at the beginning of the year	**0.3**	-
Additions during the year	**-**	7.3
Unrealized loss on revaluation for the year	**-**	(7.0)
	0.3	0.3

As of 31 December 2023, the Group recognized a negative fair value reserve of AED 7.0 million (2022: AED 7.0 million).

Investment in quoted equity security represents investment in an entity which is engaged in development of innovative medicines to combat cardiovascular diseases. The Group holds non-controlling interests of 2.2% in the entity. The investment was irrevocably designated at fair value through OCI as the Group considers the investment to be strategic in nature. They are classified as level 1 fair values in the fair value hierarchy (note 30).

19. TRADE AND OTHER RECEIVABLES

	2023 AED millions	*2022 AED millions*
Trade receivables	**710.6**	731.9
Less: allowance for expected credit losses (note (a))	**(180.1)**	(178.6)
	530.5	553.3
Advances to suppliers	**46.2**	42.4
Prepayments	**14.8**	16.2
Rebates, commission and discount receivable from suppliers	**1.6**	2.1
Value added tax receivable	**13.8**	21.1
Other receivables	**16.5**	11.6
	623.4	646.7
Less: trade and other receivables attributable to assets held for sale (note 12(c))	**(1.5)**	(2.9)
	621.9	643.8

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

	2023 AED millions	*2022 AED millions*
At 1 January	**178.6**	172.4
Charge for the year	**12.7**	7.0
Written off during the year	**(11.2)**	(0.8)
At end of the year	**180.1**	178.6

19. TRADE AND OTHER RECEIVABLES (continued)

b) Information regarding trade receivable is given in credit risk (note 30).

c) A provision has been made for the estimated impairment amounts of trade receivables of AED 180.1 million (2022: AED 178.6 million). This provision has been determined based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

d) The ageing analysis of trade receivables is as follows:

	2023 AED millions	*2022 AED millions*
0 – 180 days	**502.1**	534.4
181 – 365 days	**18.6**	58.8
More than 365 days	**189.9**	138.7
	705.6	731.9

e) The Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The carrying amounts of the Group's trade and other receivables are denominated in AED, USD and EGP.

f) The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables. The other classes within trade and other receivables do not contain impaired assets.

20. BANK BALANCES AND CASH

	2023 AED millions	*2022 AED millions*
Current accounts	**160.2**	99.0
Short term bank deposits	**99.4**	7.0
Cash in hand	**2.8**	3.3
	262.4	109.3
Less: bank balances and cash attributable to assets held for sale (note 12(c))	**(21.6)**	(17.0)
Bank balances and cash	**240.8**	92.3
Less: term deposits having maturities after three months and less than one year	**(9.2)**	(5.9)
Bank balances and cash	**231.6**	86.4

Term deposits carry interest at commercial rates.

21. SHARE CAPITAL

	2023 AED millions	*2022 AED millions*
Authorised, issued and fully paid		
1,155,227,811 ordinary shares (2022: 1,155,227,811 ordinary shares at par value of AED 1	**1,155.3**	1,155.3

22. STATUTORY RESERVE

In accordance with United Arab Emirates Federal Commercial Companies Law No. 32 of 2021, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year. As the Company had accumulated losses as at 31 December 2023, 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.

23. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision for employees' end of service indemnity is as follows:

	2023 AED millions	*2022 AED millions*
At 1 January	**80.9**	79.8
Provided during the year (note (a))	**9.4**	13.5
Interest cost (note (a))	**3.6**	-
Paid during the year	**(6.2)**	(12.4)
Actuarial (gain)/loss (note (b))	**(3.7)**	-
At 31 December	**84.0**	80.9

a) Expenses recognized in consolidated statement of comprehensive income:

	2023 AED millions	*2022 AED millions*
Provided during the year	**9.4**	13.5
Interest cost	**3.6**	-
At 31 December	**13.0**	13.5

b) Expenses recognized in consolidated statement of other comprehensive income:

	2023 AED millions	*2022 AED millions*
Actuarial gain/ (loss)	**3.7**	-

In accordance with the provisions of IAS 19, the management has carried out an exercise to assess the present value of its obligations as at 31 December 2023 and 2022 using actuarial techniques, in respect of employees' end of service benefits payable under the UAE labour Law and the Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date.

23. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

Under this method, an assessment has been made of the employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employees' salary in line with the Group's salary scales, past experience and market conditions. As part of their assessment, management assumes an average increment / promotion cost and the expected liability at the date of leaving the service by discounted the liability to its net present value using an appropriate discount. The discount rate used for the purpose of actuarial valuation was 4.6% to 18.5% (2022: 4.3% to 24.8%) per annum.

24. BANK BORROWINGS

	Interest rate(%)	*Maturity*	***2023 AED millions***	*2022 AED millions*
Current interest bearing bank borrowings				
Bank overdraft	3m EIBOR+2.0%	On demand	**125.4**	20.5
Term loans – current portion	3m EIBOR+2.5%	Within 1 year	**90.0**	37.5
Total current interest bearing loans and borrowings			**215.4**	58.0
Non-current interest bearing bank borrowings				
Term loan	3m EIBOR+2.5%	28 April 2030	**765.0**	712.5
Total interest-bearing bank borrowings			**980.4**	770.5

a) During 2021, the Parent Company entered into a syndicated loan arrangement with a consortium of local banks for a syndicated facility which comprises of Ijarah Term Loan Facility of AED 180 million (31 December 2022: AED 150 million), Conventional Working Capital Finance Facility of AED 260 million (31 December 2022: AED 260 million) and Conventional Term Loan Facility of AED 720 million (31 December 2022: AED 600 million) with total facility size of AED 1.16 billion (31 December 2022: AED 1.01 billion). As of the reporting date, the Company had an undrawn facility of AED 83.0 million (31 December 2022: AED 214.5 million). The Company obtained an additional AED 150 million from the activated Accordion, during the year increasing the facility size.

The drawdown term loan of AED 900 million (AED 180 million from Ijarah Facility and AED 720 million from Conventional Facility) as of the reporting date is payable in quarterly instalments which has started from 30 July 2023.

The Group has obtained AED 1.16 billion banking facilities against the following securities:

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

The Group's syndicated loan agreement is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios on an annual basis. The Group was not in compliance with such covenants at 31 December 2023. However, the Group has obtained the approval from the Financiers for the waiver of covenant compliance as at 31 December 2023.

24. BANK BORROWINGS (continued)

b) Bank overdraft and trust receipts are repayable on demand/agreed payment dates. In general, such banking facilities are renewable on a regular basis. Both of these facilities were obtained as part of the AED 1.16 billion facility. Interest on overdrafts are computed and added to the account on a monthly basis.

c) Movement in borrowings is as follows:

	2023 AED millions	*2022 AED millions*
At the beginning of the year	**770.5**	719.4
Add: new drawdowns of the term loan	**150.0**	85.0
Add: utilization of bank overdraft and trust receipts facility, net	**104.9**	(33.9)
Less: loans repaid during the year	**(45.0)**	-
At the end of the year	**980.4**	770.5

25. TRADE PAYABLES AND ACCRUALS

	2023 AED millions	*2022 AED millions*
Accounts payable	**214.9**	272.7
Refund liabilities (note 4)	**68.4**	51.2
Accrued expenses	**43.4**	44.2
Commissions payable (note 4)	**22.9**	30.6
Rebate and accruals	**19.9**	18.7
Employee benefits payable	**19.7**	21.4
Advances from customers (note 4)	**1.5**	1.5
Unclaimed dividend	**-**	14.7
Others	**44.6**	38.8
	435.3	493.8
Less: trade payables and accruals attributable to liability directly associated to assets held for sale (note 12(c))	**(7.6)**	(6.8)
	427.7	487.0

26. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

26. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Compensation of key management personnel of the Group

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

	2023 AED millions	*2022 AED millions*
Short-term benefits	**14.1**	10.4
Post-employment and other long-term benefits	**1.4**	2.5
Director's remuneration	**1.8**	-
	17.3	12.9

27. COMMITMENTS AND CONTINGENT LIABILITIES

	2023 AED millions	*2022 AED millions*
Capital commitments	**51.5**	18.4
Letters of credit	**10.9**	27.7
Letters of guarantee	**30.8**	26.5

28. SEGMENT INFORMATION

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

a. Manufacturing
b. Planet
c. Investments
d. Others

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 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.

28. SEGMENT INFORMATION (continued)

	2023						*2022*					
	Manufacturing AED millions	***Planet AED millions***	***Investments AED millions***	***Other segments AED millions***	***Eliminations AED millions***	***Total AED millions***	*Manufacturing AED millions*	*Planet AED millions*	*Investments AED millions*	*Other segments AED millions*	*Eliminations AED millions*	*Total AED millions*
Segment revenue	**794.4**	**1,067.2**	**-**	**-**	**(223.6)**	**1,638.0**	886.4	1,005.3	-	-	(275.6)	1,616.1
Segment result	**(113.2)**	**62.3**	**3.5**	**(58.0)**	**5.5**	**(99.9)**	3.2	51.8	2.0	(36.5)	(47.2)	(26.7)
Depreciation expense of property, plant and equipment	**68.6**	**12.2**	**-**	**-**	**-**	**80.8**	67.1	9.2	-	-	-	76.3
Depreciation expense of right of use assets	**-**	**42.2**	**-**	**-**	**-**	**42.2**	0.2	36.7	-	-	-	36.9
Amortization expense	**2.0**	**16.6**	**-**	**-**	**-**	**18.6**	2.2	16.6	-	-	-	18.8

	2023						*2022*					
	Manufacturing AED millions	***Planet AED millions***	***Investments AED millions***	***Other segments AED millions***	***Eliminations AED millions***	***Total AED millions***	*Manufacturing AED millions*	*Planet AED millions*	*Investments AED millions*	*Other segments AED millions*	*Eliminations AED millions*	*Total AED millions*
Segment assets	**2,405.1**	**1,438.9**	**20.8**	**240.8**	**(1,688.1)**	**2,417.5**	2,299.1	1,291.6	19.8	92.3	(1,337.7)	2,365.1
Segment liabilities	**417.7**	**477.8**	**-**	**980.4**	**(237.9)**	**1,638.0**	298.8	393.5	-	770.5	(204.9)	1,462.8

28. 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.

	2023				
	Total AED millions	***UAE AED millions***	***Oman AED millions***	***Saudi Arabia AED millions***	***Others AED millions***
Non-current assets					
Property, plant and equipment	**573.6**	**545.3**	**3.6**	**24.7**	**-**
Right of use assets	**135.5**	**37.3**	**9.5**	**88.4**	**0.3**
Intangible assets	**143.8**	**67.4**	**9.0**	**62.8**	**4.6**
Revenue	**1,638.0**	**608.3**	**128.0**	**557.5**	**344.2**

	2022				
	Total AED millions	*UAE AED millions*	*Oman AED millions*	*Saudi Arabia AED millions*	*Others AED millions*
Non-current assets					
Property, plant and equipment	632.4	603.9	3.1	25.3	0.1
Right of use assets	119.9	28.5	10.3	80.9	0.2
Intangible assets	158.3	69.0	9.2	74.1	6.0
Revenue	1,616.1	573.2	126.9	483.6	432.4

The Group has sales to one customer whose sales individually are more than 10% of the total external sales. Total amount of sales for the year ended 31 December 2023 to this customer amounts to AED 196.9 million (2022: Top 2 customers AED 382.3 million). These revenues are included under manufacturing segment.

There are no other non-current assets included in “Others” which are more than 10% of the total segment non-current assets. There are no sales in "Others" in 2023 (2022: AED nil) which is more than 10% of the total sales.

29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various offices and pharmacies. Leases generally have lease terms between 1 year and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

a) Set out below are the carrying amounts of right-of-use assets recognised and the movement during the year are as follow:

	2023 AED millions	*2022 AED millions*
At 1 January	**119.9**	103.7
Additions	**42.3**	68.3
Remeasurement	**16.5**	(1.2)
Disposals	**(1.3)**	(14.0)
Depreciation (note 8)	**(42.2)**	(36.9)
Exchange difference	**0.3**	-
	135.5	119.9

b) Set out below are the carrying amounts of lease liabilities and the movement during the year are as follow:

	2023 AED millions	*2022 AED millions*
At 1 January	**115.2**	99.7
Additions	**42.3**	68.3
Remeasurement	**16.5**	(1.2)
Accretion of interest (note 10)	**6.1**	5.5
Disposals	**(1.3)**	(14.3)
Payments	**(48.6)**	(42.8)
	130.2	115.2
Classified in to:		
Current	**38.6**	39.2
Non-current	**91.6**	76.0
At 31 December	**130.2**	115.2

c) The following are the amounts recognised in consolidated statement of comprehensive income:

	2023 AED millions	*2022 AED millions*
Depreciation expense of right-of-use assets (note 8)	**42.2**	36.9
Interest expense on lease liabilities included in finance costs (note 10)	**6.0**	5.5
Variable lease payment recognised as rent expenses (note 7)	**12.9**	17.1
	61.1	59.5

29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group had total cash outflows of AED 61.3 million in the year ended 31 December 2023 (2022: AED 59.9 million) which relates to payment of lease liabilities including finance expenses component. The weighted average incremental borrowing rate is used at the rate of 5% per annum as at 31 December 2023 (2022: 5% per annum).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The maturity analysis of lease liabilities are disclosed in note 30.

30. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, trade and other payables, trade receivables, bank balances and other receivables and investments in equity instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December in 2023 and 2022.

The sensitivity of the relevant consolidated statement of profit or loss item or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2023 and 2022.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's un-hedged debt obligations with floating interest rates.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial liabilities held at 31 December 2023 and 31 December 2022. The effect of a decrease in interest rates on the variable rate instruments (excluding hedged debt obligations) is expected to be equal and opposite to the effect of the increases as shown below:

	Bank and other borrowings AED millions	*Increase/ decrease in basis points*	*Effect on results for the year AED millions*
2023			
	530.4	**+50**	**2.7**
		-50	**(2.7)**
2022			
	320.5	+50	1.6
		-50	(1.6)

30. RISK MANAGEMENT (continued)

Market risk (continued)

b) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements and Group's foreign currencies payable.

Foreign exchange risk arises on sales, purchases and recognised assets or liabilities that are primarily denominated in a currency that is not entity's functional currency.

The table below demonstrates the sensitivity to a reasonable possible change of the AED currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of comprehensive income (due to changes in the fair value of currency sensitive monetary assets and liabilities).

The effect of decreases in currency rates is expected to be equal and opposite to the effect of the increases shown.

	Balance receivable/ (payable)	*Increase in exchange rate to the AED*	*Effect on results AED m*
2023			
Euro	**(1.0)**	**+5%**	**(0.1)**
		-5%	**0.1**
2022			
Euro	(2.7)	+5%	(0.1)
		-5%	0.1

c) Price risk
The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. However, the Group is not exposed to price risk since it has no listed equity securities at the reporting date.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances and receivables as follows.

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 90 -180 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies is disclosed in note 3.6.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of these receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For forward looking factor, long term macroeconomic factor has not been considered as the maturity of invoices is typically less than one year and accordingly historical rates are adjusted only on the basis deterioration in the future economic conditions.

The collateral factored through loss given default estimates and hence are not used to adjust exposure while computing expected credit loss. The Group limits its exposure to credit risk by investing with counterparties that have credible market reputation. The Group's management does not expect any significant counterparty to fail to meet its obligations.

30. RISK MANAGEMENT (continued)

c) Price risk (continued)

Credit risk (continued)
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	2023		
	Gross value AED millions	***Allowance for expected credit losses AED millions***	***Expected credit loss (ECL)***
Trade receivables with general provision	**574.7**	**44.2**	**7.7%**
Specific provision for receivables	**135.9**	**135.9**	**100%**
	710.6	**180.1**	

	2022		
	Gross value AED millions	*Allowance for expected credit losses AED millions*	*Expected credit loss (ECL)*
Trade receivables with general provision	597.6	44.3	7.4%
Specific provision for receivables	134.3	134.3	100%
	731.9	178.6	

Financial instruments and cash deposit
Credit risk from balances with banks and other financial institutions is managed by the Group by investing surplus funds only with approved and reputable counterparties and within credit limits assigned to each counterparty. Bank deposits, and term deposits are limited to high-credit-quality financial institutions. Accordingly, the ECL as at the reporting date against bank balances is minimal. Credit risk on other financial assets are assessed to be minimal based on historical default and the fact that they are held with counterparties with creditworthiness evaluated to be good by the Company's internal process.

Due from related parties and other receivables
For due from related parties and other receivables, the management has separately assessed the balance and the computed impact is immaterial.

With respect to credit risk arising from other financial assets including deposits and other receivables, the Group's exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these assets.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

30. RISK MANAGEMENT (continued)

c) Price risk (continued)

Liquidity risk
The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the liabilities at the reporting date based on contractual repayment arrangements was as follows:

2023

	Less than 1 year AED millions	***1 to 5 years AED millions***	***More than 5 years AED millions***	***Total AED millions***
Trade payables and accruals	**435.3**	**-**	**-**	**435.3**
Bank borrowings	**230.1**	**384.5**	**432.6**	**1,047.2**
Lease liabilities	**44.1**	**98.0**	**-**	**142.1**
	709.5	**482.5**	**432.6**	**1,624.6**

2022

	Less than 1 year AED millions	*1 to 5 years AED millions*	*More than 5 years AED millions*	*Total AED millions*
Trade payables and accruals	493.8	-	-	493.8
Bank borrowings	61.9	160.2	600.8	822.9
Lease liabilities	43.7	81.4	-	125.1
	599.4	241.6	600.8	1,441.8

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio at the year end was as follows:

	2023 AED millions	*2022 AED millions*
Bank borrowings	**980.4**	770.5
Less: bank balances and cash	**(240.8)**	(92.3)
Net debt	**739.6**	678.2
Total equity	**806.2**	928.2
Net debt to equity ratio (times)	**0.9**	0.7

30. RISK MANAGEMENT (continued)

Capital management (continued)
In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the banks and other borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

31. 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 fair value of financial assets and financial liabilities are not materially different from their carrying values at reporting date since assets and liabilities not already measured at fair value have either short-term maturities or in the case of borrowings are frequently repriced and the prevalent interest rates reflect risks associated with the borrowings.

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 annual consolidated financial statements for the year ended 31 December 2023.

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:

	Fair value as at				***Significant unobservable input***	
	31 December 2023 AED millions	*31 December 2022 AED millions*	***Fair Value hierarchy***	***Valuation techniques and key inputs***	***31 December 2023***	*31 December 2022*
Financial assets						
Unquoted equity investments – FVTPL	**20.5**	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)	- Cost of equity - Growth rate - Discount for lack of marketability	- Discount rate - Growth rate - Discount for lack of marketability
Quoted equity investments – FVOCI	**0.3**	0.3	Level 1	Quoted prices (unadjusted in active) markets for identical assets or liabilities	- None	- None
	20.8	19.8				

31. FAIR VALUE MEASUREMENTS (continued)

	Fair value as at				*Significant unobservable input*	
	31 December 2023 AED millions	*31 December 2022 AED millions*	***Fair Value hierarchy***	***Valuation techniques and key inputs***	***31 December 2023***	*31 December 2022*
Derivative financial instrument						
Interest rate cap	**18.6**	25.2	Level 2	N/A	N/A	N/A

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

- 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

32. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Portion of equity interest held by non-controlling interests:

Name	***Place of incorporation and operation***	***2023 Percentage of ownership***	*2022 Percentage of ownership*
Julphar Pharmaceuticals PLC	Ethiopia	**55.0%**	55.0%

	2023 AED millions	*2022 AED millions*
Accumulated balances of material non-controlling interests:		
Julphar Pharmaceuticals PLC (note 12(c))	**12.0**	11.7
Profit allocated to material non-controlling interests:		
Julphar Pharmaceuticals PLC (note (12(b))	**(0.6)**	(2.3)

The summarised financial information is disclosed in note 12.

33. DERIVATIVE FINANCIAL INSTRUMENT

During 2021, the Group entered into an "Interest Rate Cap" ("IR Cap") agreement to hedge its exposure to the variability in cash flows arising from interest payment on syndicated loans from local banks.

The Company entered into IR Cap, that effectively fix the interest rate on 49% (2022: 68%) of its available facilities. Under the terms of this contract, the Group pays a floating rate of interest up to the pre-determined capped rate of interest on the principal balance.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate cap match the terms of the syndicated loans (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate cap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

For the purpose of hedge accounting, IRS is classified as cash flow hedge. The fair value and notional amount of the hedge are as follows:

	2023		*2022*	
	Positive Fair value AED Millions	***Notional amount AED millions***	*Positive fair value AED millions*	*Notional amount AED millions*
Interest rate cap	**18.6**	**450.0**	25.2	450.0

The interest rate cap is assessed to be effective and as at 31 December 2023, an unrealized loss of AED 8.5 million (2022: unrealized gain of AED 26.9 million) has been included in equity as cash flow hedge reserve.

During the year ended 31 December 2023, the Group has reclassified an amount of AED 1.4 million which relates to the amortisation of the time value of money over the period of the hedge relating to the year (2022: AED 1.3 million).

The amount shown as cash flow hedge reserve under equity as at 31 December 2023 of AED 19.6 million (2022: negative AED 26.7 million) is mainly expected to affect profit or loss during the period until maturity of IR Cap.

There was no ineffectiveness recognised in the consolidated statement of profit or loss as the same was immaterial to the overall consolidated financial statements.

34. CORPORATE INCOME TAX IN THE UAE

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Company.

Based on the current provisions of the UAE CT Law (including interpretation based on the Ministerial decisions and related guidance) and in accordance with IAS 12 Income Taxes, the Group has considered related deferred tax accounting impact as at the reporting date and the Group considers that taxable temporary differences arise in respect of Purchase Price Allocation (PPA) adjustments carried on the Group's consolidated statement of financial position and relating to business combination undertaken in UAE prior to 16 January 2023. The Group has recognised a deferred tax liability of AED 5.4 million relating to such business combination. No other potential deferred tax assets or liabilities have been identified as at year end date.

The Group will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to the position at subsequent reporting dates.

35. IAS 29 FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES ('IAS 29')

Ethiopia has been determined to be a hyperinflationary economy under IAS 29 with the three-year accumulated inflation exceeding 100 percent since the year ended 31 December 2022. IAS 29 requires non-monetary assets and liabilities of the Group's Ethiopian subsidiary, to be restated to reflect their current prices using the Consumer Pricing Index (CPI) in the local currency of the reporting unit before translation to the Group's functional currency.

As at 31 December 2023, the three-year cumulative inflation rate has been 132.6% based on the Ethiopian consumer price index ('CPI'). The consumer price index at the beginning of the reporting period was 328.9 points and closed at 423.3 points resulting in an increase of 28.7%. Qualitative indicators, such as the deteriorating economic condition, support the conclusion that Ethiopia is a hyperinflationary economy for accounting purposes for year ended 31 December 2023 and 31 December 2022.

Therefore, entities whose functional currency is the Ethiopian Birr, should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatement shall be made as if the Ethiopian economy have always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

As of 31 December 2023, all conditions have been met for the Julphar Pharmaceuticals P.L.C ("Julphar Ethiopia"), a subsidiary operating in Ethiopia, on such date to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies" in their year-end financial statements. IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period.

- Net non-monetary position (excluding equity) has been indexed by applying the difference in CPI from 31 December 2022 to 31 December 2023 resulting in a loss of AED 0.4 million (2022: AED 0.2 million) in the consolidated statement of profit or loss to the extent determined to be recoverable.

35. IAS 29 FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES ('IAS 29') (continued)

- Monetary assets and liabilities are already reported at the current measuring unit and are not adjusted for inflation. However, the CPI index is applied to measure the loss of purchasing power and for the net monetary position, a hyperinflation adjustment is made in the consolidated statement of comprehensive income, amounting to AED 3.1 million (2022: AED 9.5 million) with an equal corresponding credit to other comprehensive income (OCI).
- The Group has recognised in OCI an amount of AED 3.5 million (2022: AED 16.8 million) which represents the impact of indexing of non-monetary items from the date these were acquired by applying fluctuation in the CPI from the date of acquisition to 31 December 2021 to the extent determined to be recoverable.

During the year ended 31 December 2023, the loss for the Group was AED 97.7 million (2022: AED 31.7 million). Overall, the hyperinflation adjustment results in a AED 3.1 million loss for the year ended 31 December 2023 (2022: AED 9.5 million loss).

The hyperinflationary adjustments are not taxable or tax deductible in either Ethiopia or the UAE, resulting in a permanent tax difference.

36. COMPARATIVE INFORMATION

Certain corresponding figures for previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported loss or shareholder's equity.

	As reported earlier 31 December 2022 AED millions	*Reclassification AED millions*	*As reported now 31 December 2022 AED millions*
Statement of profit or loss			
Other income	108.3	(59.3)	49.0
Cost of sales	(1,117.5)	59.3	(1,058.2)

These changes have been made to improve the quality of information presented.