Integrated Report 2022

Gulf Pharmaceutical Industries Julphar

Julphar

Governance Report 2022

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Julphar

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Brief on Gulf Pharmaceutical Industries (**Julphar**)

Established in 1980, Julphar is one of the largest pharmaceutical Companies in the Middle East and Africa region, listed on Abu Dhabi Securities Exchange.

The Company distributes more than 200 pharma products to +50 countries.

Planet Pharmacies (fully acquired by Julphar in 2021) is a leading pharmaceutical distributor of the Middle Eastern region. It has a multi country footprint across the GCC, including strong retail pharmacy network in UAE, Oman & Saudi Arabia.

Key Highlights

One of the largest pharma manufacturers in MENA region.

Ranked number 1 pharmaceutical manufacturer in the UAE.

Among the largest manufacturers of insulin in the world and the only one in the UAE.

Vast product portfolio targeting major therapeutic segments.

12 internationally certified facilities.

Robust distribution network.

Strong R&D activities with more than 50 scientists, medical and regulatory experts.

2400+ staff across the globe present in 23 countries

Key Therapy Presence

- Anti infectives
- Derma
- Alimentary & metabolism
- Nervous system
- Blood & blood forming organs

Market presence

Strong presence in Middle East & Africa region: UAE, Saudi Arabia, Iraq, Egypt, Morocco, Algeria, Libya, Kuwait, Bahrain, Lebanon, Jordan, Oman, Tunisia, Ethiopia, Ecuador, Yemen, Sudan, Kenia

Actions taken by the Company to complete the corporate governance system during 2022 and method of application

Gulf Pharmaceutical Industries (**Julphar**), a leading pharmaceutical Company in the Middle East and North Africa, has been keen to draw the best models and practices from international and global standards. It seeks to be part of the UAE vision to build a integrated and cohesive economy.

The Company has exerted efforts to apply the standards of corporate discipline and corporate governance based on the Chairman of the Securities and Commodities Authority Decision No. 03/2020 regarding the Governance Guide for Public Joint-Stock Companies and updated laws.

Julphar has complied with the Authority Chairman Decision No. (08/R.M) of 2020 regarding Representation of Women in the Board of Directors, which stipulates that women's representation shall be no less than one director in the formation of the Board of Directors. This is by appointing Ms. Olfa Gam as a director of the Company during 2021.

Julphar has released its first Sustainability Report in 2021, which represents a new chapter in enhancing stakeholder awareness of its Environmental, Social and Governance (ESG) themes and revealing how Julphar performed in the non-financial metrics. This report was prepared in accordance with Global Standards (GRI) and included 31 KPIs. Julphar is committed to issue it annually with the Governance Report, which reflects a comprehensive overview of financial performance, governance and risk.

The Board works closely through the Audit Committee with external auditors to issue reports that are transparent and credible by adhering to International Financial Reporting Standards (IFRS). In addition, the Board of Directors through its Committees is responsible for the internal control system, risk management and internal audit structure to ensure compliance with laws, regulations and Julphar policies.

As for the measures taken by the Company to complete the corporate governance system during 2022, it has done the following:

- Amending the Articles of Association in accordance with the updated legislation and laws.
- Appointing a compliance officer and assigning duties of the Board of Directors secretary.
- Preparing bylaws of the Audit Committee and the Internal Audit Department.
- Reformation of the Insiders Committee.

Statement of the directors' transactions, wives and children in the Company's securities during 2022

S.N	Name	Position	Shares held as at 31/12/2022	Total sale	Total purchase
1	Sheikh Saqer Humaid Alqasimi	Chairman	0	0	0
2	Mr. Rabih Khouri	Vice-Chairman	0	0	0
3	Mr. Abdulaziz Abdulla Alzaabi	Director	0	0	0
4	Mr. Hamody A.H. Al limy	Director	0	0	0
5	Mr. Jamal Salem Bin Darwish AlNuaimi	Director	523,248	0	0
6	Mr. Raman Garg	Director	0	0	0
7	Ms. Olfa Gam	Director	0	0	0
8	Mr. Abboud Bejjani	Director	0	0	0
9	Mr. Medhat Mohamed Abouelasrar	Director	0	0	0

During 2022, the shares were not traded by any of the spouses or children of the directors in the Company's securities, nor do they own any securities in them.

Formation of the Board of Directors

Statement of Current Board of Directors Formation:

The Company shall be managed by a Board of Directors, consisting of nine (9) directors elected by the General Assembly of Shareholders by secret cumulative voting.

At the General Assembly held on 18th April, 2021, it was approved to amend Clause B of Article (19) of the Company's Articles of Association to read as follows: "The formation of the Board of Directors shall take into account provisions of the Commercial Companies Law, as amended and decisions issued in implementation thereof."

The directors were elected at the General Assembly on 09th April, 2020. From 2020 to 2022, a number of elected directors resigned. In addition, the representative of the Arab Company for Drug Industries and Medical Appliances (ACDIMA) was changed, which resulted in the appointment of new directors, which each of them shall complete the period of its former.

During 2022, it was approved to change the representative of the Arab Company for Drug Industries and Medical Appliances (ACDIMA), Mr. Hamody A.H. Al limy, at the General Assembly held on 21st April 2022.

The table below shows the current formation of the Board of Directors in 2022

S.N.	Title	Name	Date of last election/ date of appointment
1	Chairman	Sheikh Saqer Humaid Alqasimi	09/04/2020
2	Vice-Chairman	Mr. Rabih Khouri	11/08/2021
3	Director	Mr. Abdulaziz Abdulla Alzaabi	09/04/2020
4	Director	Mr. Jamal Salem Bin Darwish AlNuaimi	09/04/2020
5	Director	Mr. Raman Garg	09/04/2020
6	Director	Mr. Medhat Mohamed Abouelasrar	09/04/2020
7	Director	Mr. Abboud Bejjani	11/08/2020
8	Director	Ms. Olfa Gam	11/08/2021
9	Director	Mr. Hamody A.H. Al limy	21/04/2022

Sheikh Saqer Humaid Alqasimi

Category: Non-Executive and Non-Independent
Experience and qualifications: Bachelor's degree in Finance from "California State University" in USA. More than 25 years of experience in the equity, commodity, and currencies market and experience in Private Equity Management in many sectors such as logistics, education, healthcare, real estate, real estate management and F&B.
Military experience.
Period spent as a director of the Company as of the date of his first election: Since 2005.
Directorship and positions in any other joint-stock companies: Nil.
Positions in any other important regulatory, governmental or commercial entities: Nil.

Mr. Rabih Khouri

Category: Non-executive and independent.
Experience and qualifications: Master of Engineering from the École Centrale in Paris and Master of Business Administration from the University of Cambridge. He holds a CPA (Certified Public Accountant).

More than 25 years of experience in the field of investments and consulting.

Period spent as a director of the Company as of the date of his first election: Since 2021.

Directorship and positions in any other joint-stock companies: Director at Ras Al Khaimah Gas and Ras Al Khaimah Economic Zone Authority (RAKEZ), Member of the Executive Committee at Ras Al Khaimah Ports, RAKEZ and Steven Rock.

Positions in any other important regulatory, governmental or commercial entities: Chief Investment Officer, Investment and Development Office (IDO), Ras Al Khaimah.

Mr. Abdulaziz Abdulla Alzaabi

Category: Non-executive and independent.
Experience and qualifications: Bachelor of International Business Administration from the University of San Jose, USA. More than 30 years of experience in the field of business administration in real estate and banking sector, and real estate and banking investments. Experience in the Federal National Council affairs.

Period spent as a director of the Company as of the date of his first election: Since 2017.

Directorship and positions in any other joint-stock companies: Chairman of Ras Al Khaimah Real Estate Company, Chairman of Gulf Investment Company.

Positions in any other important regulatory, governmental or commercial entities: Second Deputy of the Federal National Council President. Chairman of Ras Al Khaimah Charity Association.

Mr. Hamody A.H. Al limy

Category: Non-executive and independent.
Experience and qualifications: PhD in Chemistry. More than 40 years of experience in the pharmaceutical industry.

Period spent as a director of the Company as of the date of his first election: Since 2022.

Directorship and positions in any other joint-stock companies in UAE: Nil

Director 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.

Positions in any other important regulatory, governmental or commercial entities: Nil.

Mr. Jamal Salem Bin Darwish AlNuaimi

Category: Non-executive and independent.
Experience and qualifications: Bachelor of Accounting and Management, Beirut Arab University.

More than 20 years of experience in banking sector in the UAE and 10 years of experience on the boards of listed companies.

Period spent as a director of the Company as of the date of his first election: Since 2014.

Directorship and positions in any other joint-stock companies:Nil
Positions in any other important regulatory, governmental or commercial entities: Nil.

Mr. Raman Garg

Category: Non-executive and independent.
Experience and qualifications: 30 Years of experience across global multi-nationals and private equity funds including Sequoia Capital, Max New York Life Insurance, The Coca-Cola Company, PepsiCo, Akzo Nobel, ITC.

A Certified Chartered Accountant from The Institute of Chartered Accountants of India, a Company Secretary from the Institute of Company Secretaries of India and a Cost Accountant from Costs and Works Accountant of India.

Period spent as a director of the Company as of the date of his first election: Since 2020.

Directorship and positions in any other joint-stock companies: General Manager of Ras Al Khaimah Poultry & Feeding Co.
Al khaleej Investment (KICO) board of Director.

Positions in any other important regulatory, governmental or commercial entities: Group Chief Financial Officer of Al Hamra Group in Ras Al Khaimah.

Ms. Olfa Gam

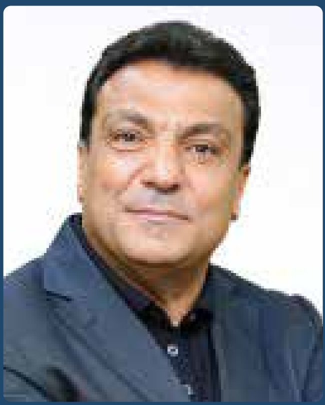
Category: Non-executive and independent.
Experience and qualifications: 25 years of experience in pharmaceutical and biotechnology industry (in particular- in Europe).
In the field of operation Industrial Engineer MBA.

Black Belt Certification.

Period spent as a director of the Company as of the date of her first election: Since 2021.

Directorship and positions in any other joint-stock companies: Nil.

Positions in any other important regulatory, governmental or commercial entities: Nil.



Mr. Abboud Bejjani

Category: Non-executive and independent.
Experience and qualifications: Advance Management Program (AMP199) - Harvard Business School, Boston (Alumni Status)
Master In Finance - St Joseph University - Beirut- Lebanon
Managing Partner of Informed, Health and Life Sciences Consulting Division.

Certified Principal Consultant for multinational healthcare consulting firms

Period spent as a director of the Company as of the date of his first election: Since 2020.

Directorship and positions in any other joint-stock companies in UAE: Nil.
Director at Ultra Group (Saudi Arabia).
Ex-Vice President of Abbvie and Abbott
Ex-Chairman of the PhRMA association for the Middle East & Africa Region

Positions in any other important regulatory, governmental or commercial entities: Nil.

Mr. Medhat Mohamed Abouelasrar

Category: Non-executive and Non-independent.
Experience and qualifications: Bachelor of Pharmaceutical Sciences . 44 years of experience in the field of sale, distribution and management of various departments in drugs and pharmaceutical companies.

Period spent as a director of the Company as of the date of his first election: Since 2019.

Directorship and positions in any other joint-stock companies: Nil.

Positions in any other important regulatory, governmental or commercial entities: Nil.

Statement of the percentage of female representation in the Board of Directors for 2022.

At the Board of Directors meeting held on 11th August, 2021, the resignation of director, Mr. Khalid Abdullah Yusuf Al Abdullah was accepted to be replaced by Ms. Olfa Gam, a non-executive and independent director. Thus, the Company has met the requirement of women representation in the Board of Directors.

Ms. Olfa Gam, Belgian national, holds Bachelor's degree in Industrial Engineering from the National School of Engineers in Tunisia and an MBA from the Vlerick Business School in Belgium.

Olfa Gam has more than 24 years of experience in pharmaceutical and biotechnology industry, and has a proven track record of pioneering industrial transformation, operational excellence and strategic and operational planning.

Statement of the reasons for non-nomination of any female in the Board of Directors for 2022.

The nomination for directorship was opened in the Board session in 2020, but no female director was nominated in the Board formation. However, the Company met the requirement of women representation in the Board of Directors through the appointment of Ms. Olfa Gam on 11th August, 2021.

Total Directors' remuneration paid for 2021.

At the Annual General Assembly Meeting of the Company held on 21st April, 2022, the Board of Directors proposal was approved, and an amount of AED 1,946,665.37 was disbursed towards the Board of Directors remuneration for the fiscal year ended 31 December 2021.

Total remuneration of the Board of Directors proposed for 2022, 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 agenda of the General Assembly to be voted on at its meeting to be held during 2023, as it has not been determined to date.

Statement of the details of fees to attend meetings of Committees emanating from the Board that the directors received for fiscal year 2022.

No fees were paid to attend the meetings of Committees emanating from the Board during 2022 for any of their members.

Details of the fees, salaries or additional remuneration charged by the director other than the attendance fees of the Committees and their reasons.

Until Jun 30,2021 Planet Pharmacies LLC was only 40% held by Julphar. In July 2021 the remaining 60% shares were acquired by Julphar, which led Julphar to be holding 100% of Planet shares starting from the second half of 2021.

In 2022, Sheikh Saqer Humaid Alqasimi received an amount of AED 720,000 for representing Planet Pharmacies LLC and its branches before the commercial and health governmental authorities for meeting the requirements of such authorities in legal representation and the need of Planet for this, as is the case in the United Arab Emirates and Sultanate of Oman.

In addition, it is worth mentioning that Sheikh Saqer Humaid Alqasimi was one of the representatives of Planet Pharmacies LLC and its branches, in his personal legal capacity mentioned above since 2016. He has received the remuneration prescribed by the Board of Directors of Planet for such representation after being appointed by its Board of Directors and notified to the Board of Directors of Julphar.

Number of Board of Directors meetings held during fiscal year 2022

The Board meetings are held in presence of the majority of directors. During 2022, five meetings of the Board of Directors were held. The dates of the Board meetings and the number of in-person attendance of all Board directors are as follows:

S.N.	Date of meeting	No. of present	No. of present by proxy	Names of absent directors
1	10/02/2022	8	–	Mr. Adel Karim
2	17/03/2022	7	–	Mr. Adel Karim and Mr. Medhat Abouelasrar
3	13/05/2022	9	–	-
4	11/08/2022	7	–	Mr. Rabih Khouri and Mr. Medhat Abouelasrar
5	09/11/2022	9	–	-

Number of Board of Directors decisions issued by circulation during fiscal year 2022, along with indicating the issue dates thereof.

During 2022, the Board of Directors issued 8 decisions by circulation. The table below shows dates of the Board meetings subsequent to the decisions:

S.N.	No. of decisions by circulation	Board Meeting Date
1	3	10/02/2022
2	2	11/08/2022
3	3	09/11/2022

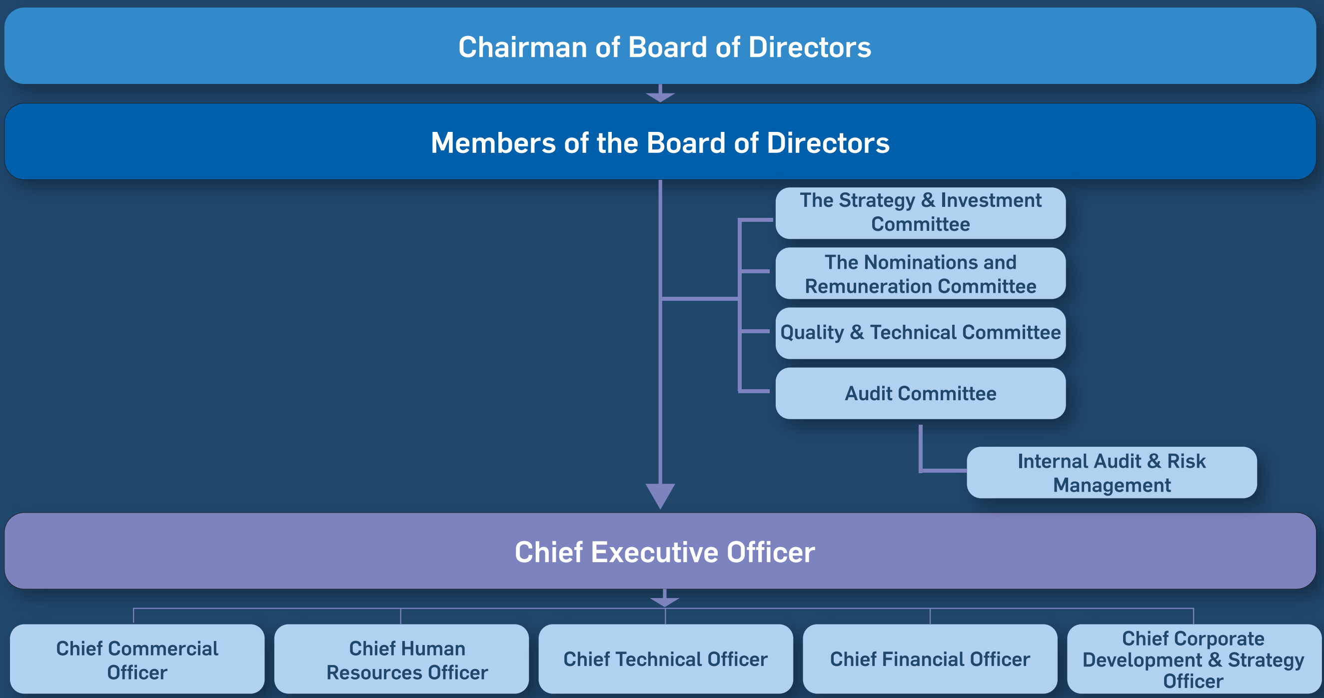
Statement of the tasks and competences of the Board of Directors carried out by a director or Executive Management during 2022 based on an authorization from the Board

S.N.	Name of authorized director	Authorization validity	Authorization term
1	Mr. Raman Garg	Authorization with the execution of any and all transaction documents related to the divestment from Julphar Ethiopia.	Until completion thereof
2	Strategy and Investment Committee	Authorizes SICO to take decisions on binding offer term changes in the Kaiser project	Until complete performance of the task

Statement on details of transactions made with related parties (stakeholders) of the Julphar group during 2022

S.N.	Description of Related Party	Classification of Relationship	Transaction Type	Transaction Volume(AED)
1	Majan Printing and Packaging	Investment	Packaging materials purchase	14,719,251

Organizational Chart



Detailed statement of senior executives in the first and second grades as stated in the organizational chart of the Company, their jobs and dates of appointment with a statement of total salaries and bonuses paid to them:

The executive management of Julphar Company conducts daily business management in accordance with the responsibilities and tasks entrusted to it and the powers authorized to them by the Board of Directors, within the framework of the rules of governance, provisions of the articles of association and the powers authorized by the Company's Board of Directors, and performs its functions in accordance with the mechanism of achieving the Company's planned objectives. The CEO, together with the executive management team, is responsible for implementing the strategies and policies adopted to achieve the Company's objectives. In addition, they are responsible to the Board of Directors for the effective application of internal control system and all related recommendations by the auditors and external regulatory authorities, as well as by the Board and its committees.

During 2022, a new Chief Financial Officer was appointed, and the former chief financial officer was appointed as Chief Corporate Development & Strategy Officer. The job title of the Chief Quality Officer was also changed, and he became the Chief Technical Officer.

The following table reviews senior executives in the first and second grades as at the end of 2022:

S.N.	Position	Date of Appointment	Total salaries and remuneration paid in 2022 (AED)	Total Bonuses paid in 2022 (AED)	Any other cash/ in kind bonuses for 2022 or due in the future	Date of Resignation
1	Chief Executive Officer	05.04.2020	3,591,828	2,000,000		
2	Chief Financial Officer	09.05.2022	938,483	-		
3	Chief Corporate Development & StrategyOfficer	01.10.2019	1,421,000	255,000		
4	Chief Commercial Officer	03.08.2020	930,000	155,000		
5	Chief Scientific Officer	15.04.2020	240,000	80,000		31.03.2022
6	Chief Technology Officer	28.04.2019	918,000	213,000		
7	Chief Human Resources Officer	03.05.2020	604,800	151,200		
8	Chief Operating Officer	19.04.2021	898,032	82,000		14.10.2022

External Auditor

About the Company's Auditor:

At the General Assembly meeting held on 21st April, 2022, M/S. Ernst & Young was reappointed as auditor for the fiscal year 2022 and their fees were set at AED 563,500.
Ernst & Young is one of the largest professional services firms, one of the four largest audit firms in the world, existing in more than 140 countries around the world, a leading provider of audit services, professional consultancy and taxation, and has been operating in the UAE since 1966.

Statement of fees and costs of audit or services rendered by the external auditor:

Name of the audit office and name of the partner auditor	Ernst & Young, Partner in Charge: Mr. Warda Ibrahim.
Number of years spent as external auditor of the Company:	4
Number of years spent by the partner auditor in auditing the Company's accounts	1
Total Audit Fees for 2022 (AED)	AED 563,500/-.
Fees and costs of special services other than auditing for the financial statements for the year 2022 (AED)	AED 157,918.
Details and nature of other services provided (if any)	Preparing Sustainability Report 2022
Statement of other services provided by another external auditor during 2022	
Auditor's Name	**Details of services provided**
Moore Stephens	Inventory count
Moore Stephens	Actuarial valuation
Pricewaterhouse Coopers	Tax consulting services
KPMG	Consultation for the accounting matter
NIRA	Submission of the quarterly VAT return
NIRA	Filing of the ESR return for the FY21
KGRN Accounting Associates	Assistance with VAT refund

Reservations made by the Company's auditor of in the interim and annual financial statements for 2022

No reservations have been made by the Company's auditor in the Company's interim financial statements for 2022. The annual financial statements for 2022 are still under review and preparation while this report is issued.

Audit Committee

Declaration by the Audit Committee Chairman that he is responsible for the Committee's system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

Mr. Raman Garg, the Audit Committee Chairman, declares his responsibility for the Committee's system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

Names of the Audit Committee members and statement of the competencies and tasks enrusted to it.

The Audit Committee carries out its work in accordance with Article (61) of the Authority's Chairman Decision No. (03/ R.M.) of 2020 regarding the adoption of Governance Guide for Public Joint-Stock Companies. The main tasks, responsibilities and powers of the Audit Committee are to control and audit the financial statements, as well as the internal control and risk management systems of the Company, and to issue the necessary recommendations to the Board of Directors regarding the internal administrative and financial control systems of the Company. The Committee is also concerned with organizing the contracting and dealing with the external and internal auditors of the Company. In addition, it plays its main role in ensuring the Company's compliance to implement all approved operational and financial policies and procedures.

The Committee was reformed at the Board of Directors meeting No. (4) of 2021, held on Wednesday, August ,11 2021. The Audit Committee consists of the following members:

- **Committee Chairman, Mr. Raman Garg.**
- **Committee Member, Ms. Olfa Gam.**
- **Committee member, Mr. Abdulaziz Abdulla Alzaabi.**
- **Committee member from outside the Company's Board of Directors, Mr. Razi Adel Ahmed Dolani.**

Number of meetings held by the Audit Committee during 2022

S.N.	Date	Present	Excused	Meeting Purpose
1	07/02/2022	4	-	Audit of financial statements and other financial and administrative matters.
2	11/03/2022	4	-	Other financial and administrative matters.
3	14/03/2022	4	-	Audit of financial statements and other financial and administrative matters.
4	30/03/2022	4	-	Report of audit results.
5	06/05/2022	3	Ms. Olfa Gam	Audit of financial statements and other financial and administrative matters.
6	09/05/2022	4	-	Other financial and administrative matters.
7	30/06/2022	4	-	Internal audit report
8	08/08/2022	3	Mr. Razi Dolani	Audit of financial statements and other financial and administrative matters
9	26/09/2022	4	-	Internal audit report
10	26/10/2022	4	-	Review internal results with management.
11	04/11/2022	4	-	Other financial and administrative matters.
12	07/11/2022	4	-	Audit of financial statements and other financial and administrative matters

Nomination and Remuneration Committee

Declaration by the Nomination and Remuneration Committee Chairman that he is responsible for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

Mr. Abboud Bejjani, the Nomination and Remuneration Committee Chairman, declares his responsibility for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

The names of the Nomination and Remuneration Committee members, and statement of competencies and tasks entrusted to it.

The Nomination and Remuneration Committee carries out its work in accordance with Article (59) of the Authority's Chairman Decision No. (03/R.M) of 2020 regarding the adoption of Governance Guide for Public Joint-Stock Companies. Its tasks, responsibilities and powers are mainly to determine the set of individual and total remuneration for directors in accordance with the approved procedures, and to develop the remuneration policy for the executive management associated with the Company. The Committee is also responsible for preparing and reviewing human resources policies in accordance with the relevant laws and regulations. The Committee supervises the procedures for nominating the directors as well as basis and conditions for their selection. The Nomination and Remuneration Committee was reformed at the Board meeting No. (4) of 2021, held on Wednesday, August 2021 ,11.The Nomination and Remuneration Committee consists of the following members:

- **Committee Chairman, Mr. Abboud Bejjani**
- **Committee Member, Mr. Jamal Salem Bin Darwish AlNuaimi**
- **Committee Member, Mr. Rabih Khouri**

Number of meetings held by the Nominations and Remuneration Committee during 2022

S.N.	Date	Present	Excused
1	24/01/2022	2	Mr. Jamal Salem Bin Darwish AlNuaimi
2	08/02/2022	3	-
3	22/03/2022	3	-
4	06/09/2022	3	-
5	24/11/2022	2	Mr. Rabih Khouri

Follow-up and Supervision of Insiders' Transactions Committee

Declaration by the Committee Chairman or the person authorized that he is responsible for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness

The Committee Chairman, Mr. Juergen Lauterbach, with his responsibility for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

Names of the Follow-up and Supervision of Insiders' Transactions Committee members, and a statement of the competencies and tasks entrusted to it.

The Follow-up and Supervision of Insiders' Transactions Committee has been reformed in line with the governance system. It carries out its tasks and competence, including the following persons:

- Chief Corporate Development & Strategy Officer, Mr. Juergen Lauterbach, Committee Chairman.
- Chief Human Resources Officer, Mr. Gopa Kumar, Committee Member.
- Hessa Ali Al-Shehhi, Committee Member.

The tasks of the Follow-up and Supervision of Insiders' Transactions Committee are:

- Compliance with the Securities and Commodities Authority and the Abu Dhabi Securities Exchange resolutions, as amended.
- Responsible for supervising the insiders' transactions and their properties, maintaining the register, and submitting periodical statements and reports to the market.
- Updating the list of insiders in case any change occurred, and informing the concerned authorities.

Summary of the Committee work report during 2022.

The Committee shall periodically update the list of the Company's insiders, and provide Abu Dhabi Securities Exchange with it. It shall comply with the Authority and Market resolutions, and any amendments related thereto.

Any Committee(s) approved by the Board of Directors

The Company has other Committees together with the permanent Committees; namely: Strategy and Investment Committee and Quality & Technical Committee.

Strategy and Investment Committee

Declaration by the Strategy and Investment Committee Chairman that he is responsible for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.Mr. Rabih Khouri, the Committee Chairman, declares his responsibility for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

Names of the Committee and its members

The Strategies and Investment Committee is a Committee of the Julphar Board of Directors, It consists of:

- Committee Chairman, Mr. Rabih Khouri.
- Committee Member, Ms. Olfa Gam.
- Committee Member, Mr. Abboud Bejjani.
- Committee member from outside the Company's Board of Directors/ Mr. Jean Diab.
- Committee Member from outside the Company's Board of Directors/ Mr. Carol Blery, who was appointed on 11th August, 2022
- Committee member from outside the Company's Board of Directors/ Mr. Karol Michalak, who was appointed on 09th November, 2022

Main tasks and competencies of the Strategy and Investment Committee are:

The Committee acts as a link between the Company's management and the Board of Directors, through adoption of executive decisions on matters referred to the Committee that fall within its competences. The Committee competences include, but are not limited to, the following:

- Review and approval of strategy by the Board of Directors. Develop and control compliance with relevant legislation and regulations; supervise initiatives that are likely to have a material impact from an organizational or competitive perspective on the Company and others' reputation.
- Review, approve and recommend the annual plan of the Company's business, and the estimated budget for approval by the Board of Directors. Supervise and evaluate the Company's performance compared to the work plan, and submit recommendations to the Board of Directors.
- The Committee is also responsible for reviewing and approving contracts related to important strategy and other essential matters related to accounting and finance within the limits set out in the Committee charter.
- Other responsibilities such as reviewing reports, economic feasibility studies and investment risk assessment, approving or rejecting them before submitting them to the Board of Directors for approval as well as monitoring strategic projects and important transformation initiatives. Discussing and approving studies and management recommendations regarding participation or making direct or indirect investments as permitted by the Company's Articles of Association.
- Carry out any other work entrusted to it by the Company's Board of Directors of the Company.

Statement of the number of meetings held by the Committee during 2022 and the dates of their convening, indicating the number of times all members of the Committee attended in person:

During the year 2022, the Strategy and Investment Committee held 21 meetings, in the presence of the majority of its members

Quality & Technical Committee

Declaration by the Quality & Technical Committee Chairman that he is responsible for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

The Committee Chairman, Ms. Olfa Gam, declares its responsibility for the Committee system in the Company, reviewing its work mechanism, and ensuring its effectiveness.

The name of the Committee and its members, and statement of its competencies and tasks entrusted to it.

The Quality & Technical Committee is a Committee emanating from the Board of Directors. It was reformed at the Board of Directors meeting No. (4) held on Wednesday, August 2021 ,11 and consists of:

- Committee Chairman, Ms. Olfa Gam.
- Committee member, Mr. Medhat Mohamed Abouelasrar.
- Committee member, Mr. Abboud Bejjani.

Statement of the main tasks and competences of the Quality & Technical Committee:

The Quality & Technical Committee, emanating from the Board of Directors, contributes to the fulfilment of its supervision responsibilities with regard to quality, compliance issues and scientific and technical direction.

As well as the following responsibilities, including, but are not limited to:

- Periodically review reports on significant compliance matters with stakeholders in the Company's Quality and Compliance Section.
- The Committee is responsible for primary supervision of all areas of quality and compliance issues (non-financial compliance).
- Supervising the Company's innovations and production line strategies, as well as evaluating the competitive position of the Company's pharmaceutical portfolio and new potential treatments, following up the Company's approach to developing new markets, and following up the Company's effectiveness in the field of research, development and intellectual property.
- Review the development and implementation of key business policies by the management, including security and safety policies, quality assurance and control policies, the Company social responsibility policies, regulatory affairs policies, production policies...etc.
- Follow up the tasks and duties assigned by the Board of Directors from time to time.

Statement of the number of meetings held by the Committee during 2022 and the dates of their convening, indicating the number of times all members of the Committee attended in person:

During the year 2022, the Quality & Technical Committee held 5 meetings, in the presence of the majority of its members.


Biotech

Internal Control System

Declaration by the Board with its responsibility for internal control inside the Company, reviewing the mechanism of its work, and ensuring its effectiveness.

The Board of Directors declares its responsibility for the internal control system in Julphar, reviewing the mechanism of internal control system work, and ensuring its effectiveness through the work and tasks of the Committees emanating from it. The Internal Control Section of Gulf Pharmaceutical Industries (Julphar) organizes the audit and internal control procedures and follows up the external audit work, which is an important part of the application of an effective internal control system in addition to the application of governance system. The Internal Control Section works under the supervision and follow-up of the Audit Committee emanating from the Board. Its role is represented by the following tasks:

- Ensure the correctness and safety of work procedures in administrative and financial departments.
- Verify the effectiveness and efficiency of financial and administrative performance.
- Follow up and address problems and correct errors found out during work.
- Develop an assessment of the Company's risk management methods and procedures, and properly apply its governance rules.
- Verify compliance of the Company and its employees with the laws, regulations and decisions in force that regulate its business.
- Contribute to the financial and administrative development by providing recommendations and suggestions to stakeholders in the Company.
- Ensure application of internal policies and procedures.
- Review the financial statements presented to the senior management of the Company, and used in the preparation of financial statements.

Name of the Director of Internal Control Department, his qualifications, and date of his appointment.

The Company's Internal Control 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, Chartered Management Accountant (CMA), USA and holds Bachelor of Commerce of the Arab Republic of Egypt.

Name, qualifications and date of appointment of the Compliance Officer.

At the Company's Board of Directors meeting held on 10th February, 2022, it was approved to appoint Mr. Ahmed Kamal Eldin as a Compliance Officer in the Company, in addition to his position as Head of Legal Department since joining the Company in April 2021.

He is a qualified legal consultant, holding Bachelor of Laws and a lawyer enrolled at the level of appeal by the Egyptian Bar Association, with extensive legal and professional experience for more than 10 years in several sectors, for example: the real estate sector and pharmaceutical industry 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 Control Department deals with any major problems in the Company or those disclosed in the annual reports and accounts.

The Internal Audit Department has a continuous follow-up program for audit observations, by working with the competent department and developing agreed preventive corrective actions with a committed deadline, and through continuous follow-up to ensure that the agreed corrective and preventive actions are completed on time.

Number of reports issued by the Internal Control Department to the Company's Board of Directors

The Internal Control Department issued five reports to the Company's Board of Directors during 2022.

Details of violations committed during 2022, reasons for them, how to address them and avoid their recurrence in the future.

The Company did not commit any violations during 2022 with regard to the disclosure of the interim and annual financial reports as well as other disclosures required.

Statement of the cash and in-kind contributions made by the Company during 2022 in the development of local community and preservation of the environment.

During 2022, the Company did not pay any cash that would contribute to the development of the local community and preservation of the environment.

Believing in the importance of environment and its preservation, during 2022, without limitation, Julphar has social initiatives such as:

- Organized many events in the fields of healthcare and sports to enhance Julphar's social standing.
- This is in addition to what it has done during the previous years in relation to the preservation of the environment.

General Information:

Statement of the Company's share price in Abu Dhabi Securities Exchange at the end of each month during the fiscal year 2022

Month	Top price	Minimum Price	Closing Price
1	1.87	1.70	1.73
2	1.75	1.36	1.45
3	1.52	1.36	1.39
4	1.46	1.31	1.38
5	1.38	1.20	1.29
6	1.32	1.23	1.29
7	1.42	1.29	1.37
8	1.38	1.28	1.31
9	1.31	1.15	1.20
10	1.30	1.20	1.22
11	1.23	1.14	1.19
12	1.23	1.13	1.16

Statement of the comparative performance of the Company's share with the general market indicator and the indicator of sector to which the Company belongs during 2022

Month	Company's share price	General indicator Abu Dhabi Securities Exchange	Healthcare Sector Indicator
1	1.73	8,704.26	4,724.44
2	1.45	9,319.40	4,465.61
3	1.39	9,948.78	4,346.60
4	1.38	10,081.35	4,328.33
5	1.29	10,054.87	4,163.89
6	1.29	9,374.70	4,163.91
7	1.37	9,663.47	3,889.29
8	1.31	9,874.51	3,773.13
9	1.20	9,750.82	3,578.80
10	1.22	10,412.25	3,549.59
11	1.19	10,552.37	3,494.80
12	1.16	10,211.09	3,538.61

Statement of equity distribution as at 2022/12/31 (Individuals, Companies, Governments) classified as follows: Local, Gulf, Arab and Foreign:

S.N.	Classification of Shareholder	Percentage of Shares Held			
		Individuals	Companies	Government	Total
1	Local	24.26%	37.77%	12.24%	74.27%
2	Gulf	11.95%	0.44%	0	12.39%
3	Arab	1.15%	11.31%	0	12.46%
4	Foreigner	0.76%	0.12%	0	0.88%
5	Total	38.12%	49.64%	12.24%	100%

Statement of shareholders holding 5% or more of the Company capital as at 31/12/2022

S.N.	Name	Number of shares held	Percentage of shares held from the Company capital
1	Middle East Pharma Investments	278,334,700	24.09%
2	Government of Ras Al Khaimah	141,400,221	12.24%
3	Arab Company for Drug Industries & Medical Appliances Acdima	105,713,772	9.15%
4	Yasser bin Yousef bin Mohammed Naghi	103,970,503	9.00%
5	Mohamed Abdulaziz Rabie Shaheen Al Muhairi	87,552,538	7.58%
6	Sheikh Faisal bin Saqr bin Mohamed Al Qassimi	82,919,262	7.18%
	Total	799,890,996	69.24%

Statement of shareholders distribution according to the volume of ownership as at 31/12/2022

S.N.	Share ownership	No. of Shareholders	Number of shares held	Percentage of shares held from capital
1	Less than 50,000	1469	8,546,249	0.74%
2	50,000 to less than 500,000	240	39,531,953	3.42%
3	500,000 to less than 5,000,000	78	99,315,401	8.6%
4	More than 5,000,000	17	1,007,834,208	87.24%
5	Total	1,804	1,155,227,811	100%

Statement of measures taken regarding investor relations controls:

The Company has a special section for investor relations in order to provide all the necessary facilities, services and information required by investors. The webpage of investor relations has been updated to enable easy access to the Company's information and all related disclosures. The information below is related to the Investor Relations Section:

- Name of Investor Relations Officer: Hessa Al Shehhi
- Tel.: 0097172045273
- Email: investors@julphar.net
- Investor Relations Website: https://www.julphar.net/en/investors

Special resolutions presented at 2022 General Assembly and actions taken thereon

During the Company's General Assembly Meeting held on April 21, 2022, the following special decision was discussed:

Approve the amendment of the preamble and articles 1, 5, 14, 20, 21, 38, 40, 44 and 58 of the articles of association of Gulf Pharmaceutical Industries Company (Julphar) PJSC in accordance with Federal Decree-Law No. 32 of 2021 on Commercial Companies, subject to obtaining the approval of competent authorities.

All the items of the articles to be amended were presented to the General Assembly, and then the amendments to the above-mentioned articles were approved by majority. The Company's Articles of Association were then amended.

Name of the Board of Directors meetings rapporteur and date of his appointment.

Assigning duties of the board secretary to Ms. Lulwa Sorour Al-Shehhi. She holds a Bachelor of Laws from the University of Sharjah with grade: Excellent with first class honors. She has practical experience in the banking sector. She joined the Company as of August 9, 2022.

Detailed statement of the significant events and disclosures encountered by the Company during 2022.

Date	Events/ Disclosures
31/01/2022	Receiving the SAP Digital Supply Chain Award for Winning Against the Odds, during an event organized by SAP at Expo 2020 Dubai.
24-27/01/2022 21-24/02/2022	Participation in the annual conference of both Arab Health & Duphat Conference.
10/3/2022	Discussed of investment opportunities in the Kurdistan Region of Iraq.
14/3/2022	Reception of the Consul General of the Republic of Korea in Dubai with a delegation of senior officials and businessmen to discuss the prospects for future cooperation, and ways to raise economic and investment exchange between the UAE and the Republic of Korea.
23/3/2022	Entered into a licensing and supply agreement with Hetero, one of India's leading generic pharmaceutical Companies and the world's largest producer of anti-retroviral drugs.
24/3/2022	Joined the membership of the UAE International Investors Council (UAEIIC) which has under its umbrella a consortium of mega Emirati Companies investing abroad in all economic sectors.
27-30/3/2022	Receiving a delegation from the UAE Ministry of Health.
20/4/2022	Announces its Strategy 2030 with more than 100 New Products to Drive Sustainable Growth.
27/4/2022	Entered into a agreement with Quantum Genomics to subscribe new ordinary shares of Quantum Genomics share capital for an aggregate subscription price of USD 2 million
7-15/6/2022	Received the Egypt MOH Inspectors.
17/6/2022	Receiving a delegation from the Ministry of Industry and Advanced Technology to learn about the important achievements witnessed by the Company, and to identify the pioneering model in the production of raw insulin based on its unique and first-of-its-kind biotechnology facilities.
25/6/2022	Signing of a joint cooperation agreement with Huadong Medicine of China to manufacture and market liraglutide in the Middle East and North Africa markets.
14/10/2022	Receiving the Republic of Kosovo Ambassador to the State to discuss means of joint cooperation between Julphar and the Republic of Kosovo.
21/10/2022	Under the umbrella of the Ministry of Industry and Advanced Technology enter into a strategic partnership to establish the first factory in the Middle East to produce Glargine (the most vital alternative to insulin) and lunch Glargine in the UAE in partnership between Pure Health and Julphar.

Statement of the transactions carried out by the Company with related parties during 2022, which are equal to 5% or more of the Company capital.

The Company has not entered into any transaction equivalent to 5% or more of the Company's capital with related parties during 2022.

Statement of the percentage of Emiratisation in the Company by the end of 2020, 2021 and 2022

S.N.	Year	No. of UAE national employees	Percentage
1	2020	148	6.2%
2	2021	163	6.6%
3	2022	190	9.8%

Statement of the innovative projects and initiatives undertaken by the Company or under development during 2022.

- Signing the MoU on October 11, 2022, with Pure Health under the auspices of the Ministry of Industry and Advanced Technology, Ministry of Health and Ministry of Education to support Julphar to produce Glargine at Julphar in Ras Al Khaimah. Once implemented, it will be the first manufacturer in the MENA region to produce Glargine API and anti-diabetic drugs that meet the needs of GCC countries and MENA region, especially as the diabetes prevalence has reached 16% of the population in the UAE and the cost of treating the diabetes patients in the UAE is about $2.0 billion annually.

  Consequently, the early diagnosis and treatment is a must to address the needs of this growing patient group.

- In 2022, Julphar was able to register 13 new products in different therapeutic areas for patient needs.

- Develop a leading range of generic pharmaceutical products that fall under “Proton Pump Inhibitors and Immediate Action Antacids”. Prorise 40 mg capsules has been successfully introduced to the market, which is the first product of its kind for this pharmacological group in the GCC region.

- Development of the primary filling system using "cold-dried aluminum strips" to improve stability of pharmaceutical grade antibiotic products with high sensitivity to moisture and heat.

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Chairman

Date: .../.../.....

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Audit Committee Chairman

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Nominations and Remuneration Committee Chairman

Date: .../.../.....

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yasser Fouad
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Head of Internal Audit

Date: .../.../.....

Sustainability Report 2022

Gulf Pharmaceutical Industries Julphar

Julphar

ABOUT THE REPORT

Report Overview

This document is the Environmental, Social & Governance (ESG) report of Gulf Pharmaceutical Industries Co. (P.S.C.) hereinafter known as Julphar. This report marks the third consecutive reporting year of Julphar's performance on key economic, governance, environmental, and social topics. Consistent reporting on (ESG) subjects over the past few years highlights our commitment towards transparent disclosure of information across all aspects of our ESG journey.

Reporting Period and Frameworks

This report discusses our annual ESG performance for the calendar year beginning from 1 January 2022 to 31 December 2022. Our previous ESG reports were summarized with reference to GRI Standards 2016: Core option. In an effort to gradually adapt to the revised GRI Standards 2021, this 2022 ESG Report is developed with reference to the GRI Standards 2021. In addition, we have also disclosed against the requirements of Abu Dhabi Stock Exchange's Environment, Social, and Governance (ESG) Disclosure Guidance for Companies. Disclosures reported under these frameworks are also mapped with United Nations' Sustainable Development Goals (UN SDGs).

Data Management

At Julphar, we periodically review our data collection processes and controls to ensure coherent and timely reporting. The data required under the reporting frameworks is collected from the respective departments on an annual basis. Due to inherent measurement uncertainties, some of our disclosures in this report are estimated or based on assumptions.

Reporting Topic Boundaries

This report covers information and data related to our activities in UAE, including our Head Office, and manufacturing plants. Data from contractors and suppliers are not included in this report unless otherwise stated.

This report has been approved by the authorized management. This report has not been subjected to external assurance.

Contact Point for the Feedback on the Report

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

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

CONTENTS

INTRODUCTION

Message from the Chairman

His Highness Sheikh Saqer Humaid Abdulla Alqasimi

It is with great pride and a sense of purpose that I write this message as the Chairman of Julphar. The healthcare industry is undergoing a period of unprecedented transformation, and at Julphar, we are committed to being at the forefront of this change.

Our mission to improve the lives of the people we serve by providing affordable, accessible healthcare remains unchanged. To this end, we have made significant progress in building our capacity, expanding our product portfolio, and developing new partnerships that will allow us to reach more people and have a greater impact.

In 2022, we have continued to focus on growth and progress, while also taking a responsible approach to our operations. Our Strategy 2030 sets us on a high-growth trajectory and will help drive change across multiple areas of our business. We have made important investments in technology and research and development, and we have taken steps to expand our footprint in new pharmaceutical markets.

At the same time, we are acutely aware of the impact of climate change and the need for sustainability in business practices. Our ESG report for 2022 reflects our commitment to environmental stewardship, social responsibility, and good governance. Through this report, we aim to be transparent about our progress and take corrective action where necessary to ensure that we are doing our part to create a more sustainable future.

We are proud of our diverse and inclusive workplace and believe that diversity drives creativity and innovation. Our culture of inclusion and respect is a core part of who we are, and we will continue to promote it as we grow and evolve.

In conclusion, I would like to thank all of our employees, partners, and customers for their continued support and confidence in our company. I am optimistic about our future and believe that, together, we can achieve great things and make a lasting impact on the world.

Message from the Chief Executive Officer[1]

Dr. Essam Mohamed

At Julphar, we believe in creating value for all those who trust us. We do this by embracing innovation, fostering collaboration, and utilizing the latest technology. Our aim is to make the world a better place through our products and services, while also being mindful of the impact we have on the environment. Our latest ESG (Environmental, Social and Governance) report details our progress in this regard.

I am proud to announce that our efforts have resulted in a 42% increase in revenue in FY 2022 compared to the previous year 2021. This growth was largely driven by a 24% increase in production volume and is a reflection of the increasing impact we were able to achieve on patients' access to treatment. Our focus on ethical and sustainable business practices has paved the way for new strategic partnerships with leading pharmaceutical companies, which will help us expand into new markets.

We are also committed to investing in our employees. In FY 2022, we provided over 30,000 hours of professional development training. Our culture of inclusion, respect, and diversity is at the core of everything we do, and our community development initiatives are a testament to our commitment to making a positive impact in the communities where we operate. Compliance with all relevant laws and regulations is a top priority at Julphar.

With this report, we aim to build trust and provide more clarity on our objectives towards sustainability. I am confident that we can create positive value for our business, patients and customers, communities, and the environment.

[1] Mr. Bassel Ziyadeh has been appointed as a replacement for Dr. Essam Mohamed on 13 February 2023.

Progress & Highlights

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

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

Launch of
Strategy 2030

Learning & Development

Training Type	Participants Count	Session Count
Capability Building Sessions	1,019	51
GMP Compliance and Technical Sessions	1,174	35
Industrial Training for Pharmacy College Students	136	4

4 waves of Industrial Training
were provided to 136 students from different universities

3 waves of Leadership Development Workshops
conducted covering 150+ Managers

We have **12 internationally certified facilities**

Production Capacity:
1+ million boxes of medicines a day

Strong R&D activities:
13 new products launched

10+ initiatives implemented across the plants;
CAPEX initiated for the bottleneck lines to support 2023 business

86 training sessions
were conducted covering 2,100+ employees

Robust distribution network including
259 pharmacies in the GCC

17%
rise in **UAE nationals hired**

Adoption of energy efficiency technology:
Replaced 4,000 lamps with LED lightings

3.6% decrease in water consumption

24% growth in production volume in 2022

More than
30% increase in monthly production plan

2,446 employees
across the globe

6.7% Female workforce
increased

100%
of wastewater from manufacturing plant is treated

1.2% decrease in total emission

85% of products exported

40.3% annual increase in net economic value generated in 2022

90 trainings sessions
spread across various departments

18.7% decrease in non-hazardous waste

16.2% decrease in diesel consumption

ABOUT JULPHAR

Company Profile

Gulf Pharmaceutical Industries Co. (P.S.C.) (Julphar) is one of the leading pharmaceutical companies in the Middle East and Africa. Our headquarters are located in the Emirate of Ras Al Khaimah, United Arab Emirates (UAE)-, established in 1980, under the guidance of His Highness Sheikh Saqr Bin Mohammad Al Qasimi. Our first stand-alone facility produced five products. Four decades later, we endeavour to be part of the UAE's vision to build a strong and coherent economy. As a public shareholding company, we understand our responsibility towards our stakeholders. We manufacture quality & affordable products and follow the best international practices, ensuring we meet internationally approved quality standards for our products & processes, such as, ISO 9001 and ISO 14001 accreditations.

We are amongst the world's largest manufacturers of Insulin, equipped with capacity to produce 1,200 kg of recombinant human insulin equivalent to 40 million vials of insulin per year. Our medicines attribute to major therapeutic segments, including Gastrointestinal Tract (GIT), Respiratory, Pain Management, Wounds and Scars, Anti-infectives, Anaemia, Gynaecology, Dermatology, Erectile Dysfunction, and Cardiology.

Our product portfolio includes:

General Medicines

- Julphar has a robust product portfolio targeting major therapeutic segments.
- Julphar has a unique footprint in the region, where our medicines are tailored to the needs of local patients, physicians and consumers.
- Julphar continues to pursue a rich future in general medicines with a focus on broadening its portfolio and providing high quality products to patients.

Julphar Diabetes Solutions & Other Medicine for Diabetes Patients

- Julphar Diabetes provides full disease solutions for people with diabetes to improve their well-being and lead better quality of life.
- Since its inception, Julphar diabetes was considered not only amongst the largest insulin crystals (API) manufacturers but also the only of its kind in the Middle East and Africa region.
- Our state-of-the-art Biotechnology facility was built according to the international standards with annual capacity of producing up to 1,200 kg of insulin crystals (API), equivalent to 30 million insulin vials annually.

Our company offers a diverse range of healthcare products. Please see the table below for a breakdown of our product categories and their corresponding capacities.

Capacity vs Category

Categories (Capacity-22)

Ampoule	8.3	Powder Vials	25
Capsule	15	PPS	12
Cream/Ointment	43	Suppositories	14
Drops	11	Suspension	23
Liquid Vials - Jusline & Epotin	1.2	Syrup	27.5
Lyo Vials	10	Tablet	68.6

260
Grand Total - Mn Packs

Here is a timeline of some of the critical events in our journey so far.

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

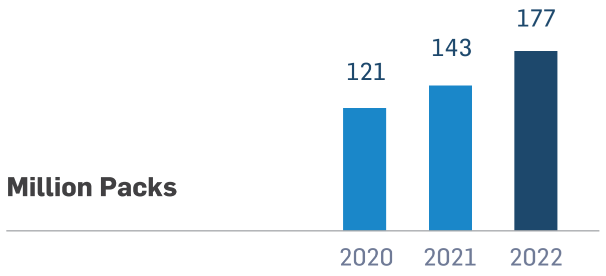
2021
Julphar started manufacturing Covid-19 vaccine Hayat-Vax.

Acquisition of remaining 60% in Planet Pharmacies.

2022
Julphar achieved one of the most successful turnaround stories in the pharma market history and launched its transformational growth strategy 2030.

Value Chain

Julphar has 12 internationally certified manufacturing facilities globally. With over 4,000 product registration certificates, we can produce nearly a million boxes of medicines daily. We have a local manufacturing facility in Ethiopia.



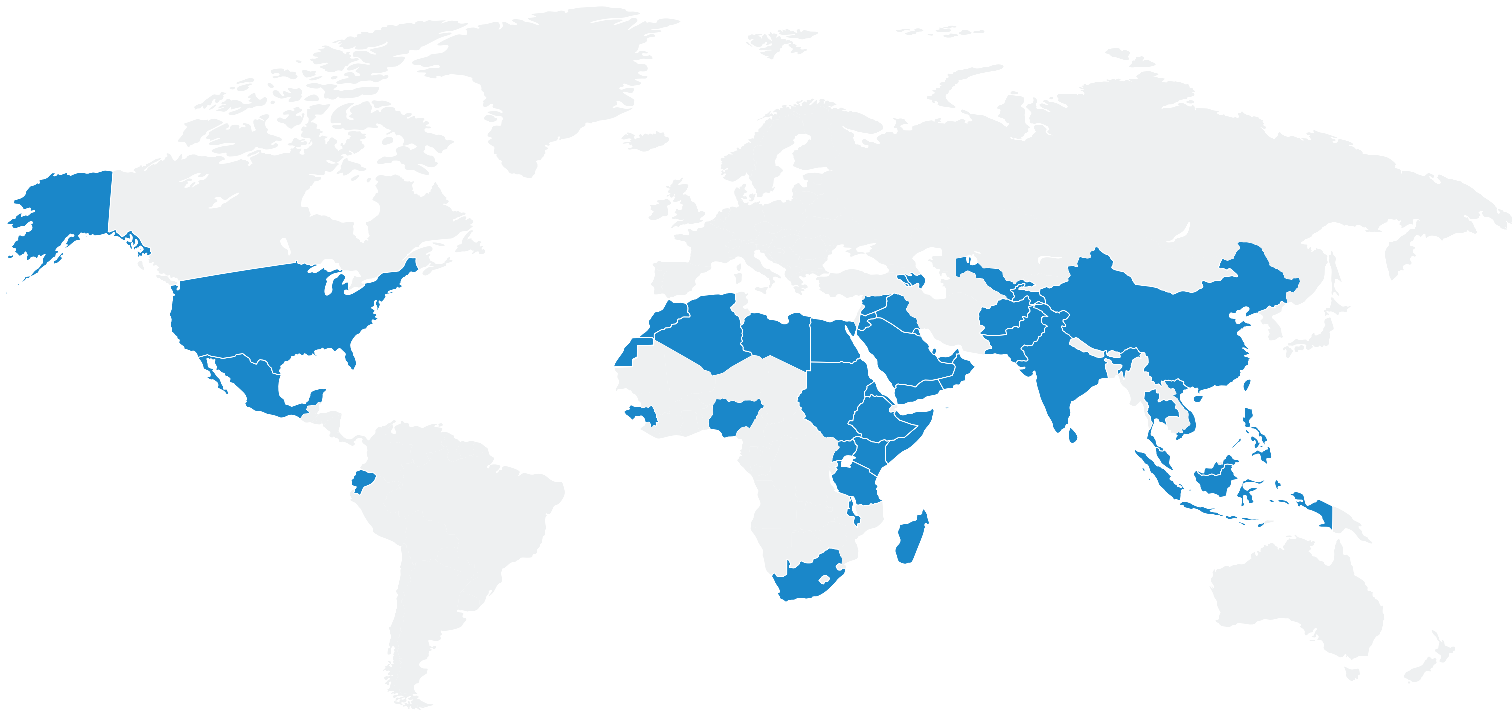
Our production volume saw a growth of 24% in 2022. We have a robust distribution network which includes 259 pharmacies spanning across Gulf Co-operation Council (GCC). Our UAE headquarters acts as a hub enabling us to distribute medicines by road across the region through our transport division Mena Cool. Julphar has a reliable logistics network that covers five continents, viz., Asia, Africa, Europe, South America, and North America. (Refer to map below).

Julphar is a major exporter, with over 85% of our products being exported outside of the United Arab Emirates. Our company complies with the country-specific health authorities laws and regulations of the UAE and other countries where we have business and important export markets for us. We take compliance seriously and ensure that our operations comply with the laws and regulations of all our markets.

Our ambition is to continuously cater to the needs of the global healthcare ecosystem. Our ***Strategy 2030*** reaffirms this ambition as we endeavour to launch new products and enter new geographical locations.

Memberships and Associations

- Julphar has joined the UAE International Investors Council (UAEIIC).
- Julphar has been awarded the Golden Membership of Excellence for business owners in GCC countries, recognizing the company's commitment to excellence and innovation.



Strategy

Our ***Strategy 2030*** aims to drive transformation through sustainable growth and deliver enhanced value for all stakeholders. We are targeting to triple our revenue via six central growth pillars listed below.

Maximizing Revenue from Current Product Portfolio

- We have achieved consistent growth in revenues in recent years and we remain on track to deliver revenue growth in coming years as well from our legacy products.

New Product Launches

- We aim to launch more than 100 new products between 2022 till 2030 by capitalizing on our in-house R&D, licensing agreements with top-tier pharma partners and acquiring new products.

Geographical Expansions

- We aim to enter new territories and key pharma markets including CIS (Commonwealth of Independent States) countries, Turkey, Latin America, and Africa . This will help us to create new revenue streams. Necessary GMP approvals from PICs, ANVISA, the WHO and the EU are underway which will enable us to expand our business into other strategic regions.

Strategic Business Initiatives

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

Advanced Specialty Products Initiative

- We are venturing into well-defined new therapeutic areas, including future treatments for Oncology, Hormones and Immunology drugs. We are also expanding into the vaccine production and biotechnology space.

In-Organic Growth Initiatives

- Strengthening in house R&D activities.
- Forging strategic relationships with global institutions to maximize the market access and increase market share in new countries.

ESG at Julphar

What ESG Means to Julphar

Julphar's vision to enhance the well-being of the community and individuals is at the core of our value system. At Julphar, we recognize the impact of ESG issues on society, as well as our business, and we are committed to carrying out our actions responsibly and ethically. In addition to the broader impact on society, there is evidence[2] from research that corporates that include ESG concerns in their strategy do not experience a drag on value creation—in fact, quite the opposite. Better performance in ESG also corresponds with a reduced downside risk generally through higher credit ratings, lower loan credit spreads, etc. In that context, ESG can bring many opportunities to accelerate growth, reputation, and long-term sustainability.

Contribution to Sustainable Development (National and Regional)

Julphar is dedicated to promoting sustainable development in the UAE and stay aligned with the United Nations Sustainable Development Goals. We deem it our responsibility to make significant contribution to ***We the UAE 2031*** vision. Through our Strategy 2030, released in 2022, we align our goals to resonate with the development ambitions of UAE. At Julphar XI, we produce the API (raw material) for human insulin that meets the demand in the UAE and GCC.

The ambitious vision, which aims for holistic development has its goals set across four pillars which are - *forward society, forward economy, forward diplomacy, and forward ecosystem*. Julphar's strategy is to launch new products and increase global footprint by entering new geographies. Being one of the largest pharmaceutical companies in the UAE, we believe that our growth will have direct impact by virtue of more job opportunities, increased exports of non-oil products & foreign trade and availability of better healthcare solutions eventually leading to better quality of life.

Additionally, we have also partnered with leading organizations in the UAE, the Middle East and beyond- this includes universities and colleges in the UAE, in an effort to boost employment opportunities for graduates and students. Through these partnerships, we are achieving our vision of empowering young people in the UAE and promoting a sustainable future. Julphar awards scholarships - under certain conditions - to its national employees and to outstanding high school graduates to help them balance work and study. With its own training center, Julphar is committed to helping Emirati workers develop their skills and abilities so they can take on higher positions.

With above initiatives, we aim to emerge as major impact player in UAE's growth story and actively contribute towards regional & national development.

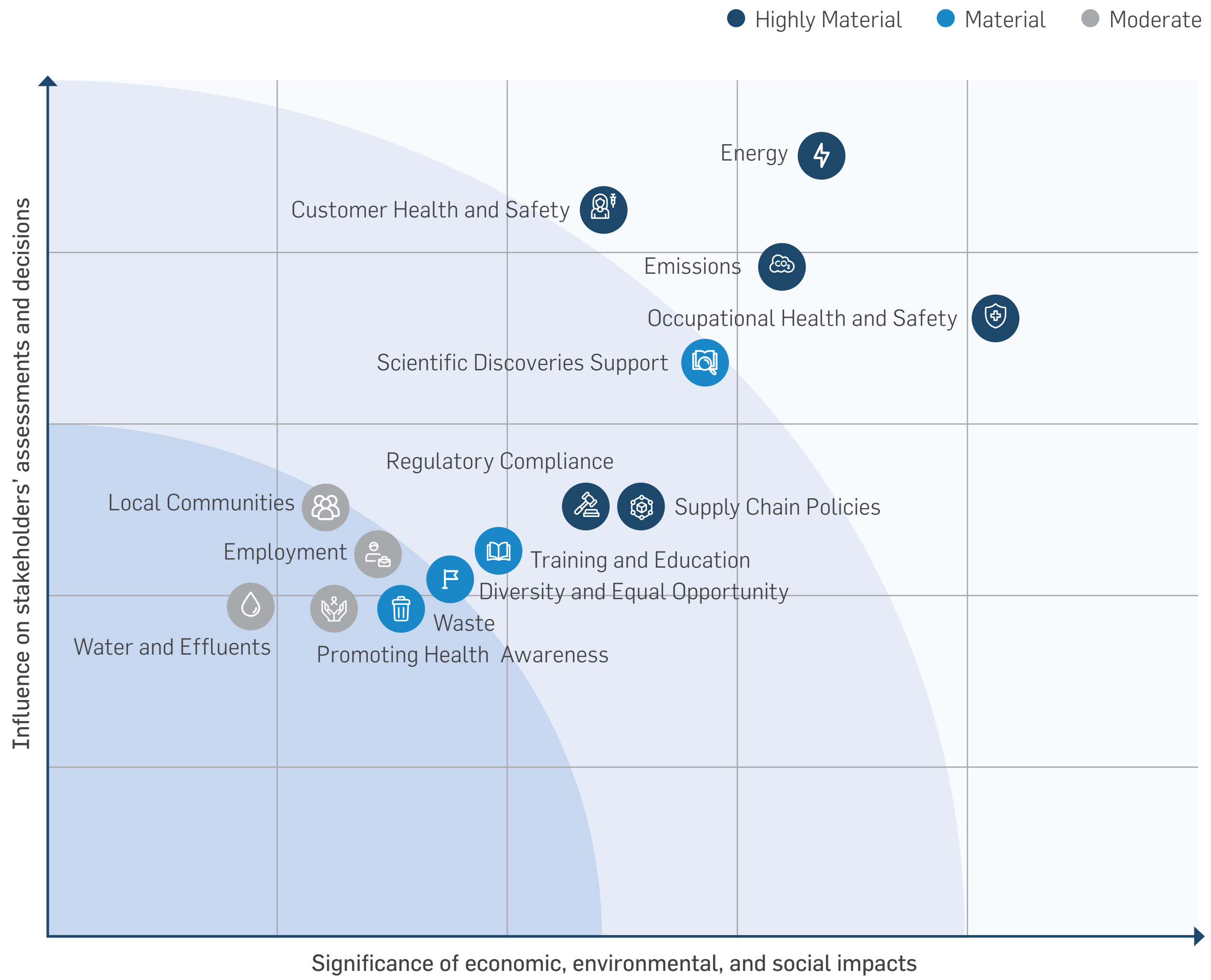
[2] Mozaffar Khan, George Serafeim, and Aaron Yoon, "Corporate sustainability: First evidence on materiality," The Accounting Review, November 2016, Volume 91, Number 6, pp. 1697–724, ssrn.com

Julphar Material ESG Topics

An important part of our reporting process is materiality assessments which include engaging with all our stakeholders to understand ESG topics that matter most to them. The insights developed from this assessment assist us in our ESG strategy.

Julphar has identified fourteen (14) ESG topics, with differentiated priority. These topics have been identified through several stakeholder engagement methods, enabling us to capture stakeholder interests and perspectives on key ESG issues. This ensures all relevant stakeholders are adequately covered, their issues & opinions are heard, and subsequently assessed for identification of material issues. Right from our suppliers of raw materials to our end customers, we have defined the process by which we perform this assessment. Julphar's materiality assessment has been last conducted in 2020.

Materiality Matrix



We engage with our internal and external stakeholders on a periodic basis to guide and set a course to manage our issues, programs, and actions. We ensure a strategic engagement with all our stakeholders on issues on material concern. This includes our efforts to establish good governance practices, advancing efforts to limit global warming, improving access to quality healthcare, and employee well-being to name a few. The table below provides an overview related to the nature of engagement with Julphar's key stakeholder groups.

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

GOVERNANCE & RISK MANAGEMENT

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.”

Julphar Values

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

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.

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

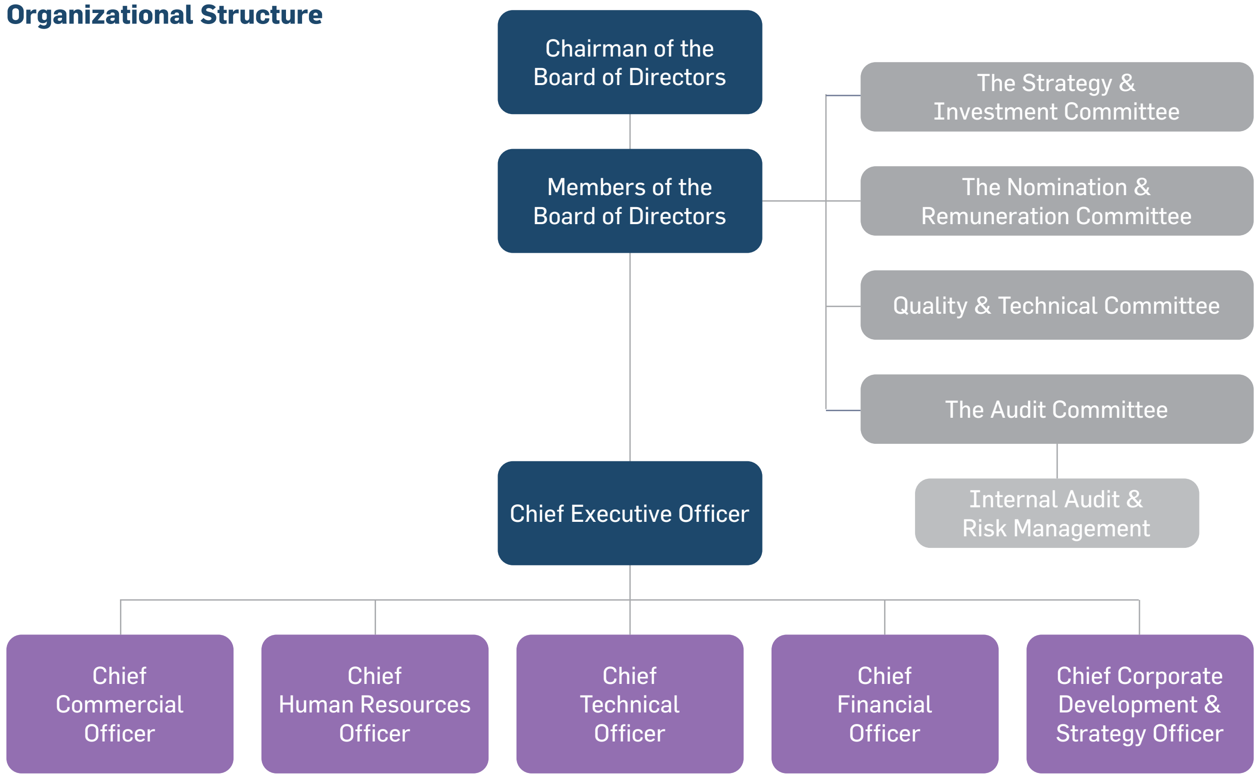
Respect
We embrace a culture of professionalism with respect for people, honouring the unique contributions provided by a diversity of perspectives and cultures.

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.

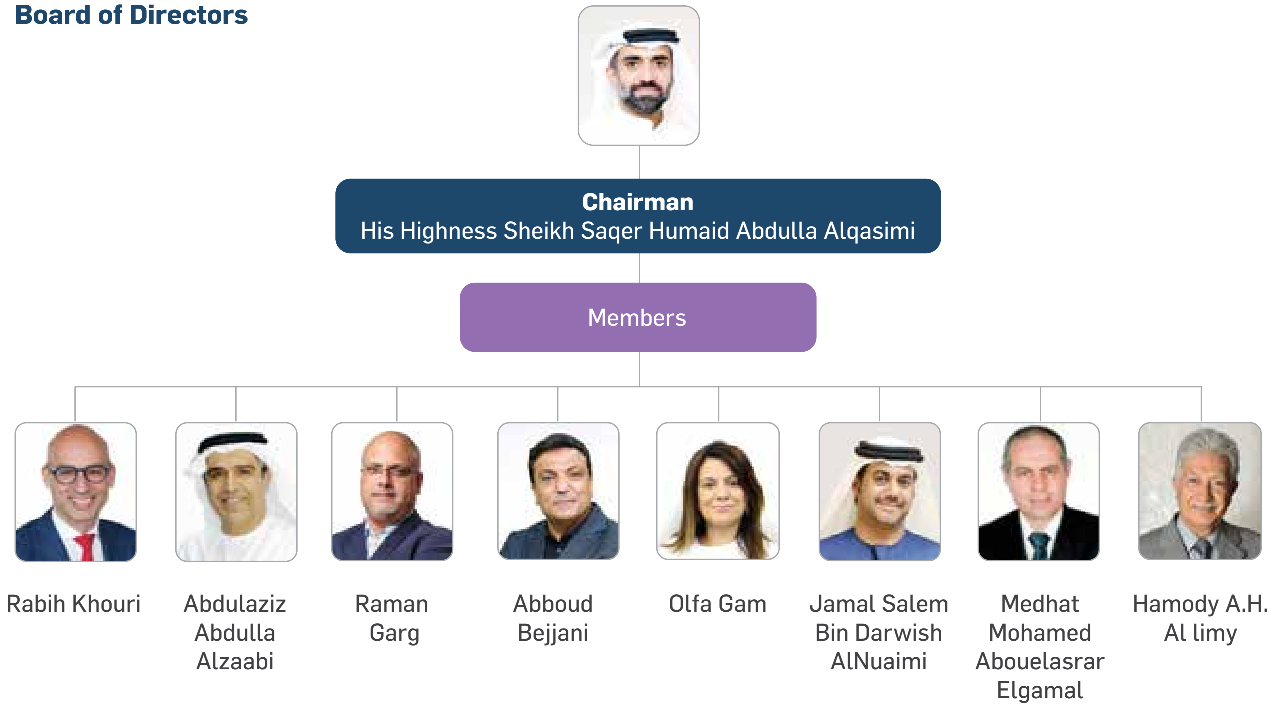
Corporate Governance & Organizational Structure

Our Executive Management team is responsible for managing the day-to-day operations and implementing policies and strategies to achieve our goals. This is done in accordance with the guidelines set by the Board of Directors and the Articles of Association. The Chief Executive Officer is accountable for operational and administrative functions and works with the executive management to improve performance. It is the CEO's responsibility to implement any effective internal control systems and follow any recommendations made by auditors, external oversight bodies, and the Board of Directors and its committees.

Organizational Structure



Board of Directors



Executive Team

We have implemented corporate discipline and governance standards in accordance with the Securities and Commodities Authority Decision no. (3/Chairman) of 2020 concerning the Approval of Joint Stock Companies Governance Guide. Our Board Committees have been reformed to align with this resolution and our Articles of Association have been amended to reflect the changes. We have established a comprehensive corporate governance system that covers the management, shareholders, employees, clients, and associate companies of our organization. Our commitment to transparency and objectivity is demonstrated through our periodic review of company policies to ensure alignment with our governance framework and approved manual.

This process included a review and update of committee charters, the corporate governance manual, and delegation of authority, all of which was overseen by the audit committee. The audit committee continues to conduct constant review and updates to these governance manuals. As part of our "iTurnaround Project," Wave 1, we have also implemented internal policies on Anti-Bribery, Anti-Corruption, Anti-Tax Evasion, Whistle-blower, and Third-Party Due Diligence.

[3] Mr. Bassel Ziyadeh has been appointed as a replacement for Dr. Essam Mohamed on 13 February 2023.

List of Committees and their Responsibilities

Audit Committee

- Ensuring the quality, reliability, and accuracy of financial reports, and conformance to accounting principles.
- Maintaining compliance with legal and regulatory requirements and evaluating the efficiency of internal controls.
- Performing internal audits.
- Overseeing the work of the external auditor.
- Managing and assessing risk.
- Monitoring and improving the performance of accounting, auditing, reporting, ethics, compliance, internal controls, and cyber security.

Nomination and Remuneration Committee

- The Nomination and Remuneration Committee carries out its work in accordance with Article (59) of the Authority's Chairman Decision No. (03/R.M) of 2020 regarding the adoption of Governance Guide for Public Joint-Stock.

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 Board of Directors.

Supervision and Follow-Up Committee of Insiders' Transaction

- Ensuring compliance with resolutions of the Securities and Commodities Authority, Abu Dhabi Securities Exchange, and related amendments.

Strategy and Investment Committee

- Reviewing and endorsing the strategies, annual budget, and business plans as approved by the board of directors.
- Ensuring compliance with relevant laws and regulations.
- Examining contracts of strategic significance, financial and accounting matters, and making decisions within the committee's charter.
- Evaluating investment risks and reports, and making recommendations to the Board of Directors.

CAPEX Committee

- Review, analyse and approve Julphar's CAPEX.
- Ensure the presence of an approved feasibility study of the CAPEX.
- Ensure the fairness and transparency of the bidding process.
- Inspect the RFQ and the collected offers.
- Evaluate quotations received for all CAPEX Purchases at Julphar without exception. Utilize the Financial Analysis conducted by the Finance Team to analyse quotations.
- Record all final decisions made by the CAPEX Committee. All responses made to a beneficiary must be accompanied by justifications for the decision made in the Committee Meeting.
- Review the performance and progress of approved CAPEX projects monthly and provide updates to Julphar Management on quarterly basis.

Risk Management

We aim to ensure responsible and effective management through incorporating risk assessments into every aspect of our work. Recognizing that risk can come from both internal and external factors, we strive to stay alert to potential hazards that could negatively impact the business. This means incorporating risk management into all decision-making and utilizing various methods, such as sustainability assessments and stakeholder engagement, to identify and prioritize risks and opportunities.

We also have a structured approach to managing supply chain risks and view risk management as a key part of our overall strategy. Additionally, we have implemented a third-party due diligence policy to mitigate any potential risks. The goal is to create value for our stakeholders by being proactive in managing risks.

Our risk management processes have a two-pronged approach with the Executive Team and senior management actively involved as a secondary line of defence. The Chief Compliance Officer oversees the creation and implementation of risk management policies, but it is the responsibility of senior management and individual departments to put these policies into practice. The organization's risk profile is monitored by the Audit Committee, who also assess the effectiveness of the Risk & Compliance function annually. Currently, we are conducting departmental risk assessments and establishing functional risk registers.

Business Ethics & Culture

We strive to meet the highest ethical and professional standards and maintain the trust placed in us by our stakeholders and clients. At Julphar, we actively foster and build a culture of ethics, integrity, and compliance. We have defined a set of organizational policies in place to meet compliance and ensure swift operations. Our Code of Conduct (CoC) ensures professional conduct across all our employees and creates a positive work environment.

Specifically, we oppose corruption in all its forms. To secure business or gain an advantage in business, we do not accept, solicit, or pay anyone a bribe. we have separate policies to manage bribery, corruption, tax evasion, conflict of interest, employee grievances, etc. These guidelines cover modus operandi and address the concerns of each of the stakeholders including the customers and suppliers. Any violation of the policies is subject to thorough investigation and follow-up action.

Regulatory Compliance

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Julphar's Commitment to Responsible Business Conduct

Code of Conduct

We are dedicated to conducting business with high ethical and legal standards, both within our organisation and with external stakeholders. Our Code of Conduct lays out the basic rules, standards, and behaviours important to achieve these objectives. It ensures that our employees meet standards that are appropriate to the reputation of the organisation and compliant with the laws and cultural standards of our markets. We have a 'no tolerance' policy for any form of discrimination, which prevents workplace hostility and promotes teamwork. We are fully committed to safeguarding third-party information in compliance with applicable laws and contractual obligations. Overall, the code of conduct ensures trust within our organisation and with our partner.

Compliance Check

A fundamental Julphar objective is to maintain a culture where the willingness to do the right thing, to comply with applicable laws and Julphar's policies, is fully embedded across the organization. Our ethical standards support the achievement of our business objectives while ensuring compliance and promoting business ethical values in daily activities. Julphar recognizes the importance of transparent bioethical standards throughout our research and clinical development activities.

ECONOMY

Economic Performance

Julphar's position as a key market player in general medicine and diabetes solutions and products in the Middle East & African geographies is reinforced by the consistent growth in our economic performance. In 2022, Julphar achieved significant growth in terms of sales volume and revenue. This growth reflects our success in providing more patients with the treatments they need.

In 2022, we increased our revenues by 40.3% to 1,636 million AED, compared to 1,168 million AED in the previous year. This growth can be attributed to various factors such as increased sales, expanded product offerings, and efficient market penetration.

However, we realize that every expanding business face risks. We are cognizant of the vulnerability and detrimental impacts of and their financial implications. We strive to better manage and equip our systems and processes to adapt to the changing environment with minimal and reversible impact on Julphar's operations.

40.3% annual increase in net economic value generated in 2022

Economic Performance

KPIs	Unit	2020	2021	2022*
Direct Economic Value Generated (Revenues)	**Million AED**	**621**	**1,168**	**1,636**
Geographical Split				
UAE	Million AED	91	356	573
Other GCC Countries	Million AED	136	331	638
Other Countries	Million AED	394	481	426
Total Economic Value Distributed	**Million AED**	**878**	**1,251**	**1,712**
Operating Costs	Million AED	417	782	1,122
Employee Wages and Benefits	Million AED	262	340	385
*Payments to Providers of Capital***	Million AED	8.0	-	-
Payments to Government by Country	Million AED	-	-	-
Community Investments	Million AED	0.1	-	-

* 2022 balances are subject to auditors review and concurrence
** The Figures mentioned here relate to the interest paid to shareholders for the shareholder loan.

Sustainability in the Supply Chain

The sustainability-related risks involved in the manufacturing, distribution, and sale of pharmaceutical products and drugs range from environmental issues such as Greenhouse Gas (GHG) emissions, water scarcity, and waste production, to social issues such as, consumer health, comorbidities, accessibility, and affordability, etc. The vulnerability exposure of supply chains has potentially far-reaching impacts on a business. To that effect, companies are taking responsibility for ensuring their supply chains are well-managed and optimized to minimize the inherent sustainability risks. We understand that the entirety of our supply chain plays an integral role in supporting us to deliver on our commitments. Therefore, we continuously aim to foster professional relationships with our suppliers and business partners that can enable mutually beneficial rewards. Julphar works with several healthcare providers, both private and government, in the GCC.

Julphar has developed a comprehensive methodology for managing supply chain risks, which is based on the company's risk management framework. The methodology aims to prevent a wide range of risks, including inaccurate forecasts, material shortages, unmet sales demand, lengthy lead times, reliance on a single supplier, limited material availability, and price changes due to geopolitical events.

To address these risks, the methodology employs simple and effective solutions such as consistent monitoring, regular reviews, prioritizing the pipeline, and making early orders. These steps help to ensure the smooth functioning of the supply chain, reduce the impact of potential risks, and promote a more efficient and cost-effective operation.

Procurement

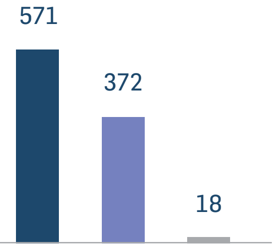
Julphar has a system in place for evaluating and managing our suppliers with the help of supplier valuation checklist and implementing quality agreements with manufacturers. Additionally, standard operating procedures and guidelines are in place for third-party due diligence and addressing issues such as bribery and corruption. This helps to ensure the qualifications and certifications of vendors and the quality of the products procured.

We maintain a balance of international and local transactions in our supply chain, with 60% of transactions taking place internationally. This covers regions like Asia, Africa, the Pacific, Europe, and America and helps bring efficiency and diversity in our value chain.

Our company supports local capabilities and encourages efficient procurement practices to meet its business requirements, while also contributing to national economic growth. In 2022, 59% of our suppliers were local suppliers whereas the remaining where 39% international and 2% regional suppliers.

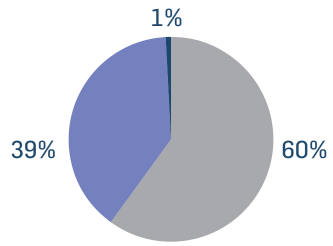
Number of Local, Regional, and International Suppliers

(#)



Percentage of Total Spend on Suppliers by Local and International Suppliers

(%)



Distributor management system

We have implemented a distributor management system to streamline the handling of distributors. The system outlines procedures for tasks such as adding new distributors, disqualifying existing ones and re-introducing alternative distributor This helps to ensure that the process is carried out consistently and in accordance with established guidelines.

The distributor management system is supported by various teams within the organization, including the sales team, legal team, commercial team, and a distributor committee. All these teams work together to ensure that the process is executed smoothly, minimizing the risk of errors or issues. The aim of this detailed approach is to ensure that the distribution operations run smoothly, reducing risk and improving efficiency.

Strategic Partnerships

As a leading pharmaceutical company, we strive for excellence by forming strategic partnerships with other businesses and organizations in the healthcare industry. In 2022, we entered into a licensing and supply agreement with Hetero, a leading Indian generic pharmaceutical company known for its anti-retroviral drugs. This agreement allows us to partner in the procurement of products in several areas. Such as those related to cardiovascular and nervous system health and pain management. By providing more efficient and better services to customers in these areas, we aim to improve patient health and well-being.

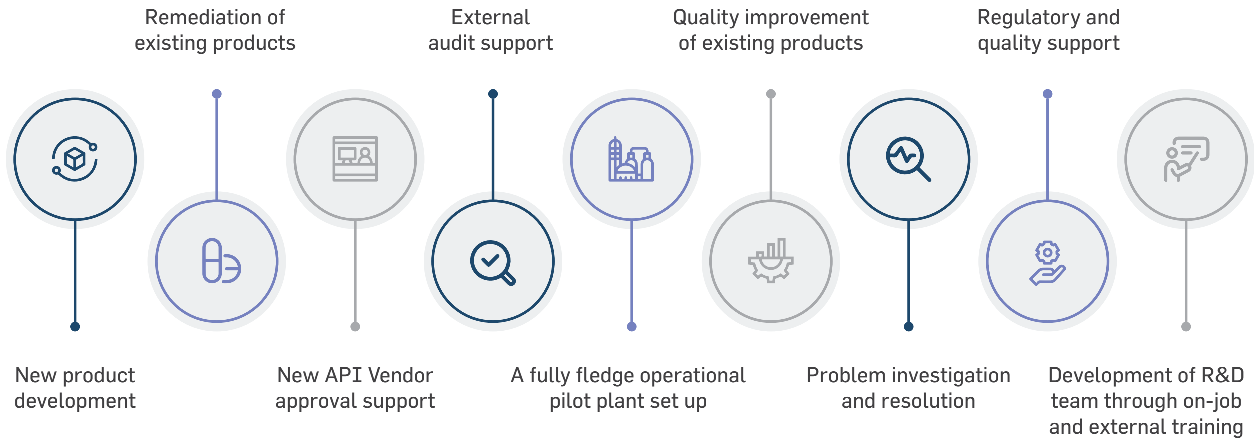
We also entered into a strategic cooperation with 'Huadong Medicines', a pioneer in the diabetes market in China. This partnership will allow us to develop, manufacture, and commercialize Liraglutide, a drug used for treating diabetes and obesity. This will open opportunities in 17 countries in the Middle 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.

In addition, we signed a 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 help in generating more job opportunities.

Scientific Discoveries Support

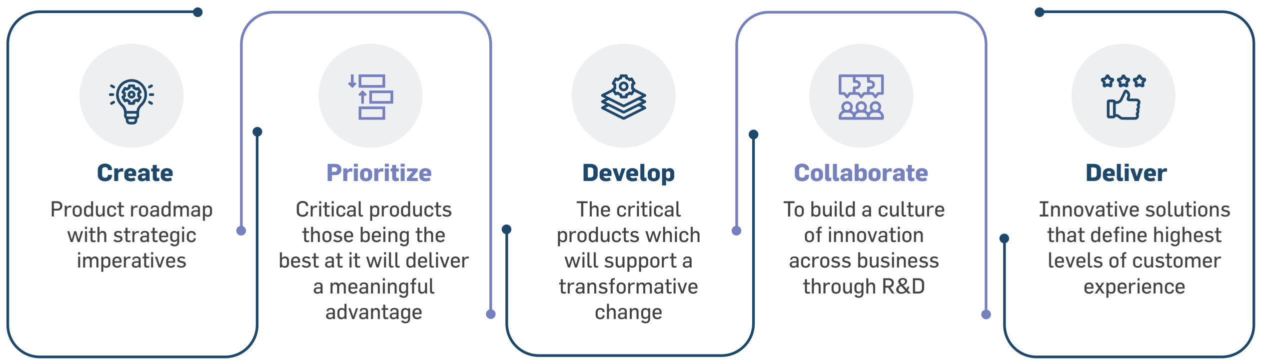
Julphar's continued focus on R&D will play a vital role in our ability to deliver on our commitment to provide innovative and effective pharmaceutical solutions. The importance of R&D cannot be overstated and is a critical component of the healthcare industry. By investing in in-house R&D, the company is working to develop a robust and sustainable pipeline and make a positive impact on society.

Our R&D Objectives



Julphar's R&D efforts and approach contribute to society by providing access to high-quality products with the customer's well-being as the highest priority. The company is investing in in-house R&D to develop a robust and sustainable pipeline and plans to launch more than 100 new products in well-defined therapeutic areas in the coming years. In 2022, Julphar made considerable progress in product remediation and development. We developed 22 new products in the year 2022, out of which 13 new products have been launched and 9 products are under approval. Further, 18 legacy products were remediated and approved by the Ministry.

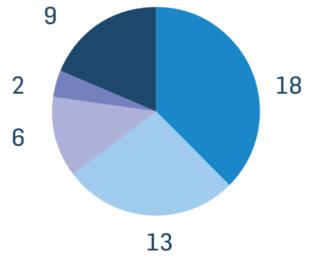
Our R&D Strategy



Julphar R&D actively involves in finding innovative ways of developing and improving products through non-conventional approach thereby accelerating patient access to our beneficial products. We strive to boost on throughput to address patients' unmet needs and maximise revenue potential.

We ensure to establish quality environment throughout the development phase and rigorously follow Quality by Design approach in all aspects. At R&D, we monitor compliance in real-time paving the way to meet crucial adherence to regulatory compliance and standards requirements. Below is a representation of our product development, submissions, and regulatory approvals with respective government bodies.

Product Submissions and Regulatory Approvals



- New product submitted to RA/MoHAP
- Remediated products submitted to RA/MoHAP
- BE/IVRT study completed
- New products approved by MoHAP
- Ministry approved blockbuster remediation products

Abbreviation: MoHAP: Ministry of Health and Prevention,
RA: Regulatory Affairs, IVRT: In-vitro release testing)

Key Breakthroughs:

Our research and development efforts continue to drive transformative advancements in the pharmaceutical industry. In 2022, we made significant strides in utilizing techniques such as microencapsulation to formulate unstable active pharmaceutical ingredients for treating Acne vulgaris. Additionally, we have developed alternative dosage forms, such as orally disintegrating tablets, for faster onset of action. These developments hold great potential for our company to lead the way in product launches following successful development and approvals.

Our R&D team is also working on developing a dosage form for an active ingredient used in treating benign prostatic hyperplasia using the Oral-controlled absorption system (OCAS®). We have also made notable progress in developing other products such as modified release tablets for combining NSAID and proton pump inhibitors, injectable anticonvulsants, and more.

At R&D, our people are what makes us great, and we are recognizing the outstanding contributions they make to our company through our Rewards and Recognition program. Each month we honour a team member who goes above and beyond the everyday scope of their responsibilities or who has particularly excelled in executing an assigned task.

We have employee training programs to develop employees' skills, improve their performance and increase retention. We have a robust 'Train the Trainer' concept of training within R&D department, involving an engagement with Julphar's HR department to develop exclusive training programs as per the requirements.

Pharmacovigilance at Julphar

We have established a robust pharmacovigilance and risk management program to detect, evaluate, comprehend, and prevent any negative effects or issues related to our drugs. We monitor for safety through various methods such as reviewing reports of potential adverse reactions, literature studies and results from clinical trials. This enables us to expand our understanding of the safety profile of existing drugs and take any necessary regulatory action as new safety information becomes available.

We actively collaborate with regulatory authorities, healthcare professionals, and patients to identify and report adverse events related to our products. Our pharmacovigilance quality management systems aim for continuous improvement and ensure compliance with relevant regulations, including Good Pharmacovigilance Practices in the MENA region.

In 2022, the pharmacovigilance quality management system implemented a 100% e-archival system for documents, which is environmentally sustainable. This not only reduces the company's environmental footprint but also makes it more efficient and cost-effective.

ENVIRONMENT

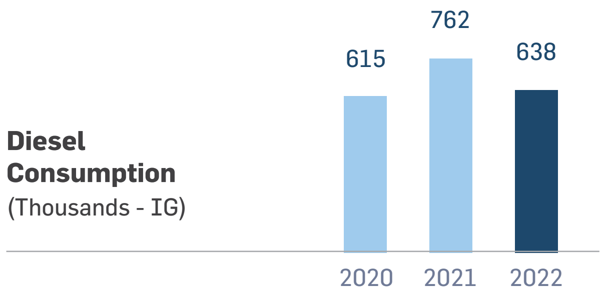
As a responsible pharmaceutical company, we recognize the importance of protecting the environment and preserving natural resources for future generations. At Julphar, we recognize the significant impacts that environmental issues can have on public health and society. We are committed to implementing environmentally friendly practices and achieving long-term sustainability across our operations.

Our company places a strong emphasis on environmental sustainability and incorporates it into all our operations. To minimize our impact on the environment, we treat our wastewater for irrigation and strive to limit our carbon footprint. Additionally, we prioritize safe waste disposal to prevent harm to the ecosystem. These measures demonstrate our commitment to responsible and efficient operations.

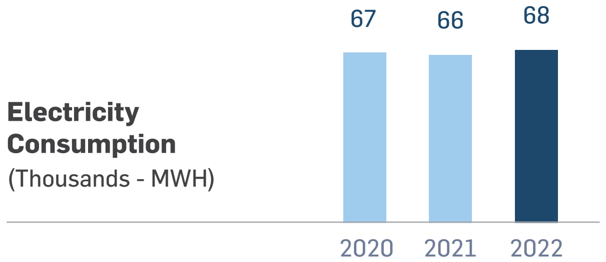
Energy

At Julphar, we acknowledge the significance of controlling our energy utilization and minimizing our ecological footprint. Our primary energy sources are electricity and diesel. While diesel is used as a fuel source for power generation (DG sets) and transportation needs, electricity is utilized in production processes and facilities.

Diesel consumption witnessed a decrease of approximately 16.2% from 2021 to 2022



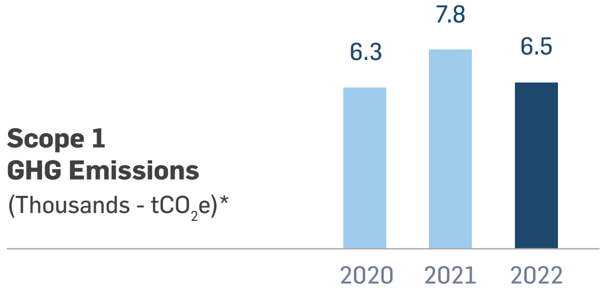
We remain dedicated to consistently monitor and enhance our energy efficiency and implement sustainable practices throughout our operations to decrease our environmental impact. One such initiative, is our LED lighting upgrade, where we replaced 4,000 lamps with LED lights. In addition to this upgrade, we are now focusing on monitoring our energy usage and setting targets for reduction. These efforts reflect our commitment to being a responsible and environmentally conscious company.



Emissions

Julphar is committed to address the impact of climate change and promote business resilience through responsible use of natural resources. Julphar continues in its efforts towards reduction of GHG emissions and conduct our business in environmentally sustainable manner.

There was a 16.2% decrease from 2021 to 2022 in GHG Scope 1 emissions. This decrease in emissions can be attributed to the reduction in diesel consumption aimed at reducing our carbon footprint.



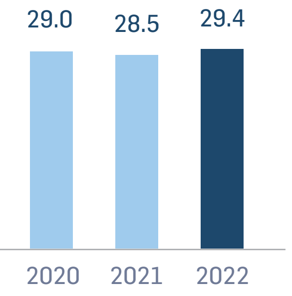
*The 2020 and 2021 emissions quoted in this report has been updated in comparison with the previous reports.

However, our Scope 2 GHG emissions, i.e., indirect emissions from electricity consumption, have increased by 2.9% in 2022.

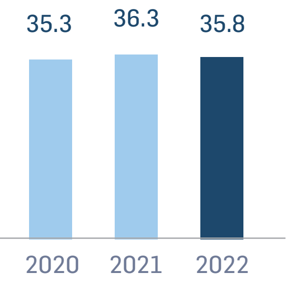
Although by a small margin yet significant, our total emissions decreased by 1.2% in the year 2022. We aim to reduce Scope 1 and 2 emissions by 33% by the year 2030. In the interim, as part of our "iTurnaround Project," we aim to conduct an energy management exercise to optimize our operations.

1.2% decrease in total emissions

Scope 2 GHG Emissions
(Thousands - tCO_2e)



Total GHG Emissions
(Thousands - tCO_2e)



Water & Effluents

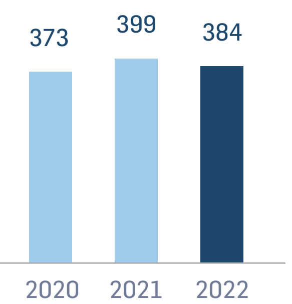
Julphar aims to responsibly manage resources through both operations and promoting conscious consumption through employee awareness, utilizing non-potable water sources like recycled water. The company plans to adopt water-saving technologies and practices in the workplace.

Our goal is to preserve resources and minimize water usage, particularly in areas facing water scarcity. Using water to manufacture our products is critical to the organization, therefore we responsibly manage this resource. From 2021 to 2022, there was a decrease of 3.6% in water consumption. This is attributed to the fixes in leakages and efficient water usage at our organization.

Our manufacturing facilities are the primary source of our wastewater. We provide regular updates on the amount of wastewater generated to the Ras Al Khaimah Government Authority as a part of our operation and maintenance reporting, done every quarter. The treated wastewater is mostly used for irrigation purposes. Our internal wastewater treatment plant, backed by an (Effluent Treatment Plant) ETP process, is responsible for treating all wastewater except chemically contaminated wastewater. In 2022, the ETP treated approximately 249,314 cubic meters, emphasizing our commitment to resource conservation and reuse.

It must also be noted that 100% of wastewater from plants is treated

Water Consumption
(Thousands - m^3)



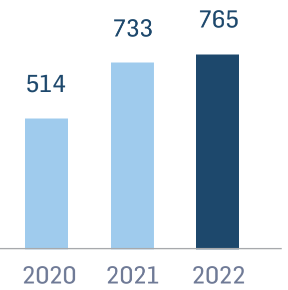
Quality control is of utmost importance to us. The Ras Al Khaimah Government Authority checks the water quality regularly by examining the parameters of influent and effluent water every week. This helps us ensure that the treated water meets the necessary standards for reuse and protects the environment. Our approach to water management emphasizes responsible usage and conservation, enabling us to reduce our impact on the environment.

Waste

Julphar understands the significance of managing our waste. Our waste management approach involves categorizing, separating, minimizing, safely handling, and monitoring. We consider it our responsibility to ensure that all types of waste generated on premises is disposed safely without causing harm to the environment. Depending on the category of waste, we dispose of it through incineration, treatment of contaminated waste, or landfill if it cannot be recycled and reused. Our pharmaceutical waste cannot be reused, so all hazardous and non-hazardous pharmaceutical waste is incinerated or safely disposed to waste management vendors for further treatment of waste.

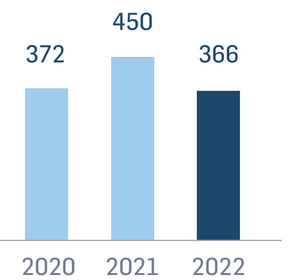
In 2022, Julphar generated 765 tonnes of pharma waste. This 4.4% increment from 2021, attributed primarily to the increase in production. Nonetheless, we strive to treat the waste through accepted scientific practices. Incineration is our most adopted mode of waste management. In 2022, we used incineration to manage our pharmaceutical, hazardous & chemical waste, while non-hazardous waste (sludge) was sent to landfill.

Pharma Waste Quantity
(Tonnes)



This year the volume of non-hazardous waste decreased by 18.7% compared to the previous year

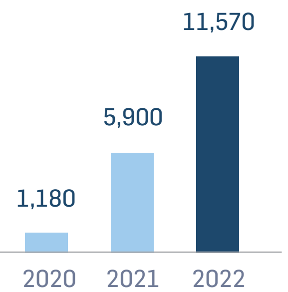
Non-Hazardous Waste
(Tonnes)



While the volume of hazardous chemical waste increased by 96.1% which is also seen in the individual rise in the Zink IPA and chemical wastes. These waste types are linked to the API production at Julphar.

We also aim to start an employee awareness program to encourage them to utilize reusable materials whenever possible and reduce the amount of non-recyclable waste.

Hazardous Chemical Waste
(Tonnes)



Zink IPA and Chemical Waste Split

Type of Hazardous Waste (Tonnes)	2020	2021	2022
Zink IPA	1,180	1,900	2,400
Chemical	0	4,000	9,170

PEOPLE & SOCIETY

Occupational Health & Safety

At Julphar, the safety and well-being of our employees are our top priority. To ensure this, we have implemented an EHS policy that promotes the creation of a safe and healthy workplace, as well as a clean environment for our employees and the surrounding community. Additionally, we have established standard operating procedures and guidelines for our employees, contractors, suppliers, and outside drivers to follow to maintain a safe work environment. Our Health and Safety system follows the ISO 14001 international standard.

To ensure the safety and well-being of our employees, we provide EHS training to all job classifications. We track injuries monthly and take necessary measures to prevent future incidents. Additionally, we conduct internal and external audits on a regular basis to identify areas for improvement. The table below lists the type and number of audits conducted annually from 2020-2022, which includes a mix of internal and external audits.

Type and Number of Audits

Agency	Type of Audit	External / Internal	2020	2021	2022
Civil Defence R.A.K Government	• Fire fighting facilities inspections • Building inspections	External	3	4	4
SGS	• Requirements for the ISO 14001 including EHS	External	1	1	1
The Ministry of Environments	• Related to all environments	External	1	1	1
EHS & Security	• To audit all the premises/ factories on monthly bases	Internal	NA	12	12

Number of Incidents

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

In 2022, we reported 6 recordable work-related injuries among employees. These are non-fatal injuries that resulted in missed workdays, restricted work, or medical treatment beyond first aid.

During 2022, we held two OHS training sessions to improve the knowledge and skills of our staff.

Additionally, we organized a First Aid training session and a fire mock drill to prepare our employees for any emergencies. We also have implemented a basic safety induction training system for new employees to ensure that they are aware of the safety protocols and procedures.

We also collaborated with the Preventive Medicine unit in Ras Al Khaimah to organize a seasonal flu vaccination campaign at our premises.

Number of Trainings

Trainings	2020	2021	2022
Number of Occupational Health and Safety Training Programs Conducted	NA	4	2
Number of Staff Attending Occupational Health and Safety Training	NA	536	191

In 2020, Julphar reduced/terminated the occupational health and safety training programs provided for Julphar employees due to the COVID-19 pandemic as Julphar engaged with the implementation of all the precautionary measures to avoid spreading of the disease. In 2021, we doubled these training programs in comparison to business as usual scenario of conducting only 2 occupational health and safety training programs per year, which impacted the increase in the number of trainees. Considering the reduction of training programs in 2022, the number of participants reflects a significant drop compared to 2021. Our first priority is to conduct these training programs twice a year for our employees to be able to identify, understand and mitigate, when possible, the safety risks associated with their roles.

Customer Health & Safety

At Julphar, we prioritize the production of safe and high-quality products to aid our customers in maintaining their health. Recognizing the significance of our products on human lives, we adhere to strict policies and procedures to ensure product safety and quality. We ensure that our research and production processes adhere to internationally recognized standards and guidelines, Good Manufacturing Practice (GMP).

We collaborate with leading companies to bring innovative solutions to healthcare communities and improve the lives of those who use our products. We also prioritize our customers' needs by providing timely responses to medical queries through a toll-free system and ensuring the confidentiality of patient data on our safety database in accordance with data protection regulations such as General Data Protection Regulation (GDPR).

While 100% of our products undergo health & safety assessments, in 2022, 82% of our significant products categories' health & safety impacts were assessed to achieve improvements. We strive for transparency in our services and our marketing teams handle any product-related complaints from customers. Mebo, Adol, Triaxone, Risek, Epotin are the top 5 products, manufactured by Julphar. We received total of 7 complaints against these products in 2022.

Number of Complaints received against Julphar's Top 5 Products

Top 5 Products	2020	2021	2022
Mebo	11	8	1
Adol	7	4	4
Triaxone	3	0	2
Risek	1	1	0
Epotin	1	0	0

In 2022, we received a total of 30 complaints against all our product offerings. Of these, 22 were found to be invalid. Our overall complaint rate has decreased significantly compared to previous years as shown in chart above. This year no product recalls were made. Further, in 2022, we received approval on all our drugs by the Ministry of Health and Prevention with no observations.

Handling Complaints at Julphar

Through a written procedure, product complaints are adequately reported, evaluated, thoroughly investigated and responded to complaints in a timely and professional manner. We determine the cause of failure following data collection and analysis and actions are taken for non-conformities.

Complaints can be received from Regulatory Affairs, Health Ministry or Customer via email, letter, fax or a telephone call. Once the complaint is received on the complaints handling mail, the QA representative verifies the complaint details and sends an acknowledgment email to the complainant. If the submitted data is not enough for evaluation the QA contacts the complainer where the complaint is documented as part of the investigation report if no response is received.

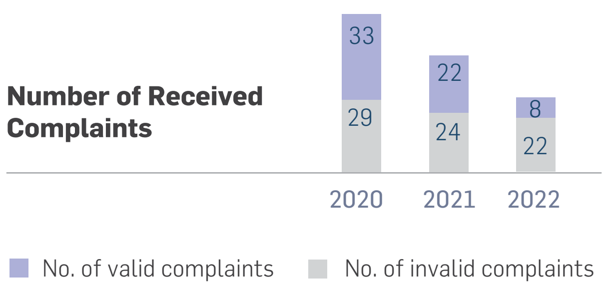
If the complaint is regarding an Adverse Event, Adverse Drug Reaction or Lack of Efficiency, the complaint notification is shared with Medical Affairs department for further action and a parallel QA investigates the complaint as well. The department submits investigation details/report for further QA review.

The QA Compliance Department classifies the possible nature of the complaints received as Critical, Major or Minor.

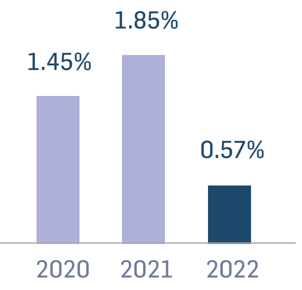
- **Critical:** Product defects that would result in fatal adverse health consequences or death. Examples of critical complaints include, but not limited to, active ingredient missing, product decomposition that might result in adverse health consequences or death, etc.
Investigation timeline: Within 24 hours of the complaint receipt.
- **Major:** Product defects that will cause serious adverse health consequences or major quality defect. Examples of major complaints include, but not limited to, inactive ingredients missing, excessive amounts of physiologically harmless materials, etc.
Investigation timeline: Within 15 calendar days
- **Minor:** Product defects that will cause no adverse health consequences and will not impair efficacy or product usage. Examples of minor complaints include, but not limited to, minor deviations from product standards (e.g., in terms of color, odor, taste, shape or occurrence of spots), packaging defects, etc.
Investigation timeline: Within a maximum of 30 calendar days

The complaint investigation report covers various aspects including, but not limited to, manufacturing and packaging record review, complaint sample physical checking as well as analytical analysis and stability data review for impacted batches as well as other batches. The investigation report is compiled with a final summary which includes all data such assessment of the impact on the stocks in the market and review of the product complaint trends, etc.

Number of Received Complaints



Complaint Rate
(%)



We strive to create better lives for those who use our products through collaborations with the most advanced companies to bring innovative solutions to healthcare communities.

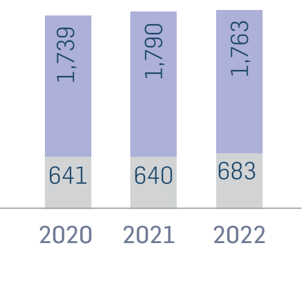
Employment

At Julphar, we consider our employees to be the key factor for success and growth. Without a dedicated, motivated, and capable workforce, it is not feasible for an organization to strive for progress. We aim to retain and attract top talent to meet the demands of our business operations and ensure that they are treated fairly.

Julphar is an equal opportunity employer, and we have several policies in place to ensure productive workforce management. We have policies in place to support our employees with interest free loans, unpaid leaves and address their concerns via an effective grievance policy & procedure. We are against child labour, slavery, nepotism at workplace for which we have a set of guidelines in place.

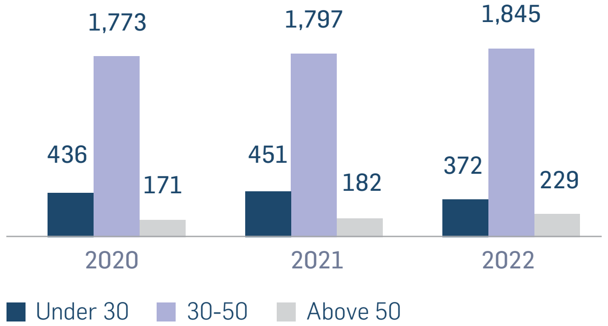
Our headcount increased by 0.7% in 2022 taking total number of employees at Julphar to 2,446. It must be noted that our female participation in the workforce also increased by 6.7% as depicted in the figure. Out of these, 2,003 employees are based in Head Office & UAE, while rest of the employees are located in other countries.

Number of Employees
by Gender
(Head Count)



At Julphar, 75% of the total number of employees are between the ages of 30 and 50 whereas 15% are under the age of 30 and the remaining are above 50 years old.

Number of Employees
by Age Group

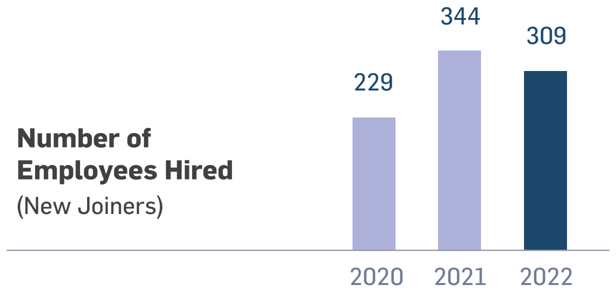


344 people joined us in our journey in 2021, and in 2022, we welcomed 309 new hires in our organization to support us in building better healthcare solutions.

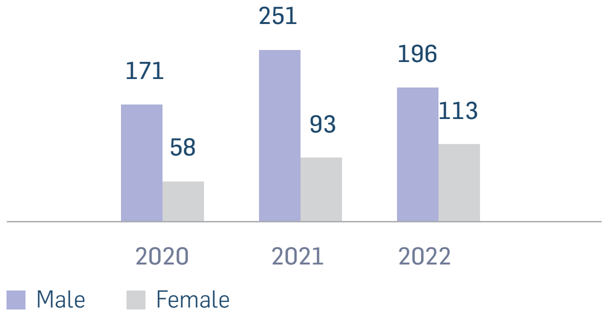
The number of new female joiners recorded an increase of 21.5% from 2021 to 2022, rising from 93 hires in 2021 to 113 in 2022.

This year, 51% of our new hires were under the age of 30 years old.

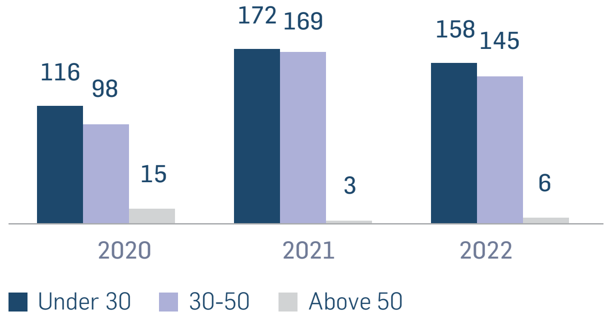
Number of
Employees Hired
(New Joiners)



Number of Employees Hired
by Gender

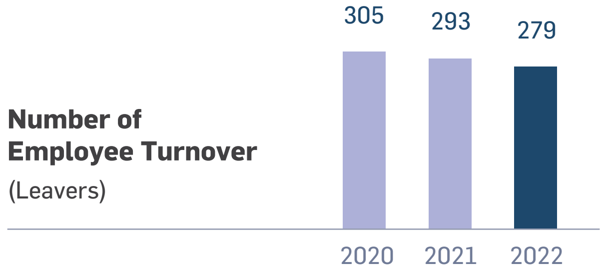


Number of Employees Hired
by Age Group

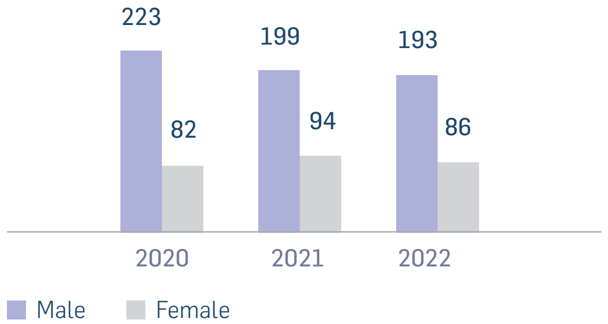


In 2021, a total of 293 employees left the organization, while in 2022, that number decreased to 279. This shows our employee centric programs are having a positive effect.

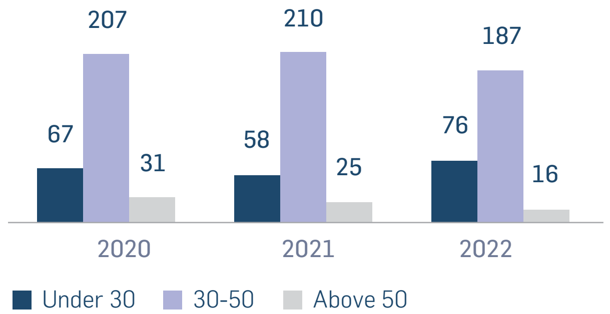
Number of
Employee Turnover
(Leavers)



Number of Employee Turnover
by Gender



Number of Employee Turnover
by Age Group



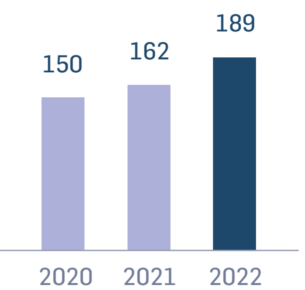
Emiratization

Our goal is to enhance the presence of UAE nationals through our support of Emiratization. Julphar is committed to advancing this cause by hiring local talent and providing UAE nationals with opportunities for career growth and development.

We are pleased to report that in 2022, Julphar recorded a significant increase in the number of UAE nationals hired. A total of 34 new Emirati nationals were recruited, with a clear majority of 27 female candidates and 7 male candidates.

Furthermore, it is noteworthy that out of the total 189 Emirati nationals employed in the company, 90% are female. This is a testament to the company's commitment to diversity and inclusion, 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 15% Emiratization rate by 2024, in alignment with our country's strategy

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.

Diversity & Equal Opportunity

Julphar is an equal opportunity employer and strives to foster a diverse, inclusive, and equitable workplace where everyone is treated with respect and dignity. Gender equity is a key focus of our D&I strategy. As highlighted earlier, our female workforce has increased this year as compared to 2021.

Training & Education

At Julphar, we value continuous learning and development for our workforce. Upskilling empowers employees with the skills needed for innovation, new product/service development, regulatory compliance, industry trend awareness, increased productivity, and better customer relations. This approach benefits both our employees and the quality of our products and operations. We identify training needs at Julphar by capturing data at two different levels, training needs stated by our employees and training needs stated by their level 1 (L1) manager.

We conducted 90 trainings sessions spread across various departments imparting necessary skills & knowledge to our employees to for upskilling & better workplace efficiency.

We recognize the exceptional commitment our employees make to our company through our rewards & recognition program. Each month we honour an employee with outstanding performance in their responsibilities or who has particularly excelled in executing an assigned task. In 2022, 2,256 out of 2,446 employees, i.e 92% are going through the annual appraisal as a part of performance and career development review.

Training Type	Participants Count	Session Count	Average Man Hours
Capability Building Sessions	1,019	51	11.7
GMP Compliance and Technical Sessions	1,174	35	6.4
Industrial Training for Pharmacy College Students	136	4	89.6

Additionally, we established Competency Framework and implemented it in Julphar Performance Management System for two broad job levels, team leader and above as well as senior specialist and below. Our framework focuses on six behavioral competencies including Achievement Orientation, Change Agility, Business and Financial Acumen, Problem Solving and Decision Making, Taking Ownership and Accountability as well as Teamwork and Collaboration.

Competency profiles at Julphar include informational elements such as the list of competencies, level of mastery required for each competency and specific behavioral ways to demonstrate these competencies – often referred to as behavioral indicators. These indicators are divided into four levels of proficiency, from beginner to expert and each employee at Julphar is mapped to these levels depending on their performance and expectations from the role.

We also conduct a Competency Assessment to evaluate a candidate's potential, role, fitment and cultural integration at Julphar.

External Talent Acquisition

Competence Assessment through Mercer Psychometric Profiler where the questionnaire is customized as per the Julphar Core Competence Framework. It is conducted for two distinct employee levels:

- Head of Department and above: Leadership Potential
- Team Leader and Managers: Managerial Potential

Internal Talent Development and Career Planning

Competence Assessment through Mercer Psychometric Profiler where the questionnaire is customized as per the Julphar Core Competence Framework. It is conducted for three distinct employee levels:

- Head of Department and above: Leadership Potential
- Team Leader and Managers: Managerial Potential
- Below Team Leader Level: Potential and Development Profiler

Our R&D management team participated in a leadership and project management course provided by HR in 2022, and later co-led an emotional intelligence training program for their team with HR. These initiatives keep our employees current and equipped to handle changes.

The 'Julphar Training Centre' provides technical skills development opportunities for our employees, attracting over few hundred students globally each year. The customized training programs aim to close skill gaps and address future healthcare needs.

Here is brief representation of type of training programs conducted throughout the year at Julphar.

Commercial Learning
Upskill knowledge and skills of the front line sales force
24 Trainings

HR L&D
Upskills functional and behavioural skills of all employees
22 Trainings

Julphar Training Center - Technical Training CGMP
Upskill knowledge and skills of Technical operations team on CGMP and Quality perspective
35 Trainings

Julphar Training Center/Industrial Training for Students
Provide industrial training to pharmacy students across UAE
4 Trainings

UAE National Training
Upskills functional and behavioural competencies of UAE nationals under Emiratization program
5 Trainings

In 2022, 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 also cascaded down learnings at the shop floor for technicians.

Sample:

Training Name	Training Duration (hours)	Training Days	Number of Attendees		Total Training Hours Delivered	
			Male	Female	Male	Female
Deviation Management	9	1.5	72	8	648	72
Basic CGMP Concept	2	0.25	147	48	294	96
Ajman University	60	10	18	48	1,080	2,880
Dubai College of Pharmacy	30	5	0	36	0	1,080
Fujairah University	60	10	0	10	0	600
Adaptive Selling for MR's	64	8	35	9	2,240	576
8 Steps Coaching Model	48	6	23	0	1,104	0

Local Community

Blood Donation

We, at Julphar, are committed to creating awareness and supporting our communities through access to quality healthcare. We have organized a “Blood Donation Campaign” in association with Saqr Hospital in Ras Al Khaimah, where many of our employees volunteered and fulfilled their commitment of helping the community.

‘Seasonal Flu Vaccination’

To promote health and wellness, we also organized a ‘Seasonal Flu Vaccination’ campaign in cooperation with the Preventive Medicine Unit in Ras Al Khaimah at our premises.

“Touch of Hope”

Additionally, we participated in the “Touch of Hope” initiative organized by the Emirates Cancer Society as part of the “Pink October” activities. Our team attended the event, where interactive activities were conducted, and we had the opportunity to honour patients.

World Diabetes Day

We are also committed to raising awareness about diabetes, as demonstrated by our participation in the “World Diabetes Day” event held at the Public Health Centre in Ras Al Khaimah. This event aimed at educating various institutions about diabetes and its risk factors, warning signs and prevention methods.

Mother’s Forum

We believe that all our stakeholders, including women, deserve equal access and participation in science and research. We are proud to participate in the celebration of the “International Day of Women and Girls in Science” in order to promote gender equality in the field of science and technology, especially in the field of research and development in the pharmaceutical industry.

In addition, we organized “Mother’s Forum” in cooperation with Sharjah’s ‘Women’s Forum Foundation’ and ‘Profinal’ as a part of our awareness campaign for mothers and patients. The initiative aimed at educating mothers on how to identify children’s body temperatures, fever, verbal bullying and first aid awareness, usage of ibuprofen and other related topics.

We, at Julphar take pride in the role that women workforce plays in research and in prevention, diagnoses, and treatment of diseases. This helps us achieve our SDG aspirations of gender equality and the empowerment of women and girls.

COVID-19 Efforts

2022 was a challenging year given the continued recovery from pandemic and getting used to new-normal. Being a pharma company it’s our duty to be prepared for any sort of healthcare uncertainties around the world. COVID-19 was a lesson and it’s important that we take learnings from it for sake of better, safe, and healthy future.

The company issued multiple COVID-related notifications to its employees, highlighting the requirement for hard copies of vaccination certificate and Emirates ID for PCR tests, dispensing with the need for negative PCR test after quarantine and providing recovery certificate from Alhosn application, and reminding employees to wear masks properly, frequently sanitize and wash their hands, maintain physical distance, and exercise caution in both the workplace and public spaces. The company also emphasized the importance of following COVID-19 protocols for the safety and well-being of employees and the community.

APPENDICES

GRI Content Index

Gulf Pharmaceutical Industries has reported with reference to the GRI Standards for the period from 1 January 2022 to 31 December 2022. 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	8, 9	
	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	29	
	2-5 External assurance	2	
	2-6 Activities, value chain and other business relationships	9, 10	
	2-7 Employees	36, 38	
	2-9 Governance structure and composition	18, 19, 20	
	2-10 Nomination and selection of the highest governance body	18, 19	
	2-11 Chair of the highest governance body	19	
	2-12 Role of the highest governance body in overseeing the management impacts	18, 19, 20	
	2-13 Delegation of responsibility for managing impacts	18, 19, 20	
	2-14 Role of the highest governance body in sustainability reporting	18, 19, 20	
	2-15 Conflicts of interest	21	
	2-16 Communication of critical concerns	18, 19, 20	
	2-17 Collective knowledge of the highest governance body	40, 41	
	2-18 Evaluation of the performance of the highest governance body	40	
	2-19 Remuneration policies	20	
	2-20 Process to determine remuneration	20	
	2-22 Statement on sustainable development strategy	4, 5, 11	
	2-23 Policy commitments	21	
	2-24 Embedding policy commitments	21	

GRI Standard	Disclosure	Page Number(s) and/ or Direct Answer	Omission
GRI 2: General Disclosures 2021	2-25 Processes to remediate negative impacts	21, 35, 36	
	2-26 Mechanisms for seeking advice and raising concerns	21	
	2-27 Compliance with laws and regulations	21	
	2-28 Membership associations	10	
	2-29 Approach to stakeholder engagement	13, 14	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	13	
	3-2 List of material topics	13	
Economic Performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	22, 23	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	22, 23	
Procurement Practices			
GRI 3: Material Topics 2021	3-3 Management of material topics	24, 25	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	25	
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	20, 21	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	21	
	205-2 Communication and training about anti-corruption policies and procedures	20, 21	
	205-3 Confirmed incidents of corruption and actions taken	21	
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	28, 29	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	28, 29	
	302-4 Reduction of energy consumption	28, 29	
	302-5 Reductions in energy requirements of products and services	28, 29	
Water and Effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	30	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	30	
	303-2 Management of water discharge-related impacts	30	
	303-3 Water withdrawal	30	
	303-4 Water discharge	30	
	303-5 Water consumption	30	

GRI Standard	Disclosure	Page Number(s) and/ or Direct Answer	Omission
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	29, 30	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	29	
	305-2 Energy indirect (Scope 2) GHG emissions	30	
	305-5 Reduction of GHG emissions	29, 30	
Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	31	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	31	
	306-2 Management of significant waste-related impacts	31	
	306-3 Waste generated	31	
	306-4 Waste diverted from disposal	31	
	306-5 Waste directed to disposal	31	
Supplier Environmental Assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	23, 24	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	23, 24	
	308-2 Negative environmental impacts in the supply chain and actions taken	23, 24	
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	36	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	38	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	37	
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	32, 33	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	32, 33	
	403-2 Hazard identification, risk assessment and incident investigation	32, 33	
	403-3 Occupational health services	32, 33	
	403-4 Worker participation, consultation and communication on occupational health and safety	32, 33	
	403-5 Worker training on occupational health and safety	33	
	403-6 Promotion of worker health	32, 33	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	32, 33	
	403-8 Workers covered by an occupational health and safety management system	32	
	403-9 Work-related injuries	33	
	403-10 Work-related ill health	33	

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	39, 40, 41	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	39, 40, 41	
	404-2 Programs for upgrading employee skills and transition assistance programs	39, 40, 41	
	404-3 Percentage of employees receiving regular performance and career development reviews	39, 40, 41	
Diversity and Equal Opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	39	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	19, 36, 37, 38	
Non-discrimination			
GRI 3: Material Topics 2021	3-3 Management of material topics	21	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	21	
Child Labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	36	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risks for incidents of child labor	36	
Forced or Compulsory Labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	36	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	36	
Local Communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	42, 43	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programs	42, 43	
	413-2 Operations with significant and potential negative impacts on local communities	42, 43	
Supplier Social Assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	23, 24	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	23, 24	
	414-2 Negative social impacts in the supply chain and actions taken	23, 24	

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	29
		E1.2 Total amount, in CO_2 equivalents, for Scope 2	30
		E1.3 Total amount, in CO_2 equivalents, for Scope 3	NA
	E2. Emissions Intensity	E2.1 Total GHG emissions for output scaling factor	29, 30
		E2.2 Total non-GHG emissions per output scaling factor	NA
	E3. Energy Usage	E3.1 Total amount of energy directly consumed	28, 29
		E3.2 Total amount of energy indirectly consumed	28, 29
	E4. Energy Intensity	Total direct energy usage per output scaling factor	NA
	E5. Energy Mix	Percentage: Energy usage by generation type	28, 29
	E6. Water Usage	E6.1 Total amount of water consumed	30
		E6.2 Total amount of water reclaimed	30
	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	36
		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	36
		S4.2 Percentage: Entry- and mid-level positions held by men and women	36
		S4.3 Percentage: Senior- and executive-level positions held by men and women	19

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	33
	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	38
	S12. Community Investment	Amount invested in the community as a percentage of company revenues	23
Governance	G1. Board Diversity	G1.1 Percentage: Total board seats occupied by men and women	19
		G1.2 Percentage: Committee chairs occupied by men and women	19
	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	18
	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

Financial Results for the Period Ended December 2022 ,31

Gulf Pharmaceutical Industries Julphar

Julphar

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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 2022.

Financial Performance

Julphar recorded net sales of AED 1,616.1 million, a 41.4% increase against 2021 net sales of AED 1,143.2 million. The Julphar Segment (excluding Planet) generated AED 815.9 million net sales with a growth of 4.9% compared to previous year.

EBITDA from Continuing Operations[1] reaches AED 144.6 million in 2022 compared to a EBITDA from continuing operations of AED 164.8 million in the previous year.

The company generated AED 19.3 million positive Cash Flow from Operating Activities compared to a cash flow of AED 46.2 million in the previous year.

Net debt stood at AED 678.2 million as of 31 December 2022, which is a 21.1% increase compared to previous year. The Net Debt / EBITDA[1] ratio improved to 4.5x.

Furthermore, Julphar's significant revenue growth continued to reflect the company's prominence as the region's top generics pharmaceutical company, supported by the success of its key brands. Throughout the year, Julphar launched new products as part of its 2030 Strategy with implementation well on track, to be followed by a pipeline of more than 100 products in the coming years.

In 2022, the company signed an MOU with the Ministry of Industry and Advanced Technology (MoIAT) to build the Middle East's first factory to produce the first long-acting biological alternative to insulin.

Moreover, overall contribution from Julphar's wholly owned subsidiary, Planet Pharmacies, continued to boost the Group's topline figures and extending the group's capabilities into the distribution and retail segments of pharmacy healthcare sector across the UAE, KSA and Oman.

Production output increased to 177 million packs during the reporting period, a 24% increase compared to previous year.

Outlook 2023:

The Group will continue its transformation program during 2023 and strengthen the market position in its core markets in MENA. Julphar plans to launch new products addressing existing medical needs with critical pharmaceuticals and life-saving medicines in the MENA region, securing local supply chains and supporting the manufacturing of high-quality products locally by implementing new cutting-edge technologies in line with the UAE government healthcare agenda. Julphar will also explore growth opportunities to increase its presence in North African markets through new product launches as well as local manufacturing partnerships.

The new pipeline initiative will progress to secure the medium-term growth of the Group in addition to exploring geographical expansion opportunities in African markets. New strategic in-licensing partnership will further strengthen the Group' future group prospects.

Planet Pharmacies will expand its retail pharmacy network in the markets of Unit Arab Emirates and Kingdom of Saudia Arabia through new store opening as well as targeted acquisitions. The Group will work on new projects to generate further synergies between Julphar's product business and Planet Pharmacies' retail and wholesale business.

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.

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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.*

Gulf Pharmaceutical Industries
Julphar
Management

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 2022.

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

_______________ 2023

Gulf Pharmaceutical Industries
Julphar
Management

Building a better working world

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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 2022, 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 a summary of significant accounting policies.

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 2022, 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 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*
Revenue Recognition: Revenue for the year ended 31 December 2022 amounted to AED 1,616.1 million. Revenue from the sale of goods is recognised upon the transfer of control of the goods to the customer, usually on delivery of goods. The Group uses a variety of shipment terms across (incoterms) its operating markets and this has an impact on the timing of revenue recognition. There is a higher risk that revenue could be recognised in the incorrect period for sales transactions occurring on and around the year end. We identified revenue recognition as a key audit matter because revenue is one of the Group's key performance indicators and it involves significant judgement on the timing of the revenue recognition. The group's policy for revenue recognition together with significant accounting estimates and judgments is described in note 3, and in note 4 revenues related disclosures as required by IFRS.	As part of our audit, the procedures to test appropriateness of revenue recognized for the year includes the following: ▪ We obtained an understanding of management's internal controls over the revenue process and placed specific attention on the timing of the revenue recognition. We performed walkthroughs to understand the adequacy and the design of the revenue cycle. ▪ We reviewed the revenue recognition policy applied by the Group to ensure its compliance with IFRS requirements. More specifically we reviewed how the incoterms were considered within the revenue recognition process. ▪ We also performed sales cut off procedures by agreeing deliveries before and after year end to supporting documentation to establish that sales and corresponding trade receivables are properly recorded in the correct period. ▪ In addition to substantive analytical procedures performed at the Group level, we performed procedures to understand how the revenue has trended over the year, and performed a detailed testing on transactions around the yearend, ensuring revenues were recognised in the correct accounting period. We also tested journal entries recognised to revenue focusing on unusual or irregular transactions. ▪ We validated the appropriateness and completeness of the related disclosures in note 4 of 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***
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 underutilization 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 16 and 17 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 to determine its compliance with International Financial Reporting Standards (IFRS); ▪ We evaluated the assumptions used by management of the Group in determining the recoverable amount of the CGUs, including those completed by external valuers, 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 have assessed the appropriateness of Weighted Average Cost of Capital ("WACC") 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; ▪ We evaluated the external valuer's competence, capabilities and objectivity including the scope of the engagement; 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*
Allowance for slow-moving inventories: The gross balance of inventory as at 31 December 2022 is AED 724.3 million, against which provision for slow moving and obsolete inventory amounting to AED 46.7 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 18 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 by the 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 reports and prospective assumptions on their expiries. We compared the provision based on the report 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 International Financial Reporting Standards.

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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.

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.

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

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

- 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 2022:

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 2022, if any, are disclosed in notes 19 and 20 to the consolidated financial statements;

vi) note 29 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 2022, any of the applicable provisions of the UAE Federal Law No. 32of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and

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

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

20 March 2023

Sharjah, United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	***2022 AED millions***	*2021 AED millions*
Continuing operations			
Revenue from contracts with customers	4	**1,616.1**	1,143.2
Cost of revenue	5	**(1,117.5)**	(759.8)
Gross profit		**498.6**	383.4
Other income	6	**108.3**	110.0
Selling and distribution expenses	7	**(367.3)**	(269.2)
General and administrative expenses	8	**(229.0)**	(182.7)
Share of loss of an associate	12	**-**	(31.4)
Loss on remeasurement of previously existing interest of an associate	12	**-**	(7.9)
Gain on bargain purchase	13	**-**	59.3
Gain from investments and others		**2.0**	2.4
Operating profit		**12.6**	63.9
Finance income	9	**3.6**	2.4
Finance costs	10	**(40.1)**	(23.7)
(Loss)/ profit before tax for the year from continuing operations		**(23.9)**	42.6
Net income tax and zakat expense	11	**(2.8)**	(1.1)
(Loss)/ profit for the year from continuing operations		**(26.7)**	41.5
Discontinued operations			
Hyperinflation adjustment on net monetary position	38	**(9.5)**	-
Profit / (loss) for the year from discontinued operations	14(e)	**4.5**	(10.1)
Gain on disposal of subsidiaries	14(a)(b) and (c)	**-**	28.0
		(5.0)	17.9
(LOSS)/ PROFIT FOR THE YEAR		**(31.7)**	59.4
(Loss)/ profit attributable to:			
Equity holders of the Parent		**(29.4)**	64.4
Non-controlling interests		**(2.3)**	(5.0)
		(31.7)	59.4
Earnings per share:			
Basic and diluted			
(Loss)/ profit per share attributable to the equity holders of the Parent (in UAE fils)	15	**(2.5)**	5.6
Earnings per share for continuing operations:			
Basic and diluted			
(Loss)/ profit per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	15	**(2.3)**	3.6

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	***2022 AED millions***	*2021 AED millions*
(Loss)/ profit for the year		**(31.7)**	59.4
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences of foreign operations		**(41.9)**	(7.3)
Hyperinflation adjustment relating to discontinued operations	38	**16.8**	-
Gain/ (loss) on cash flow hedge	36	**26.9**	(1.5)
Reclassification adjustment to statement of profit or loss	36	**1.3**	-
		3.1	(8.8)
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)	20	**(7.0)**	-
Total other comprehensive loss for the year		**(3.9)**	(8.8)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		**(35.6)**	50.6
Total comprehensive (loss)/ income attributable to:			
Equity holders of the Parent		**(40.2)**	55.6
Non-controlling interests		**4.6**	(5.0)
		(35.6)	50.6

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	***2022 AED millions***	*2021 AED millions*
ASSETS			
Non-current assets			
Property, plant and equipment	16	**632.4**	645.3
Right of use assets	32	**119.9**	103.7
Intangible assets	17	**158.3**	177.2
Deferred tax asset	11	**0.6**	0.5
Derivative financial instrument	36	**25.2**	-
Financial asset at fair value through other comprehensive income	20	**0.3**	-
		936.7	926.7
Current assets			
Inventories	18	**672.8**	653.9
Financial assets at fair value through profit or loss	19	**19.5**	19.5
Receivable from a divested subsidiary	14(c)	-	61.2
Trade and other receivables	21	**643.8**	581.9
Bank balances and cash	22	**92.3**	159.3
		1,428.4	1,475.8
Assets held for sale	14(f)	**34.3**	23.8
		1,462.7	1,499.6
TOTAL ASSETS		**2,399.4**	2,426.3
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**1,155.3**	1,155.3
Statutory reserve	24	**185.5**	185.5
Foreign currency translation reserve		**(192.7)**	(160.7)
Cash flow hedging reserve	36	**26.7**	(1.5)
Fair value reserve	20	**(7.0)**	-
Accumulated losses		**(251.3)**	(221.9)
Equity attributable to shareholders of the Parent		**916.5**	956.7
Non-controlling interests	25	**11.7**	7.1
Total equity		**928.2**	963.8

Sh Saqer Humaid Al Qasimi
Chairman

Ignacio Anglada
Chief Financial Officer

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2022

	Notes	***2022 AED millions***	*2021 AED millions*
Non-current liabilities			
Provision for employees' end of service benefits	26	**80.9**	79.8
Bank and other borrowings	27	**712.5**	665.0
Deferred tax liability		**3.3**	4.0
Lease liabilities	32	**76.0**	67.8
		872.7	816.6
Current liabilities			
Trade payables and accruals	28	**487.0**	544.2
Income tax and zakat payable		**5.9**	5.9
Bank and other borrowings	27	**58.0**	54.4
Derivative financial instrument	37	**-**	1.5
Lease liabilities	32	**39.2**	31.9
		590.1	637.9
Liabilities directly associated with the assets held for sale	14(f)	**8.4**	8.0
		598.5	645.9
Total liabilities		**1,471.2**	1,462.5
TOTAL EQUITY AND LIABILITIES		**2,399.4**	2,426.3

Sh Saqer Humaid Al Qasimi
Chairman

Ignacio Anglada
Chief Financial Officer

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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 profit 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**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	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*	*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	(146.5)	-	(293.2)	901.1	168.8	1,069.9
(Loss)/ profit for the year	-	-	-	-	64.4	64.4	(5.0)	59.4
Other comprehensive income	-	-	(7.3)	(1.5)	-	(8.8)	-	(8.8)
Total comprehensive (loss)/ income for the year	-	-	(7.3)	(1.5)	64.4	55.6	(5.0)	50.6
Movement in non-controlling interests (note 25)	-	-	-	-	-	-	1.1	1.1
Non-controlling interests derecognised on disposal of subsidiaries (note 25)	-	-	-	-	-	-	(136.5)	(136.5)
Transfer of foreign currency reserve to accumulated losses on disposal of a subsidiary	-	-	(6.9)	-	6.9	-	-	-
Other movement in non-controlling interests	-	-	-	-	-	-	(21.3)	(21.3)
As at 31 December 2021	1,155.3	185.5	(160.7)	(1.5)	(221.9)	956.7	7.1	963.8

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022 AED millions***	*2021 AED millions*
OPERATING ACTIVITIES			
(Loss)/ profit before tax for the year before tax from continuing operations		**(23.9)**	42.6
(Loss)/ profit for the year from discontinued operations before tax	14(e)	**(3.2)**	17.9
(Loss)/ profit before tax for the year		**(27.1)**	60.5
Adjustments for:			
Depreciation of property, plant and equipment	16(b)	**76.3**	75.9
Depreciation of right of use asset	32	**36.9**	17.8
Amortisation of intangible assets	17	**18.8**	11.1
Share of loss from investment in an associate	12	**-**	31.4
Gain on bargain purchase	13(a)	-	(59.3)
Loss on remeasurement of previously existing interest of an associate	12	-	7.9
Liabilities written back	6	**(39.0)**	(65.9)
Gain on disposal of subsidiaries	14(a)(b)(c)	**-**	(28.0)
Allowance for slow-moving inventories	18(a)	**24.0**	16.4
Allowance for expected credit loss on receivables	21(a)	**7.0**	2.0
Provision for employees' end of service benefits	26	**13.5**	10.5
Hyperinflation adjustment	38	**9.5**	-
Receivable from a divested subsidiary written off		**9.8**	-
Loss on disposal of property, plant and equipment		**0.1**	-
Gain on rent concession	6	-	(2.3)
Finance income	9	**(3.6)**	(2.4)
Finance costs	10	**40.1**	24.1
		166.3	99.7
Changes in working capital			
Trade and other receivables		**(68.9)**	349.8
Inventories		**(42.9)**	(72.3)
Trade payables, accruals and deferred revenue		**(18.2)**	(322.4)
Cash used from operations		**36.3**	54.8
Employees' end of service benefits paid	26	**(12.4)**	(8.6)
Income tax and zakat paid		**(4.6)**	-
Net cash flows from operating activities		**19.3**	46.2
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	**(63.7)**	(44.4)
Purchase of intangible assets	17	**(1.7)**	-
Proceeds from sale of financial asset at FVTPL		**-**	0.2
Consideration paid for acquisition of interest in a subsidiary - net	13(c)	**-**	(126.5)
Deposits having maturities after three months and less than one year		**10.4**	(16.3)
Finance income received		**3.6**	2.4
Proceeds from divestment of subsidiaries		**51.4**	144.8
Purchase of quoted equity investments at FVTOCI	20	**(7.3)**	-
Net cash flows used in investing activities		**(7.3)**	(39.8)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2022

		2022 AED millions	*2021 AED millions*
FINANCING ACTIVITIES			
Proceeds from bank borrowings	27(e)	**85.0**	665.0
Repayment of bank borrowings	27(e)	**(33.9)**	(550.0)
Increase in non-controlling interest	25(b)	**-**	1.1
Repayment of lease liabilities	32	**(42.8)**	(23.9)
Interest paid		**(34.6)**	(22.1)
Net cash (used in)/ from financing activities		**(26.3)**	70.1
NET (DECREASE)/ INCREASE IN BANK BALANCES AND CASH		**(14.3)**	76.5
Currency translation differences		**(42.3)**	(7.2)
Bank balances and cash at 1 January		**143.0**	73.7
BANK BALANCES AND CASH AT 31 DECEMBER	22	**86.4**	143.0

The attached notes 1 to 39 form an integral 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 20 March 2023.

2. GROUP INFORMATION

These consolidated financial statements reflect the operations of the Group as at 31 December 2022. By virtue of shareholders and other agreements, the Company holds directly or indirectly (through nominees) 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* **2022**	*2021*	*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 Pakistan Private Limited (note (a), (d) and (e))	Pakistan	**-**	100%	Distributor of Julphar's products in Pakistan
9.	Julphar Tunisie (note (a))	Tunisia	**99%**	99%	Distributor of Julphar's products in Tunisia

2. GROUP INFORMATION (continued)

Direct subsidiaries (continued)

Serial No.	Name of subsidiary	Country of Incorporation	Percentage of Ownership 2022	2021	Subsidiary activity
10.	Julphar Gulf Pharmaceuticals Kenya Limited (note (a))	Kenya	**100%**	100%	Distributor of Julphar's products in Kenya
11.	Planet Pharmacies L.L.C (note (c))	United Arab Emirates	**100%**	100%	Distribution, wholesale and retail trading of medicines and cosmetic products.
Indirect subsidiaries					
Subsidiary of Mena Cool Machinery Trading					
1.	Julphar General Trading L.L.C. (note (a) and (d))	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. (note (d))	Egypt	**100%**	100%	Distributors of Julphar’s products in Egypt
Subsidiary of Julphar Egypt Company L.L.C.					
1.	Julphar Plus (note (a) and (d))	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

2. GROUP INFORMATION (continued)

Indirect subsidiaries (continued)

Subsidiaries of Planet Pharmacies L.L.C.(continued)

Serial No.	*Name of subsidiary*	*Country of Incorporation*	*Percentage of Ownership*		*Subsidiary activity*
			2022	*2021*	
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
Subsidiaries of Health First Investment LLC					
1.	Masafi Pharmacy (note (g))	United Arab Emirates	**-**	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
Subsidiaries of Zahrat Al Rawdah Pharmacies Limited Liability Company					
1.	Rawdah Jeddah Medical Establishment (note (g))	Kingdom of Saudi Arabia	**-**	100%	Retail and wholesale trading in medicines and cosmetics
2.	Shahaad Zahrat Al Rawdah (note (g))	Kingdom of Saudi Arabia	**-**	100%	Retail and wholesale trading in medicines and cosmetics
3.	Rukan Zahrat Al Rawdah Pharmacy Establishment	Kingdom of Saudi Arabia	**100%**	100%	Retail and wholesale trading in medicines and cosmetics
4.	Rahiq Zahrat Al Rawdah Pharmacy Establishment	Kingdom of Saudi Arabia	**100%**	100%	Retail and wholesale trading in medicines and cosmetics

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 2021, management has classified the subsidiary as a disposal group held for sale (note 14(c)). As of the reporting date, the sale of the subsidiary has not been completed and the sale is expected to be completed during the current year.

2. GROUP INFORMATION (continued)

c) During the year 2021, the Parent Company purchased the remaining 60% shareholding in Planet Pharmacies L.L.C ("Planet") from M/s Pharma SPV Ltd and accordingly with effect from 1 July 2021 the results of Planet are consolidated in the consolidated financial statements (note 13(a)).

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

e) During the year ended 31 December 2022, the Parent Company disposed of 100% of its shareholding in the subsidiary. Since the subsidiary was not operational, the financial impact of the disposal of the subsidiary is immaterial to the overall consolidated financial statements of the Group.

f) During the year ended 31 December 2021, the Parent Company sold its shareholding of 100%, 50.5% and 51% in M/s Gulf Inject LLC, M/s Julphar Bangladesh Limited and M/s Alpha Pharma L.L.C., respectively.

g) These Companies were closed during the year ended 31 December 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

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 19) and fair value through other comprehensive income (note 20) and derivative financial instruments measured at fair value (note 37).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

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.

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 2021, except for the adoption of new standards effective as of 1 January 2022 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 2022

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The amendments and interpretations apply for the first time in 2022, 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 management is currently assessing the impact of adopting the below standards, amendments and interpretations on the Group's consolidated financial statements in the period of their initial application and intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17)
- 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)
- Definition of Accounting Estimates - Amendments to IAS 8 (effective from annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Changes in accounting policies and disclosures (continued)

b) Standards issued but not yet effective (continued)

- 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)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023)
- 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.)

3.5 Summary of significant accounting policies

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.

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 (note 13(a)).

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 (note 13).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Fair value measurement (continued)
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.

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 34.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Intangible assets (continued)

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Leases (continued)
Lease liabilities (continued)
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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)
Subsequent measurement (continued)
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)
Initial recognition and subsequent measurement (continued)
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.

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 due to employees in accordance with the UAE Labour Law 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

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.

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 38 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Summary of significant accounting policies (continued)

Non-current assets held for sale and discontinued operations (continued)
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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (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 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).

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 2022 and 2021, 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
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage

For more details on discontinued operations refer note 14.

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.

Distinguishing between business combination and acquisition of an asset or a group of assets

The Group distinguishes a transaction or other event as business combination i.e. obtaining control of one or more businesses, and acquisition of an asset or a group of assets, based on management’s judgement on whether a particular set of assets and activities consist of inputs and processes applied to those inputs, which together are or will be used to create outputs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

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.

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 **-** Finished goods with less than 1 year shelf life are deemed not to be usable or sold in the market as per Ministry regulations. Full provision for finished goods with less than 1 year shelf life is recorded in the consolidated statement of financial position.

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 46.7 million (2021: AED 55.7 million) (note 18). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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.

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 2022, the amount recognised as accruals for the volume rebates was AED 18.7 million (2021: AED 23.3 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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.

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 2022, 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 38.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

	2022 AED millions	*2021 AED millions*
Gross sales	**1,667.7**	1,208.6
Less: commission	**(35.1)**	(40.6)
Net Sales	**1,632.6**	1,168.0
Less: net sales relating to discontinued operations (note 14(e))	**(16.5)**	(24.8)
	1,616.1	1,143.2

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:

	2022 AED millions	*2021 AED millions*
Geographic information		
UAE	**573.2**	356.3
Other GCC countries	**632.5**	330.9
Other countries	**426.9**	480.8
	1,632.6	1,168.0
Less: net sales relating to discontinued operations (note 14(e))	**(16.5)**	(24.8)
	1,616.1	1,143.2

4.2 Contract balances

	2022 AED millions	*2021 AED millions*
Contract assets		
Trade receivables (note 21)	**553.3**	477.0

	2022 AED millions	*2021 AED millions*
Contract liabilities		
Refund liabilities (note 28)	**51.2**	34.5
Rebate and accruals (note 28)	**18.7**	23.3
Advances from customers (note 28)	**1.5**	8.5
Commissions payable (note 28)	**30.6**	39.0
	102.0	105.3

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

	2022 AED millions	*2021 AED millions*
Raw materials consumed and third-party purchases	**848.4**	526.1
Salaries and wages	**109.7**	101.7
Depreciation of property, plant and equipment (note 16)	**62.5**	63.5
Consumption of laboratory items	**63.3**	55.8
Electricity and water	**29.1**	27.2
Others	**13.4**	7.3
	1,126.4	781.6
Less: cost of sales relating to discontinued operations (note 14(e))	**(8.9)**	(21.8)
	1,117.5	759.8

6. OTHER INCOME

	2022 AED millions	*2021 AED millions*
Liabilities written back (note below and note 21(b))	**39.0**	65.9
Retail space listing income	**49.3**	27.5
Cafeteria operating income	**1.3**	1.3
Exchange gain	**0.2**	0.7
Rent concession (note 32)	**-**	2.3
Other income	**18.5**	19.4
	108.3	117.1
Less: other income relating to discontinued operations (note 14(e))	**-**	(7.1)
	108.3	110.0

In 2022 and 2021, the Company has written off certain liabilities which are no longer required.

In 2021, the associate of the Parent Company waived its rights in relation to the bonus goods and other compensations. As a result, the Group released accruals in the amount of AED 32.8 million on the write back of liabilities. In addition, the Parent Company recorded its 40% share of loss of the associate company which resulted in nil impact in the consolidated financial statements of the Group.

7. SELLING AND DISTRIBUTION EXPENSES

	2022 AED millions	*2021 AED millions*
Salaries, wages and related expenditures	**186.9**	154.6
Advertisement and promotion	**64.5**	29.6
Research and development expenditures	**20.7**	14.2
Freight charges	**19.7**	16.9
Rent expense (note 32)	**17.1**	7.7
Scrapping	**16.6**	5.2
Sales expenses	**7.5**	10.6
Marketing materials	**5.4**	2.3
Product registration	**4.5**	3.9
Depreciation of property, plant and equipment (note 16)	**2.4**	2.2
Penalties on sales	**-**	8.3
Others	**22.7**	17.2
	368.0	272.7
Less: selling and distribution expenses relating to discontinued operations (note 14(e))	**(0.7)**	(3.5)
	367.3	269.2

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 AED millions	*2021 AED millions*
Salaries, wages and related expenditures	**88.6**	83.8
Depreciation of right of use assets (note 32)	**36.9**	17.8
Legal and professional	**22.1**	20.2
Amortisation of intangible assets (note 17)	**18.8**	11.1
Depreciation of property, plant and equipment (note 16)	**11.4**	10.2
Value added tax expense	**5.5**	9.5
Utilities	**9.5**	5.6
Services	**2.8**	4.5
Bank charges and commission	**3.9**	4.0
Transportation and visa charges	**2.6**	2.5
Loss on exchange	**1.6**	1.8
Technical know-how	**-**	0.5
Others	**25.9**	24.9
	229.6	196.4
Less: general and administrative expenses relating to discontinued operations (note 14(e))	**(0.6)**	(13.7)
	229.0	182.7

9. FINANCE INCOME

	2022 AED millions	*2021 AED millions*
Interest income on fixed deposits	**3.6**	2.5
Less: finance income relating to discontinued operations (note 14(e))	**-**	(0.1)
	3.6	2.4

10. FINANCE COSTS

	2022 AED millions	*2021 AED millions*
Interest on bank overdraft	**0.7**	3.3
Interest on lease liabilities (note 32)	**5.5**	2.4
Interest on bank and other loans	**32.6**	18.4
Amortisation of time value of money relating to interest rate cap (note 36)	**1.3**	-
	40.1	24.1
Less: finance cost relating to discontinued operations (note 14(e))	**-**	(0.4)
	40.1	23.7

11. INCOME TAX AND ZAKAT

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022 AED millions	*2021 AED millions*
Current income tax		
Current year	**5.3**	3.3
Deferred tax (credit) / charge		
Current year (credit) / charge	**(0.7)**	0.5
Total income tax charge/(credit) reported in the consolidated statement of profit or loss	**4.6**	3.8
Less: income tax and zakat expense relating to discontinued operations (note 14(e))	**(1.8)**	(2.7)
	2.8	1.1

11. INCOME TAX AND ZAKAT (continued)

Components of deferred tax are as follows:

	2022 AED millions	*2021 AED millions*
Difference in accounting and tax base of intangible assets	**14.2**	20.9
Deferred tax liability	**3.3**	4.0
Deferred tax asset mainly on account temporary differences	**0.6**	0.5
Total deferred tax liabilities, net	**(2.7)**	(3.5)

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 corporation tax. 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. INVESTMENT IN AN ASSOCIATE

a) On 8 July 2021, the Parent Company purchased the remaining 60% shareholding in Planet Pharmacies L.L.C ("Planet"), which is engaged in the distribution, wholesale and retail trading of medicines and cosmetic products in UAE, KSA and Oman, thereby obtaining a 100% shareholding and control of Planet (note 13). As a result of the 100% acquisition of Planet by Julphar, Planet has become one of the guarantors to the lenders under the AED 1.01billion Debt Restructuring Facility and is bound by terms of the facility. Planet signed the Guarantor Accession Deed in this respect on 20 October 2021 because of which Planet agrees to perform all obligations expressed to be assumed by a guarantor under the facility (note 27(b)(i)).

b) Movements in the account of net investment in an associate during the year were as follows:

	2022 AED millions	*2021 AED millions*
Balance at the beginning of the year	-	270.6
Share of associate's consolidated (loss)/profit for the period from 1 January to 30 June	-	(31.4)
Loss on remeasurement of previously existing interest of an associate (note 12(c))	-	(7.9)
Investment in an associate derecognized on obtaining control (note 13(a))	-	(231.3)
At the end of the year	-	-

c) The Parent Company's investment in Planet was revalued at AED 231.3 million as at 1 July 2021 resulting in an impairment loss of AED 7.9 million as compared to its carrying value of AED 239.2 as of that date. Thereafter the investment in an associate was derecognized and it was consolidated in these consolidated financial statements with effect from 1 July 2022 (note 13(a)).

13. BUSINESS COMBIINATION

a) ***Acquisition of additional shareholding Planet Pharmacies L.L.C***
On 8 July 2021, the Parent Company purchased remaining 60% shareholding in Planet Pharmacies L.L.C ("Planet") at a consideration of AED 286 million, thereby obtaining 100% shareholding and control in Planet.

13. BUSINESS COMBIINATION (continued)

a) Acquisition of additional shareholding Planet Pharmacies L.L.C (continued)

This further acquisition of 60% shareholding was made as part of strategic efforts to further increase shareholder value by extending Julphar's existing manufacturing and marketing capabilities into the distribution and retail segments across UAE, KSA and Oman. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Planet for the 12 months period (compared to 6 months period from the acquisition date (i.e. 1 July 2021) in 2021).

The purchase of remaining 60% shareholding in Planet resulted in the gain on bargain purchase of AED 59.3 million as follows:

	AED millions
Acquisition-date fair values of identifiable net assets acquired (note 13(b))	**576.6**
Purchase consideration transferred (note 13(c))	**(286.0)**
Acquisition-date fair value of initial 40% interest (note 12(d))	**(231.3)**
Gain on bargain purchase	**59.3**

b) ***Assets acquired and liabilities assumed***

i) The fair values of the identifiable assets and liabilities of Planet as at the date of acquisition were:

	Fair value recognized on acquisition AED millions
Assets	
Property, plant and equipment (note 16)	**21.0**
Right of use assets (note 32)	**109.1**
Intangible assets (note 17)	**173.3**
Deferred tax asset	**0.5**
Inventories	**309.2**
Trade and other receivables	**403.7**
Bank balances and cash	**159.5**
	1,176.3
Liabilities	
Provision for employees' end of service benefits (note 26)	**20.4**
Deferred tax liability	**1.4**
Lease liabilities (note 32)	**112.6**
Trade payables and accruals	**462.9**
Bank borrowings (note 27(c))	**2.4**
	599.7
Total identifiable net assets at fair value	**576.6**

ii) The fair value of the intangible assets acquired has been completed during the year ended 31 December 2022. Thus, net assets recognised on provisional assessment on acquisition date are not materially different from the acquisition date fair value. Accordingly, no adjustment to the gain on bargain purchase is required to be made in the consolidated statement of profit or loss.

iii) In 2021, from the date of acquisition, Planet contributed AED 444.2 million of revenue and AED 22.2 million to profit before tax from continuing operations of the Group. If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been AED 893.9 million and profit before tax from continuing operations for the Group would have been AED 72.8 million (before consolidation eliminations).

13. BUSINESS COMBIINATION (continued)

c) ***Analysis of cashflows on acquisition***

	AED millions
Net cash acquired with the subsidiary	**159.5**
Consideration paid for acquisition of additional interest	**(286.0)**
Net cash flow on acquisition	**(126.5)**

14. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Gulf Inject L.L.C.

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell Gulf Inject L.L.C. ("Gulf Inject"), a wholly owned subsidiary.

During the year ended 31 December 2021, the Group entered into a Sale & Purchase Agreement with respect to its investment in Gulf Inject. The legal formalities relating to the disposal of Gulf Inject have been fulfilled and the sale of Gulf Inject was completed during the year ended 31 December 2021. Accordingly, a gain of AED 19.0 million was recorded by the Group on the derecognition.

With Gulf Inject being classified as a discontinued operation, the results of Gulf Inject has not been presented in the segment information (note 31) for the year ended 31 December 2021.

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

	2022 AED millions	*2021 AED millions*
Operating	**-**	10.3
Investing	**-**	(9.1)
Financing	**-**	(0.1)
Net cash inflow	**-**	1.1

** Represents eight months of activity prior to the sale on 31 August 2021.*

Basic and diluted (loss)/ profit per share
Basic and diluted (loss)/ profit per share is disclosed in note 15.

b) Julphar Bangladesh Limited

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

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

With Julphar Bangladesh being classified as a discontinued operation, the results of Julphar Bangladesh has not been presented in the segment information (note 31) for the year ended 31 December 2021.

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

b) Julphar Bangladesh Limited (continued)

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

	2022 AED millions	*2021* AED millions*
Operating	-	0.1
Investing	-	(0.1)
Net cash inflow	-	-

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

Basic and diluted (loss)/ profit per share
Basic and diluted (loss)/ profit per share is disclosed in note 15.

c) Alpha Pharma L.L.C

On 9 May 2021, a Sale and Purchase Agreement ("SPA") was entered into, whereby the Group agreed to sell its 51% shareholding in Alpha Pharma L.L.C. ("Alpha Pharma") to Cigalah.

The legal formalities relating to the disposal of Alpha Pharma which included amongst other things obtaining the approval from the General Authority for Competition ("GPA") in the Kingdom of Saudi Arabia ("KSA") was received during the current period. The other legal formalities have been fulfilled on 19 May 2022. The completion of these legal formalities concludes the transfer of control of Alpha Pharma to Cigalah. The related carrying values of net assets and non-controlling interests of Alpha Pharma were derecognized during the year 2021 as the management believed that these legal formalities did not preclude control having been transferred to Cigalah.. Accordingly, a gain of AED 8.5 million was recognized by the Group on the derecognition during 2021.

With Alpha Pharma being classified as a discontinued operation, the results of Alpha Pharma have not been presented in the segment information (note 31) for the year ended 31 December 2021.

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

	2022* AED millions	*2021* AED millions*
Operating	-	(7.0)
Financing	-	15.4
Net cash inflow	-	8.4

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

Basic and diluted (loss)/ profit per share
Basic and diluted (loss)/ profit per share is disclosed in note 15.

d) 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 2022, 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 has not been presented in the segment information (note 31). 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 2022 and 2021.

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

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

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

	2022 AED millions	*2021 AED millions*
Operating	**8.7**	(0.1)
Investing	**-**	(0.4)
Financing	**(0.2)**	(0.1)
Net cash outflow	**8.5**	(0.6)

Basic and diluted (loss)/ profit per share
Basic and diluted (loss)/ profit per share is disclosed in note 15.

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

	For the year ended 31 December 2022	*For the year ended 31 December 2021*				
	Julphar Pharmaceuticals PLC AED millions	*Gulf Inject LLC*** AED millions*	*Julphar Bangladesh Limited** AED millions*	*Alpha Pharma LLC* AED millions*	*Julphar Pharmaceuticals PLC AED millions*	*Total AED millions*
Revenue from contracts with customers	**16.5**	12.0	1.8	1.3	9.7	24.8
Cost of sales	**(8.9)**	(8.8)	(1.0)	(6.1)	(5.9)	(21.8)
GROSS PROFIT	**7.6**	3.2	0.8	(4.8)	3.8	3.0
Other income	-	3.1	3.6	0.3	0.1	7.1
Selling and distribution expenses	**(0.7)**	(1.1)	(2.0)	(0.2)	(0.2)	(3.5)
General and administrative expenses	**(0.6)**	(0.2)	-	(12.4)	(1.1)	(13.7)
Impairment of financial asset	-	-	-	-	-	-
OPERATING PROFIT/(LOSS)	**6.3**	5.0	2.4	(17.1)	2.6	(7.1)
Finance income	-	0.1	-	-	-	0.1
Finance costs	-	(0.1)	(0.2)	(0.1)	-	(0.4)
(LOSS)/PROFIT BEFORE TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**6.3**	5.0	2.2	(17.2)	2.6	(7.4)
Income tax	**(1.8)**	-	-	(1.9)	(0.8)	(2.7)
PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**4.5**	5.0	2.2	(19.1)	1.8	(10.1)
Profit/(loss) attributable to:						
Equity holders of the Parent	**2.5**	5.0	1.1	(12.2)	1.0	(5.1)
Non-controlling interests	**2.0**	-	1.1	(6.9)	0.8	(5.0)
	4.5	5.0	2.2	(19.1)	1.8	(10.1)

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

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

**Represents four months of activity prior to the sale on 9 May 2022.*
***Represents three months of activity prior to the sale on 31 March 2022.*
****Represents eight months of activity prior to the sale on 31 August 2022.*

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

f) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December 2022 are as follows:

	2022 Julphar Pharmaceuticals PLC AED millions	*2021 Julphar Pharmaceuticals PLC AED millions*
ASSETS		
Property, plant and equipment	**9.6**	3.5
Inventories	**4.8**	6.8
Trade and other receivables	**2.9**	3.8
Bank balances and cash	**17.0**	9.7
Assets held for sale	**34.3**	23.8
LIABILITIES		
Trade payables and accruals	**6.8**	8.0
Income tax and zakat payable	**1.6**	-
Liabilities directly associated with assets held for sale	**8.4**	8.0
Net assets directly associated with assets held for sale	**25.9**	15.8
Less: net assets attributable to non-controlling interests (note 35)	**(11.7)**	(7.1)
Group's share of net assets directly associated with disposal group	**14.2**	8.7

15. BASIC/ DILUTED (LOSS)/ PROFIT PER SHARE (EPS)

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

	2022 AED millions	*2021 AED millions*
(Loss)/ profit for the year attributable to the equity holders of the Parent:		
Continuing operations	**(26.6)**	41.5
Discontinued operations	**(2.8)**	22.9
(Loss)/ profit for the year attributable to the equity holders of the Parent	**(29.4)**	64.4
Weighted average number of shares	**1,155.3**	1,155.3

15. BASIC/ DILUTED (LOSS)/ PROFIT PER SHARE (EPS) (continued)

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

	2022 AED millions	*2021 AED millions*
Basic (loss)/ profit per share attributable to the equity holders of the Parent (in UAE fils)	**(2.5)**	5.6
Basic (loss)/ profit per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	**(2.3)**	3.6

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:

	2022 AED millions	*2021 AED millions*
(Loss) / profit for the year attributable to the equity holders of the Parent from discontinued operations	**(2.8)**	22.9
Basic (loss) / profit per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	**(0.2)**	2.0

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

16. 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 2021	43.9	623.9	1,156.4	131.1	30.7	17.2	20.8	9.3	3.8	2,037.1
Additions	-	-	18.8	0.2	0.3	5.6	1.0	1.2	17.3	44.4
Transfer from CWIP	-	-	0.4	0.2	-	0.3	-	-	(0.9)	-
Acquired on business combination (note 13(b)(i))	-	-	-	-	1.2	10.2	5.6	3.0	1.0	21.0
Reclassified to assets held for sale (note 14(d))	(0.2)	(1.9)	(5.7)	-	(0.4)	(0.1)	(1.2)	-	(0.7)	(10.2)
Derecognized on disposal of a subsidiary	(15.4)	(156.4)	(86.2)	-	(0.3)	(3.2)	(3.5)	-	-	(265.0)
Transfers	(24.6)	40.5	-	(0.7)	0.1	-	(15.3)	-	-	-
Exchange differences	-	(0.5)	(1.4)	-	(0.1)	-	(0.3)	-	(0.2)	(2.5)
At 31 December 2021	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**

16. PROPERTY PLANT AND EQUIPMENT (continued)

	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*
Depreciation and impairment										
At 1 January 2021	-	258.0	701.5	117.5	30.6	16.7	2.9	8.6	-	1,135.8
Charge for the year (note (b))	-	20.2	48.1	3.6	0.4	1.9	1.0	0.7	-	75.9
Reclassified to assets held for sale (note 14(d))	-	(0.8)	(4.6)	-	(0.3)	(0.1)	(0.9)	-	-	(6.7)
Derecognized on disposal of a subsidiary	-	(11.1)	(9.7)	-	(0.3)	(1.0)	(1.9)	-	-	(24.0)
Exchange differences	-	(0.1)	(1.2)	-	-	-	(0.2)	-	-	(1.5)
At 31 December 2021	-	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**
Net book value:										
At 31 December 2022	**3.7**	**224.4**	**321.4**	**12.4**	**3.2**	**21.9**	**6.7**	**7.3**	**31.4**	**632.4**
At 31 December 2021	3.7	239.4	348.2	9.7	1.1	12.5	6.2	4.2	20.3	645.3

16. PROPERTY PLANT AND EQUIPMENT (continued)

a) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 27).

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

	2022 AED millions	*2021 AED millions*
Cost of sales (note 5)	**62.5**	63.5
General and administrative expenses (note 8)	**11.4**	10.2
Selling and distribution expenses (note 7)	**2.4**	2.2
	76.3	75.9

c) The factory and its related buildings of the Parent Company are constructed on plots of land amounting to AED 3.7 million (2021: 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.

17. 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 2021	33.4	-	-	-	-	-	7.7	41.1
Acquired on business combination (note 13(b)(i))	-	53.2	26.8	35.6	22.2	35.5	-	173.3
At 31 December 2021	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**
Accumulated amortisation:								
At 1 January 2021	18.5	-	-	-	-	-	7.6	26.1
Charge for the year (note 8)	2.8	-	0.9	1.8	1.7	3.9	-	11.1
At 31 December 2021	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**
Net book value:								
At 31 December 2022	**9.9**	**53.2**	**24.2**	**30.2**	**17.1**	**23.7**	**-**	**158.3**
At 31 December 2021	12.1	53.2	25.9	33.8	20.5	31.6	0.1	177.2

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.

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

	2022	*2021*
Royalty rate	**1.75%**	1.75%
Maintenance fee	**5%**	5%
Growth rate	**7%**	2.9% to 3.3%
Terminal year growth rate	**2.4% to 5.2%%**	2.7% to 3.8%
Discount rate	**14.1% to 18.1%**	13.5% to 17.5%

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.

18. INVENTORIES

	2022 AED millions	*2021 AED millions*
Raw materials (note (b))	**134.2**	146.8
Packing materials (note (b))	**60.4**	64.0
Work-in-progress	**14.5**	16.4
Finished goods	**439.9**	420.6
Goods in transit	**1.3**	9.0
Consumables	**32.0**	18.6
Spare parts	**42.0**	41.0
	724.3	716.4
Less: provision for stock losses (note (a))	**(46.7)**	(55.7)
	677.6	660.7
Less: inventories attributable to assets held for sale (note 14(f))	**(4.8)**	(6.8)
	672.8	653.9

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

	2022 AED millions	*2021 AED millions*
At 1 January	**55.7**	56.0
Charge during the year	**24.0**	16.4
Written-off during the year	**(33.0)**	(38.4)
Acquired on business combination during the year	**-**	21.7
At 31 December	**46.7**	55.7

b) Includes raw materials and packing materials amounting to AED 0.2 million (2021: AED 5.8 million) held by a third party.

c) Inventories charged to cost of sales amounted to AED 848.4 million (2021: AED 526.1 million) (note 5).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOS (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 19.5 million (2021: AED 19.5 million).

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

	2022 AED millions	*2021 AED millions*
At 1 January	**19.5**	19.7
Disposals during the year	**-**	(0.2)
	19.5	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 2021: 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 34).

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

	2022 AED millions	2021 AED millions
Fair value of financial assets at FVTOCI	**0.3**	-

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

	2022 AED millions	2021 AED millions
Fair value at the beginning of the year	**-**	-
Additions during the year	**7.3**	-
Unrealized loss on revaluation for the year	**(7.0)**	-
	0.3	-

During the year ended 31 December 2022, the Group recognized a negative fair value reserve of AED 7.0 million (2021: AED nil).

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 34).

21. TRADE AND OTHER RECEIVABLES

	2022 AED millions	2021 AED millions
Trade receivables	**731.9**	649.4
Less: allowance for expected credit losses (note (a))	**(178.6)**	(172.4)
	553.3	477.0
Advances to suppliers	**42.4**	49.5
Prepayments	**16.2**	9.5
Rebates, commission and discount receivable from suppliers	**2.1**	2.5
Value added tax receivable	**21.1**	13.3
Other receivables	**11.6**	33.9
	646.7	585.7
Less: trade and other receivables attributable to assets held for sale (note 14(f))	**(2.9)**	(3.8)
	643.8	581.9

21. TRADE AND OTHER RECEIVABLES (continued)

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

	2022 AED millions	*2021 AED millions*
At 1 January	**172.4**	417.8
Charge for the year	**7.0**	2.0
Written off during the year	**(0.8)**	(292.2)
Acquired on business combination during the year	**-**	44.8
At end of the year	**178.6**	172.4

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

During the year 2021, the management of the Parent Company negotiated with the distributor for the settlement of outstanding balances. On settlement with the Saudi distributor, the management of the Parent Company has netted of all trade receivables and liabilities balances up to 31 May 2021 and has written back the related provisions (note 6).

c) Information regarding trade receivable is given credit risk (note 33).

d) A provision has been made for the estimated impairment amounts of trade receivables of AED 178.6 million (2021: AED 172.4 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.

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

	2022 AED millions	*2021 AED millions*
0 – 180 days	**534.4**	452.4
181 – 365 days	**58.8**	17.8
More than 365 days	**138.7**	179.2
	731.9	649.4

f) 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.

g) 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.

22. BANK BALANCES AND CASH

	2022 AED millions	*2021 AED millions*
Current accounts	**99.0**	148.2
Short term bank deposits	**7.0**	17.4
Cash in hand	**3.3**	3.4
	109.3	169.0
Less: Bank balances and cash attributable to assets held for sale (note 14(f))	**(17.0)**	(9.7)
Bank balances and cash	**92.3**	159.3
Less: term deposits having maturities after three months and less than one year	**(5.9)**	(16.3)
Bank balances and cash	**86.4**	143.0

Term deposits carry interest at commercial rates.

23. SHARE CAPITAL

	2022 AED millions	*2021 AED millions*
Authorised, issued and fully paid		
1,155,227,811 ordinary shares (2021: 1,155,227,811 ordinary shares at par value of AED 1	**1,155.3**	1,155.3

24. 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 2022, 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.

25. NON-CONTROLLING INTERESTS

	2022 AED millions	*2021 AED millions*
Non-controlling interests	**11.7**	7.1

During the year ended 31 December 2021, the minority party in one of the Group's divested subsidiary in the Kingdom of Saudi Arabia had injected capital amounting to AED 1.1 million. There were no such transactions in the current year.

Further, during the year ended 31 December 2021, the non-controlling interests of the Group's subsidiaries, Julphar Bangladesh and Alpha Pharma amounting to AED 136.5 million, were derecognised on account of disposal of subsidiaries. There were no such transactions in the current year.

26. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2022 AED millions	*2021 AED millions*
At 1 January	**79.8**	59.4
Provided during the year	**13.5**	10.5
Paid during the year	**(12.4)**	(8.6)
Derecognized on disposal of subsidiary	**-**	(1.9)
Acquired on business combination during the year (note 13(b)(i))	**-**	20.4
At 31 December	**80.9**	79.8

27. BANK AND OTHER BORROWINGS

	Interest rate(%)	*Maturity*	***2022 AED millions***	*2021 AED millions*
Current interest bearing bank borrowings				
Bank overdraft	3m EIBOR+2.0%	On demand	**20.5**	-
Trust receipts	3m EIBOR+3.0%	Within 1 year	**-**	54.4
Term loans – current portion	3m EIBOR+2.5%	Within 1 year	**37.5**	-
Total current interest bearing loans and borrowings			**58.0**	54.4
Non-current interest bearing bank borrowings				
Term loan	3m EIBOR+2.5%	28 April 2030	**712.5**	665.0
Total interest bearing bank borrowings			**770.5**	719.4

a) During the year ended 30 December 2021, the Parent Company entered into a syndicated loan arrangement with a consortium of local banks. The total syndicated facility comprises of Ijarah Term Loan Facility of AED 150 million, Conventional Working Capital Finance Facility of AED 260 million and Conventional Facility of AED 600 million with total facility size of AED 1.01 billion. As of the reporting date, the Company had an undrawn facility of AED 214.5 million (2021: AED 295.3 million). The drawdown term loan of AED 750.0 million (AED 150 million from Ijarah Facility and AED 600 million from Conventional Facility) as of the reporting date is payable in quarterly instalments starting from 30 July 2023.

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

- Negative pledge over all assets except or otherwise specified as permitted assets.
- Assignment of insurance policy over its business and assets (including Secured Assets and the assets that represent Ijara Assets from time to time).
- Assignment of receivables of key customers upto 75% and undertaking to route them annually through Obligor's collection account with the Bank.
- General Mortgage over Property, Plant & Equipment and Inventory.
- Corporate guarantee of a subsidiary (note 13(a))

The Group's syndicated loan agreement is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Group is in compliance with such covenants at 31 December 2022.

27. BANK AND OTHER 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 1.01 billion facility. Interest on overdrafts are computed and added to the account on a monthly basis.

c) Movement in borrowings is as follows:

	2022 AED millions	*2021 AED millions*
At the beginning of the year	**719.4**	611.8
Less: loans repaid during the year	**(33.9)**	(550.0)
Add: new drawdowns	**85.0**	665.0
Add: acquired on business combination (note 13(b)(i))	**-**	2.4
Less: derecognised on disposal of subsidiary	**-**	(9.8)
At the end of the year	**770.5**	719.4

28. TRADE PAYABLES AND ACCRUALS

	2022 AED millions	*2021 AED millions*
Accounts payable	**272.7**	283.3
Refund liabilities (note 4)	**51.2**	34.5
Accrued expenses	**44.2**	53.2
Commissions payable (note 4)	**30.6**	39.0
Rebate and accruals	**18.7**	23.3
Unclaimed dividend	**14.7**	14.8
Employee benefits payable	**21.4**	35.9
Real estate transaction tax	**-**	3.2
Advances from customers (note 4)	**1.5**	8.5
Others	**38.8**	56.5
	493.8	552.2
Less: trade payables and accruals attributable to liability directly associated to assets held for sale (note 14(f))	**(6.8)**	(8.0)
	487.0	544.2

29. 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.

29. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Related party transactions

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

	2022 AED millions	*2021 AED millions*
Sales to associate	**-**	56.4
Other income	**-**	32.8

b) Compensation of key management personnel of the Group

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

	2022 AED millions	*2021 AED millions*
Short-term benefits	**10.4**	11.8
Post-employment and other long-term benefits	**2.5**	-
	12.9	11.8

30. COMMITMENTS AND CONTINGENT LIABILITIES

	2022 AED millions	*2021 AED millions*
Capital commitments	**18.4**	23.2
Letters of credit	**27.7**	17.3
Letters of guarantee	**26.5**	36.3

31. 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.

31. SEGMENT INFORMATION (continued)

	2022					*2021*				
	Manufacturing AED millions	***Planet AED millions***	***Investments AED millions***	***Other segments AED millions***	***Total AED millions***	*Manufacturing AED millions*	*Planet AED millions*	*Investments AED millions*	*Other segments AED millions*	*Total AED millions*
Segment revenue	**610.8**	**1,005.3**	**-**	**-**	**1,616.1**	699.0	444.2	-	-	1,143.2
Segment result	**(44.0)**	**51.8**	**2.0**	**(36.5)**	**(26.7)**	77.9	13.9	(29.0)	(21.3)	41.5
Depreciation expense of property, plant and equipment	**67.1**	**9.2**	**-**	**-**	**76.3**	73.0	2.9	-	-	75.9
Depreciation expense of right of use assets	**0.2**	**36.7**	**-**	**-**	**36.9**	-	17.8	-	-	17.8
Amortization expense	**2.2**	**16.6**	**-**	**-**	**18.8**	2.8	8.3	-	-	11.1
Share of associate's loss	-	-	-	-	-	-	-	(31.4)	-	(31.4)

	2022					*2021*				
	Manufacturing AED millions	***Planet AED millions***	***Investments AED millions***	***Other segments AED millions***	***Total AED millions***	*Manufacturing AED millions*	*Planet AED millions*	*Investments AED millions*	*Other segments AED millions*	*Total AED millions*
Segment assets	**961.4**	**1,291.6**	**19.8**	**92.3**	**2,365.1**	1,002.1	1,221.6	19.5	159.3	2,402.5
Segment liabilities	**298.8**	**393.5**	**-**	**770.5**	**1,462.8**	359.5	375.6	-	719.4	1,454.5

31. 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.

	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**	**202.4**	**713.6**

	2021				
	Total AED millions	*UAE AED millions*	*Oman AED millions*	*Saudi Arabia AED millions*	*Others AED millions*
Non-current assets					
Property, plant and equipment	645.3	632.1	3.1	10.1	-
Right of use assets	103.7	36.5	10.3	56.5	0.4
Intangible assets	177.2	70.4	9.4	85.4	12.0
Revenue	1,143.2	356.3	45.1	131.6	610.2

The Group's sales to top 2 customers individually are more than 10% of the total external sales. Total amount of sales for the year ended 31 December 2022 to these customers amounts to AED 382.3 million (2021: Top 2 customers AED 272.4 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 2022 (2021: Iraq amounting to AED 108.7 million) which is more than 10% of the total sales.

32. 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.

Set out below are the carrying amounts of right-of-use assets recognised and the movement during the year are as follow:

	2022 AED millions	*2021 AED millions*
At 1 January	**103.7**	-
Acquired on business combination (note 13(b)(i))	**-**	109.1
Additions	**68.3**	12.8
Remeasurement	**(1.2)**	2.6
Disposals	**(14.0)**	(3.0)
Depreciation (note 8)	**(36.9)**	(17.8)
	119.9	103.7

Set out below are the carrying amounts of lease liabilities and the movement during the year are as follow:

	2022 AED millions	*2021 AED millions*
At 1 January	**99.7**	-
Acquired on business combination (note 13(b)(i))	**-**	112.6
Additions	**68.3**	11.5
Remeasurement	**(1.2)**	2.6
Rent concession (note 6)	**-**	(2.3)
Accretion of interest (note 10)	**5.5**	2.4
Disposals	**(14.3)**	(3.2)
Payments	**(42.8)**	(23.9)
	115.2	99.7
Classified in to:		
Current	**39.2**	31.9
Non-current	**76.0**	67.8
At 31 December	**115.2**	99.7

The following are the amounts recognised in consolidated statement of comprehensive income:

	2022 AED millions	*2021 AED millions*
Depreciation expense of right-of-use assets (note 8)	**36.9**	17.8
Interest expense on lease liabilities included in finance costs (note 10)	**5.5**	2.4
Variable lease payment recognised as rent expenses (note 7)	**17.1**	7.7
Rent concessions (note 6)	**-**	(2.3)
	59.5	25.6

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group had total cash outflows of AED 59.9 million in the year ended 31 December 2022 (2021: AED 31.6 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.

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 33.

33. 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 2022 and 2021.

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 2022 and 2021.

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 2022 and 31 December 2021. 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 profit for the year AED millions*
2022			
	320.5	**+50**	**1.6**
		-50	**(1.6)**
2021			
	269.4	+50	(1.3)
		-50	1.3

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.

33. RISK MANAGEMENT (continued)

Market risk (continued)

***b)* Foreign currency risk (continued)**
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 profit AED m*
2022			
Euro	**(2.7)**	**+5%**	**(0.1)**
		-5%	**0.1**
2021			
Euro	(5.2)	+5%	(0.3)
		-5%	0.3

***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.

33. RISK MANAGEMENT (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:

	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**	

	2021		
	Gross value AED millions	*Allowance for expected credit losses AED millions*	*Expected credit loss (ECL)*
Trade receivables with general provision	527.0	50.0	9.5%
Specific provision for receivables	122.4	122.4	100%
	649.4	172.4	

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.

33. RISK MANAGEMENT (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:

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**

2021

	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	549.0	-	-	549.0
Bank borrowings	74.3	-	734.4	808.7
Lease liabilities	37.4	68.6	-	106.0
Lease liabilities	660.7	68.6	734.4	1,463.7

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:

	2022 AED millions	*2021 AED millions*
Bank borrowings	**770.5**	719.4
Less: bank balances and cash	**(92.3)**	(159.3)
Net debt	**678.2**	560.1
Total equity	**928.2**	963.8
Net debt to equity ratio (times)	**0.7**	0.6

33. 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 2022 and 2021.

34. 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 2021.

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					
Financial assets	***2022 AED millions***	*2021 AED millions*	***Fair value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	
					2022	*2021*
FVTPL: Unquoted equity investments	**19.5**	19.5	Level 3	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)	▪ Cost of equity ▪ Growth rate ▪ Discount for lack of marketability	▪ Discount rate ▪ Growth rate ▪ Discount for lack of marketability
FVOCI: Quoted equity investments	**0.3**	-	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	None	None
	19.8	19.5				

34. FAIR VALUE MEASUREMENTS (continued)

	Fair Value as at		
Derivative financial instrument	***2022 AED million***	*2021 AED million*	***Fair Value hierarchy***
Interest rate cap	**25.2**	(1.5)	Level 2

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

35. 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***	***2022 Percentage of ownership***	*2021 Percentage of ownership*
Julphar Pharmaceuticals PLC	Ethiopia	**55.0%**	55%

	2022 AED millions	*2021 AED millions*
Accumulated balances of material non-controlling interests:		
Julphar Pharmaceuticals PLC (note 14(f))	**11.7**	7.1
Profit allocated to material non-controlling interests:		
Julphar Pharmaceuticals PLC (note (14(e))	**(2.3)**	0.8

35. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Portion of equity interest held by non-controlling interests: (continued)
The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	2022 Julphar Pharmaceuticals PLC AED millions	*2021 Julphar Pharmaceuticals PLC AED millions*
Summarised statement of profit or loss		
Revenue from contracts with customers	**16.5**	9.7
Cost of sales	**(8.9)**	(5.9)
Selling, distribution and administrative expenses	**(1.3)**	(1.3)
Hyperinflation adjustment	**(9.5)**	-
Other income	**-**	0.1
Profit before tax	**(3.2)**	2.6
Income tax	**(1.8)**	(0.8)
Profit for the year	**(5.0)**	1.8
Other comprehensive loss for the year	**15.2**	-
Total comprehensive income for the year	**10.2**	1.8
Attributable to non-controlling interests	**4.6**	0.8

	2022 Julphar Pharmaceuticals PLC AED millions	*2021 Julphar Pharmaceuticals PLC AED millions*
Summarised statement of financial position		
Property, plant and equipment (non-current assets)	**9.6**	3.5
Inventories (current assets)	**4.8**	6.8
Trade and other receivables (current assets)	**2.9**	3.8
Bank balances and cash (current assets)	**17.0**	9.7
Trade payables and other accruals (current liabilities)	**(8.4)**	(8.0)
Total equity	**25.9**	15.8
Attributable to:		
Equity holders of the Parent	**14.2**	8.7
Non-controlling interest	**11.7**	7.1

	2022 Julphar Pharmaceuticals PLC AED millions	*2021 Julphar Pharmaceuticals PLC AED millions*
Summarised statement of cash flow		
Operating	**8.7**	(0.1)
Investing	**-**	(0.4)
Financing	**(0.2)**	(0.1)

36. DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31 December 2022, 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 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:

	2022	
	Positive fair value AED millions	***Notional amount AED millions***
Interest rate cap	**25.2**	**450.0**

	2021	
	Negative fair value AED millions	*Notional amount AED millions*
Interest rate cap	1.5	450.0

The interest rate cap is assessed to be effective and as at 31 December 2022, an unrealized gain of AED 26.9 million (2021: unrealized loss of AED 1.5 million) has been included in equity as cash flow hedge reserve.

During the year ended 31 December 2022, the Group has reclassified an amount of AED 1.3 million which relates to the amortisation of the time value of money over the period of the hedge relating to the year (2021: nil).

The amount shown as cash flow hedge reserve under equity as at 31 December 2022 of AED 26.7 million (2021: negative AED 1.5 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.

37. 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.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Company has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Company shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Company is currently in the process of assessing the possible impact on financial statements, both from current and deferred tax perspective, once the critical cabinet decisions are issued.

38. ADOPTION OF 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. 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 2022, the three-year cumulative inflation rate has been 107% based on the Ethiopian consumer price index (‘CPI’). The consumer price index at the beginning of the reporting period was 248.7 points and closed at 328.9 points resulting in an increase of 32.2%. 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 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 2022, 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) have been indexed by applying the difference in CPI from 31 December 2021 to 31 December 2022 resulting in a loss of AED 0.2 million in the consolidated statement of profit or loss to the extent determined to be recoverable.
- 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 9.5 million with an equal corresponding credit to other comprehensive income (OCI).
- Current year consolidated statement of comprehensive income is indexed using the respective period index movement for the year 2022.
- The Group has recognised a gain in OCI an amount of 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 2022, the loss for the Group was AED 31.7 million. Overall, the hyperinflation adjustment results in a loss of AED 9.5 million .

The hyperinflationary adjustments are not taxable or tax deductible in either Ethiopia or the UAE, resulting in a permanent tax difference.

39. 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.