Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim financial information for the six month period ended 30 June 2015

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Review report on condensed consolidated interim financial information to the board of directors of Gulf Pharmaceuticals Industries P.S.C

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Gulf Pharmaceutical Industries (the “Company"), and its subsidiaries (the "Group") as at 30 June 2015, and the related condensed consolidated interim statements of income, comprehensive income, for the three month and six month periods then ended, and condensed consolidated interim statements of changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" (“IAS 34”) as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Other matter

The financial statements of the Company as at 31 December 2014 were audited by another auditor whose report, dated 19 February 2015, expressed an unmodified opinion.

The financial information as at 31 March 2015 was reviewed by another auditor whose report, dated 12 May 2015, expressed an unmodified conclusion.

PricewaterhouseCoopers
13 August 2015

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Ras Al Khaimah, United Arab Emirates

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of financial position

	Notes	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Assets			
Non-Current assets			
Property, plant and equipment	6	1,064,992	1,103,813
Investment in an associate	7	283,326	272,554
Available-for-sale-investments	8	63,459	79,355
Total non-current assets		1,411,777	1,455,722
Current assets			
Inventories		346,133	419,819
Investments held for trading	9	28,473	35,937
Trade and other receivables	10	1,366,242	1,212,267
Bank balances and cash	11	116,817	120,925
Assets of discontinued operations held for sale		3,682	3,682
Total current assets		1,861,347	1,792,630
Total assets		3,273,124	3,248,352
Equity & Liabilities			
Capital and reserves			
Share capital	12	1,050,000	1,000,000
Statutory reserve	13	531,954	531,954
Voluntary reserve	14	184,819	184,819
Foreign currency translation reserve		(2,756)	(793)
Cumulative changes on revaluation of investments		3,084	(8,308)
Retained earnings		396,814	468,573
Equity attributable to shareholders of the Company		2,163,915	2,176,245
Non-controlling interest		33,259	29,860
Total equity		2,197,174	2,206,105
Non-current liabilities			
Provision for employees' end of service indemnity		43,739	39,697
Bank borrowings	15	328,224	263,063
Total non-current liabilities		371,963	302,760
Current liabilities			
Unclaimed dividends		27,299	20,593
Trade payables and accruals		117,620	278,660
Bank borrowings	15	559,068	440,234
Total current liabilities		703,987	739,487
Total liabilities		1,075,950	1,042,247
Total equity and liabilities		3,273,124	3,248,352

This condensed consolidated interim financial information have been approved on 13August 2015 and signed by:

Faisal Bin Saqr Al Qasimi
Chairman

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim income statement

	Note	For the six month period ended 30 June		For the three month period ended 30 June	
		2015 AED'000 (Unaudited)	2014 AED'000 (Unaudited)	2015 AED'000 (Unaudited)	2014 AED'000 (Unaudited)
Sales		799,485	761,771	401,886	368,313
Cost of sales		(301,722)	(306,667)	(130,863)	(150,266)
Gross Profit		497,763	455,104	271,023	218,047
Selling and distribution expenses		(315,776)	(292,905)	(174,800)	(138,972)
General and administrative expenses		(50,553)	(46,348)	(28,511)	(24,315)
Operating profit		131,434	115,851	67,712	54,760
Other income		13,216	6,439	9,429	3,003
(Loss)/gain from investments and others		(1,109)	10,196	(463)	(3,581)
Finance costs		(12,104)	(14,183)	(5,507)	(6,022)
Profit for the period		131,437	118,303	71,171	48,160
Profit attributable to:					
- Owners of the parent		131,541	119,438	71,051	48,815
- Non-controlling interest		(104)	(1,135)	120	(655)
		131,437	118,303	71,171	48,160
Basic and diluted earnings per share (in UAE Fils)	16	12.5	12.6	6.8	5.1

The notes on pages 7 to 22 form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income

	For the six month period ended 30 June		For the three month period ended 30 June	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Profit for the period	131,437	118,303	71,171	48,160
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Board of Directors' remuneration	(3,300)	(2,000)	(3,300)	(2,000)
Items that may be reclassified subsequently to profit or loss:				
Change in the fair value of available for sale investments	10,017	3,762	6,018	(109)
Reclassification adjustment on disposal of available for sale investments	1,375	(13,294)	(136)	
Exchange difference on translation of subsidiaries financial statements	(1,963)	(1,187)	(1,046)	(837)
Other comprehensive income/(loss) for the period	6,129	(12,719)	1,536	(2,946)
Total comprehensive income for the period	137,566	105,584	72,707	45,214
Attributable to:				
- Owners of the parent	137,670	107,106	71,770	45,999
- Non-controlling interest	(104)	(1,522)	937	(785)
Total comprehensive income for the period	137,566	105,584	72,707	45,214

The notes on pages 7 to 22 form an integral part of these condensed consolidated interim financial information.

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of changes in equity

	Share Capital AED'000	Statutory Reserve AED'000	Voluntary Reserve AED'000	Foreign currency translation reserve AED'000	Cumulative changes on revaluation of investments AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Company AED'000	Non-Controlling Interest AED'000	Total AED'000
Balance at 1 January 2014	863,156	405,737	161,290	534	8,604	431,443	1,870,764	15,898	1,886,662
Profit for the six month period ended 30 June 2014	-	-	-	-	-	119,438	119,438	(1,135)	118,303
Other comprehensive income for the period	-	-	-	(1,187)	(9,532)	(2,000)	(12,719)	-	(12,719)
Total comprehensive income for the period	-	-	-	(1,187)	(9,532)	117,438	106,719	(1,135)	105,584
Issuance of bonus shares	86,315	-	-	-	-	(86,315)	-	-	-
Approved cash dividends	-	-	-	-	-	(86,315)	(86,315)	-	(86,315)
Movement in non-controlling interest	-	-	-	-	-	-	-	14,341	14,341
Balance at 30 June 2014 (Unaudited)	949,471	405,737	161,290	(653)	(928)	376,251	1,891,168	29,104	1,920,272
At 1 January 2015	1,000,000	531,954	184,819	(793)	(8,308)	468,573	2,176,245	29,860	2,206,105
Profit for the six month period ended 30 June 2015	-	-	-	-	-	131,541	131,541	(104)	131,437
Other comprehensive loss for the period	-	-	-	(1,963)	11,392	(3,300)	6,129	-	6,129
Total comprehensive income for the period	-	-	-	(1,963)	11,392	128,241	137,670	(104)	137,566
Issuance of bonus shares	50,000	-	-	-	-	(50,000)	-	-	-
Approved cash dividends	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Movement in non-controlling interest	-	-	-	-	-	-	-	3,503	3,503
Balance at 30 June 2015 (Unaudited)	1,050,000	531,954	184,819	(2,756)	3,084	396,814	2,163,915	33,259	2,197,174

The notes on pages 7 to 22 form an integral part of these condensed consolidated interim financial information.

Gulf Pharmaceutical Industries P.S.C.

Condensed consolidated interim statement of cash flows (Unaudited)

	Note	Six month period ended 30 June 2015 AED'000	2014 AED'000
Cash flows from operating activities			
Profit for the period		131,437	118,303
Adjustments for:			
Depreciation of property, plant and equipment	6	44,228	31,075
Loss on sale of investment property		-	1,085
Gain on sale of investments		(2,850)	(11,274)
Allowance for doubtful debts		4,000	2,000
Allowance for slow moving inventories		3,000	2,000
Provision for employees' end of service indemnity		4,842	4,236
Profit from associate		(10,772)	-
Finance costs		12,104	14,183
Operating cash flows before changes in operating assets and liabilities		185,989	161,608
Decrease / (increase) in inventories		70,686	(33,469)
Increase in trade and other receivables		(99,730)	(229,951)
Decrease in trade payables and accruals		(161,040)	(26,581)
Employees' end of service indemnity paid		(800)	(896)
Net cash used in operating activities		(4,895)	(129,289)
Cash flows from investing activities			
Advance paid for acquisition of subsidiaries		(58,245)	-
Purchases of property, plant and equipment	6	(5,407)	(27,565)
Dividend received from an associate		-	6,824
Dividend received from investments		2,183	2,399
Sale / (purchase) of investments		-	(69,912)
Proceeds from sale of investments		35,627	70,499
Increase in fixed deposits due for maturity after three month		-	(100,000)
Proceeds from sale of investment property		-	7,500
Increase in non-controlling interest		3,295	14,341
Net cash used in investing activities		(22,547)	(95,914)
Cash flows from financing activities			
Proceeds from bank borrowings		183,995	77,807
Advances received from customers		-	151,383
Dividends paid		(143,294)	(74,678)
Board of directors' remuneration paid		(3,300)	(2,000)
Finance costs paid		(12,104)	(14,183)
Net cash generated from financing activities		25,297	138,329
Net decrease in cash and cash equivalents		(2,145)	(86,874)
Effect of exchange rate changes on cash and cash equivalents		(1,963)	(1,187)
Cash and cash equivalents at the beginning of the period	11	120,925	214,614
Cash and cash equivalents at the end of the period	11	116,817	126,553

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2015

1. General information

Gulf Pharmaceutical Industries is a public shareholding company "the Company" domiciled in Digdaga - Ras Al Khaimah. It was incorporated by the Emiri decree No.5/80 issued by H.H. The Ruler of the Emirate of Ras Al Khaimah and its dependencies on 30 March 1980 and the Emiri decree No.9/80 on 4 May 1980. The Group comprises Gulf Pharmaceutical Industries (Public Shareholding Company) and its subsidiaries "the Group" (Note 2.7).

The Company's ordinary shares are listed in Abu Dhabi Securities Exchange.

The Company's registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates.

The main activities of the Group are the manufacturing, transporting and selling of medicines, drugs and various other types of pharmaceutical and medical compounds in addition to cosmetic compounds. The Company commenced its commercial activities effective from November 1984.

The Company's manufacturing plants are located mainly in the Emirate of Ras Al Khaimah.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six month period ended 30 June 2015 has been prepared in accordance with International Accounting Standard (IAS) No. 34: "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 2014, which have been prepared in accordance with International Financial Reporting Standards.

This condensed consolidated interim financial information is presented in U.A.E. Dirhams (AED) as that is the currency in which the majority of the Group's transactions are denominated.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

2.2 Accounting policies

The accounting policies, presentation and methods used in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial information for the year ended 31 December 2014.

2. Summary of significant accounting policies (continued)

2.2 Accounting policies (continued)

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to property, plant and equipment, investment in an associate and investments in securities have been disclosed in the condensed consolidated interim financial information.

2.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Land is stated at cost less impairment loss, if any.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Depreciation is provided on the straight-line method based on the anticipated useful lives, as follows:

	Years
Buildings	10-50
Plant and machinery	3-17
Installations	4-25
Motor vehicles	3-10
Furniture and fixture	4-10
Tools and equipment	3-10
Land improvements	10-25

2. Summary of significant accounting policies (continued)

2.4 Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither controlled as a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in this consolidated interim financial information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial information only to the extent of interests in the associate that are not related to the Group.

2.5 Available for sale financial assets

Listed shares held by the Group that are traded in an active market are classified as being available for sale ("AFS") and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair value of investments with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Available for sale financial assets (continued)

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

2.6 Investments held for trading

Financial assets are classified as at Fair Value Through Profit and Loss ("FVTPL") when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the profit or loss.

2. Summary of significant accounting policies (continued)

2.7 Basis of consolidation

This condensed consolidated interim financial information comprises the condensed consolidated interim financial information of the Company and its subsidiaries. The condensed consolidated interim financial information of the subsidiaries are consolidated from the acquisition date, which is the date the Company gains control over its subsidiaries, and lasts until the Company loses that control. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its investment with the investee and the ability to use its power on the investee to affect the amount of the investor's returns.

All transactions and balances between the Company and its subsidiaries, including income and expenses, are eliminated.

Details of Gulf Pharmaceutical Industries (Public Shareholding Company) subsidiaries as of 30 June 2015 were as follows:

Name of subsidiary	Place of incorporation and operation	Percentage of ownership	Principal
Mena Cool F.Z.E.	Ras Al Khaimah UAE	100%	Transportation
Julphar Pharmaceuticals P.L.C.	Ethiopia	55%	Manufacturing of medicines, wrapping and packing materials
Julphar Pharma GMBH	Germany	100%	Manufacturing of medical supplies – Discontinued
Gulf Inject L.L.C.	Dubai - UAE	51%	Manufacturing of medical supplies

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(a) Amendments and interpretations effective for the Group's accounting period beginning on 1 January 2015

The following applicable new standards and amendments to existing standards have been published and are effective for the Group's accounting period beginning on 1 January 2015.

- Defined Benefit Plans: Employee Contributions (Amendment to IAS 19)
- Annual Improvements 2010 - 2012 Cycle
- Annual Improvements 2011 - 2013 Cycle

Management has assessed the impact of the above amendments and interpretations to existing standards and has concluded that there is no significant impact on the Group's condensed consolidated interim financial information.

3. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(b) *New standards and amendments not effective for the Group's accounting period beginning on 1 January 2015 and has not been early adopted by the Group*

The Group has not early adopted new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9, 'Financial instruments' (Effective 1 January 2018).
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortization (Effective 1 January 2016).
- IFRS 14 'Regulatory Deferral Accounts' (Effective 1 January 2016).
- IFRS 15, 'Revenue from contracts with customers' (Effective 1 January 2017).
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016).
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of depreciation and amortisation (Effective 1 January 2016); and
- Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016).

Management is assessing the impact of the above standard and amendment to published standards on Group's condensed consolidated interim financial information and does not intend to adopt the above standard and amendments to published standards before their effective dates.

4. Critical accounting estimates and judgments

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were, allowance for doubtful debts, allowance for slow moving and obsolete inventory, classification of properties, as applied to the financial statements for the year ended 31 December 2014.

4.1 Useful lives of property, plant and equipment

Management reviews the residual values and estimated useful lives of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16. Management determined that current year expectations do not differ from previous estimates based on its review.

4. Critical accounting estimates and judgments (continued)

4.2 Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

4.3 Impairment of investment in an associate

Management regularly reviews its investment in an associate for indicators of impairment. This determination of whether investment in an associate is impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investment in an associate.

4.4 Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2014.

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

These condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2014. There have been no changes in the risk management department or in any risk management policies since the year end.

5. Financial risk management (continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities

5.3 Credit risk

Credit risk is the risk that the counterparty will cause a financial loss to the Group by failing to discharge an obligation. Financial assets which potentially subject the Group to credit risk comprise cash and cash equivalents, other receivables and amounts due from related parties. The carrying amounts of these balances at 30 June 2015 represent the maximum exposure to credit risk. Bank balances are only held with highly rated financial institutions.

6. Property, plant and equipment

- Property, plant and equipment additions during the current period amounted to AED 5,407 thousand (Six month period ended 30 June 2014: AED 27,565 thousand).
- Depreciation charge for the current period amounted to AED'000 44,228 (Six month period ended 30 June 2014: AED'000 31,075).
- Certain property, plant and equipment are mortgaged against bank facilities (note 15).

7. Investment in an associate

Details of the Company's associate are as follows:

Name of associate	Place of incorporation	Ownership	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Planet Pharmacies L.L.C.	U.A.E	40%	283,326	272,554

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

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Balance at the beginning of the period/year	272,554	263,316
Share of the associates profit	10,772	16,062
Less: Dividends received	-	(6,824)
Balance at the end of the period/year	283,326	272,554

8. Available-for-sale-investments

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

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Fair value at the beginning of the period/year	79,355	42,591
Purchased during the period/year	-	73,939
Disposals during the period/year	(25,913)	(37,525)
Net increase in fair value	10,017	350
Fair value at the end of the period/year	63,459	79,355

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

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Investments within United Arab Emirates		
Quoted investments	28,236	31,083
Mutual funds	5,665	5,569
Unquoted investments	7,104	7,104
	41,005	43,756
Investments outside United Arab Emirates		
Quoted investments	22,454	16,852
Unquoted equity securities	-	18,747
	22,454	35,599
	63,459	79,355

9. Investments held for trading

Movements of investments held for trading were as follows:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Fair value beginning of the period / year	35,937	33,886
Purchases during the period / year	-	72,049
Disposals during the period / year	(5,141)	(51,545)
Net decrease in fair value	(2,323)	(18,453)
	28,473	35,937

Investments held for trading comprise investments in listed and quoted equity shares in the U.A.E. and G.C.C. financial markets as follows:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
In U.A.E. markets	28,335	35,799
In other G.C.C. markets	138	138
	28,473	35,937

10. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Trade accounts receivable	1,296,433	1,209,459
Less: Allowance for doubtful debts	(17,555)	(13,555)
	1,278,878	1,195,904
Advance payments towards acquisition of investments*	58,245	-
Staff receivable	2,371	2,772
Prepaid expenses	236	4,378
Advances to suppliers	26,103	7,543
Other receivables	409	1,670
	1,366,242	1,212,267

*Advance payments towards the acquisition of investments of subsidiaries represents payments for investment in RAK Pharmaceuticals Pvt. Ltd., a private company registered in Bangladesh, Julphar Pharmaceuticals, a company registered in Saudi Arabia, in addition to an increase in the capital of Julphar Pharmaceuticals PLC, a subsidiary (note 2.7). The rights and obligations and shares certificates of the advance payments has not been transferred yet to the Company as of the date of this condensed consolidated interim financial information, accordingly have not been consolidated.

10. Trade and other receivables (continued)

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

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Balance at the beginning of the period/year	13,555	12,600
Add: Allowance for doubtful debts	4,000	2,000
Less: Allowance for doubtful debts written off	-	(1,045)
Balance at the end of the period/year	17,555	13,555

11. Bank balances and cash

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Bank balances		
Current accounts	113,325	114,516
Fixed deposits	-	3,280
Margin deposits	340	-
Cash in hand	3,152	3,129
Bank balances and cash and cash equivalents	116,817	120,925
By geographical area:		
In the U.A.E.	104,344	114,046
In other countries	12,473	6,879
	116,817	120,925

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

12. Share capital

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Issued and fully paid up 1,050,000,000 ordinary shares (31 December 2014: 1,000,000,000 ordinary shares) at par value of AED 1 each	1,050,000	1,000,000

Share capital includes 50,000,000 bonus shares (2014: nil) at par value of AED 1 each issued during the period.

13. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, the Company has established a statutory reserve by appropriation of 10% of profit for each year. This appropriation shall be suspended once its balance reaches 50% of the share capital.

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

14. Voluntary reserve

Appropriations to the voluntary reserve account represents appropriations of 10% of the yearly profit for each year. Appropriations to the voluntary reserve may be stopped as proposed by the Board of Directors and approved by the Shareholders general assembly, or once its balance reaches 20% of the share capital. This reserve is distributable based on a recommendation by the Board of Directors and approval of the Shareholders general assembly.

The Company adjusts the legal and voluntary reserve at the year end.

15. Bank borrowings

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Overdraft	73,710	144,187
Loans	813,582	559,110
	887,292	703,297

Bank borrowings shall be repaid as follows:

Current		
On demand or within one year	559,068	440,234
Non current		
In the second year	176,129	135,992
In third to fifth year	152,095	127,071
	328,224	263,063
	887,292	703,297

- Overdraft is payable on demand.
- The Group has obtained the loans to finance the expansion and development of factory and for working capital requirements.
- The Group has obtained these banking facilities against assignment of insurance policy covering existing machinery with a bank mortgage clause for AED 210 million, providing promissory notes and maintenance of certain financial ratios as agreed with the respective banks.

16. Basic and diluted earnings per share

	Six month period ended 30 June		Three month period ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Profit for the period (AED'000)	131,541	119,438	71,051	48,815
Weighted average number of shares (Share)	1,050,000,000	949,470,891	1,050,000,000	949,470,891
Basic and diluted earnings per share (in UAE Fils)	12.5	12.6	6.8	5.1

Basic earnings per share for the comparative period was restated from UAE Fils 13.2 to UAE Fils 12.5 in order to consider the effect of the 50,000,000 bonus shares issued during the current period (note 17).

17. Dividends

The Shareholders have approved, in the Ordinary General Assembly meeting held on 30 April 2015, the payment of cash dividends of 15% of share capital amounting to AED 150,000,000 (150,000,000 shares at AED 1 par value), and the issuance of bonus shares of 5% of share capital amounting to AED 50,000,000 (50,000,000 shares at AED 1 par value) for the year ended 31 December 2014 (2014: the Shareholders general assembly approved cash dividends at 10% of share capital amounting to AED 86,315,535 and bonus shares at 10% of share capital amounting to AED 86,315,535 for the year ended 31 December 2013).

18. Related party balances and transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel.

Related parties balances

As of the reporting date, due from/to related parties were included in the trade and other receivables/ trade payables and accruals as follows:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Due from related parties (included in trade and other receivables)	190,877	141,235
Due to related parties (included in trade payables and accruals)	8,178	8,517

No bank guarantees are received from/ provided to related parties against balances due from/to them.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

18. Related party balances and transactions (continued)

Transactions with related parties

During the period, the Group entered into the following transactions with related parties:

	Six month period ended		Three month period ended	
	30 June 2015 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2015 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000
Sales	111,460	115,301	72,662	47,335
Purchases	16,279	18,600	13,554	10,286

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

Compensation of board of directors/key management personnel:

	Six month period ended		Three month period ended	
	30 June 2015 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2015 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000
Short term benefits	8,610	8,934	1,778	1,925
Long term benefits	189	199	93	103
Board of Directors' remuneration	3,300	2,000	3,300	2,000

19. Fair value measurement

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

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial information for the year ended 31 December 2014.

19. Fair value measurement (continued)

Fair value measurements recognised in the condensed consolidated interim statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2015 (Unaudited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments held for trading	28,473	-	-	28,473
Available-for-sale investments				
Quoted equities	50,690	-	-	50,690
Mutual funds	-	-	5,665	5,665
Unquoted equities	-	-	7,104	7,104
	79,163	-	12,769	91,932

31 December 2014 (Audited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments held for trading	35,937	-	-	35,937
Available-for-sale investments				
Quoted equities	47,935	-	-	47,935
Mutual funds	-	-	5,569	5,569
Unquoted equities	-	-	25,851	25,851
	83,872	-	31,420	115,292

There were no transfers between the levels during the period.

There were no changes in any valuation techniques during the period.

20. Segment information

The Group is operating under two main segments, manufacturing and financial investments as disclosed in the financial information. The manufacturing segment includes the ground transportation by Mena Cool F.Z.E., a fully owned subsidiary (note 2.7), which is solely for the purpose of the Company.

21. Commitments and contingent liabilities

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Capital commitments	32,000	40,000
Letters of credit	12,921	9,691
Letters of guarantee	64,016	60,433

22. Subsequent events

Subsequent to the reporting date, a new subsidiary was formed under the name of Julphar Diabetes Co. L.L.C., as wholly owned by the Company. The main objectives of the subsidiary is the manufacturing of the diabetes related medicine and insulin products.

23. Reclassification

Certain prior comparative amounts have been reclassified to conform to the current period presentation. In particular, an amount of AED'000 177 has been reclassified from liabilities of discontinued operations held for sale to assets of discontinued operations held for sale in the prior year.