GULF PHARMACEUTICAL INDUSTRIES P.S.C.

Independent auditor's report and consolidated financial statements for the year ended 31 December 2014

Gulf Pharmaceutical Industries P.S.C.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulf Pharmaceutical Industries P.S.C.
Ras Al Khaimah
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Gulf Pharmaceutical Industries P.S.C. (the "Company") and its Subsidiaries [together the "Group"]**, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Gulf Pharmaceutical Industries P.S.C. and its subsidiaries** as at 31 December 2014, and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Group has maintained proper books of account and the physical inventory was properly conducted. The information contained in the directors' report relating to the consolidated financial statements is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of the Group companies which might have materially affected the consolidated financial position of the Group or its consolidated financial performance.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
19 February 2015

Gulf Pharmaceutical Industries P.S.C.

Consolidated statement of financial position
At 31 December 2014

	Note	2014 AED'000	2013 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,103,813**	1,099,879
Investment property	6	-	8,585
Net investment in an associate	7	**272,554**	263,316
Available-for-sale-investments	8	**79,355**	42,591
Total non-current assets		**1,455,722**	1,414,371
Current assets			
Assets of discontinued operations	9	**3,859**	4,075
Inventories	10	**419,819**	398,712
Investments held for trading	11	**35,937**	33,886
Trade and other receivables	12	**1,212,267**	985,644
Bank balances and cash	13	**120,925**	214,614
Total current assets		**1,792,807**	1,636,931
Total assets		**3,248,529**	3,051,302

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FAISAL BIN SAQR AL QASIMI
CHAIRMAN

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)
At 31 December 2014

	Note	2014 AED'000	2013 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**1,000,000**	863,156
Statutory reserve	15	**531,954**	405,737
Voluntary reserve	16	**184,819**	161,290
Foreign currency translation reserve		**(793)**	534
Cumulative changes on revaluation of investments		**(8,308)**	8,604
Retained earnings		**468,573**	431,443
Equity attributable to Owners of the Company		**2,176,245**	1,870,764
Non-controlling interest		**29,860**	15,898
Total equity		**2,206,105**	1,886,662
Non-current liabilities			
Provision for employees' end of service indemnity	17	**39,697**	32,019
Bank borrowings	18	**263,063**	412,266
Total non-current liabilities		**302,760**	444,285
Current liabilities			
Liabilities of discontinued operations	9	**177**	247
Unclaimed dividends		**20,593**	18,519
Trade payables and accruals	19	**278,660**	317,217
Bank borrowings	18	**440,234**	384,372
Total current liabilities		**739,664**	720,355
Total liabilities		**1,042,424**	1,164,640
Total equity and liabilities		**3,248,529**	3,051,302

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FAISAL BIN SAQR AL QASIMI
CHAIRMAN

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of income
for the year ended 31 December 2014

	Note	**2014 AED'000**	2013 AED'000
Sales	20	**1,442,257**	1,362,071
Cost of sales		**(585,086)**	(541,370)
Gross profit		**857,171**	820,701
Selling and distribution expenses	21	**(571,084)**	(529,163)
General and administrative expenses	22	**(67,531)**	(67,619)
Other income	23	**19,784**	11,920
Gain from investments and others	24	**25,217**	18,505
Finance costs		**(29,767)**	(26,259)
Profit for the year		**233,790**	228,085
Attributable to:			
Equity holders of the Company		**235,289**	230,361
Non-controlling interest		**(1,499)**	(2,276)
		233,790	228,085
Basic earnings per share (in UAE fils)	25	**24**	24

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2014

	2014 AED'000	2013 AED'000
Profit for the year	**233,790**	228,085
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in the fair value of available for sale investments	**350**	12,894
Reclassification adjustment on disposal of available for sale investments	**(17,262)**	2,644
Exchange difference on translation of subsidiaries financial statements	**(2,056)**	(437)
Items that will not be reclassified subsequently to profit or loss		
Board of Directors' remuneration	**(2,000)**	(2,000)
Total other comprehensive (loss)/income	**(20,968)**	13,101
Total comprehensive income for the year	**212,822**	241,186
Attributable to:		
Equity holders of the Company	**215,050**	243,632
Non-controlling interest	**(2,228)**	(2,446)
	212,822	241,186

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2014

	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	Attributable to equity holders of the Company AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 31 December 2012	784,687	382,701	138,254	801	(6,934)	406,092	1,705,601	3,188	1,708,789
Profit for 2013	-	-	-	-	-	230,361	230,361	(2,276)	228,085
Other comprehensive income for the year	-	-	-	(267)	15,538	(2,000)	13,271	(170)	13,101
Total comprehensive income for the year	-	-	-	(267)	15,538	228,361	243,632	(2,446)	241,186
Issuance of bonus shares	78,469	-	-	-	-	(78,469)	-	-	-
Approved cash dividends for 2012	-	-	-	-	-	(78,469)	(78,469)	-	(78,469)
Transfer to statutory reserve	-	23,036	-	-	-	(23,036)	-	-	-
Transfer to voluntary reserve	-	-	23,036	-	-	(23,036)	-	-	-
Movement in non-controlling interest	-	-	-	-	-	-	-	15,156	15,156
	78,469	23,036	23,036	-	-	(203,010)	(78,469)	15,156	(63,313)
Balance at 31 December 2013	863,156	405,737	161,290	534	8,604	431,443	1,870,764	15,898	1,886,662
Profit for 2014	-	-	-	-	-	235,289	235,289	(1,499)	233,790
Other comprehensive loss for the year	-	-	-	(1,327)	(16,912)	(2,000)	(20,239)	(729)	(20,968)
Total comprehensive income for the year	-	-	-	(1,327)	(16,912)	233,289	215,050	(2,228)	212,822
Issuance of bonus shares (Note 26)	86,315	-	-	-	-	(86,315)	-	-	-
Approved cash dividends for 2013 (Note 26)	-	-	-	-	-	(86,315)	(86,315)	-	(86,315)
Issuance of additional share capital (Note 14)	50,000	-	-	-	-	-	50,000	-	50,000
Issuance of additional share capital under employee share option plan (Note 14 & 28)	529	-	-	-	-	-	529	-	529
Share premium on issuance of additional share capital (Note 15)	-	126,217	-	-	-	-	126,217	-	126,217
Transfer to voluntary reserve	-	-	23,529	-	-	(23,529)	-	-	-
Movement in non-controlling interest	-	-	-	-	-	-	-	16,190	16,190
	136,844	126,217	23,529	-	-	(196,159)	90,431	16,190	106,621
Balance at 31 December 2014	**1,000,000**	**531,954**	**184,819**	**(793)**	**(8,308)**	**468,573**	**2,176,245**	**29,860**	**2,206,105**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2014

	2014 AED'000	2013 AED'000
Cash flows from operating activities		
Profit for the year	**233,790**	228,085
Adjustments for:		
Depreciation of property, plant and equipment	**77,244**	55,361
Gain from investment in an associate	**(16,062)**	(9,748)
Loss from sale of investment property	**1,085**	-
Allowance for doubtful debts	**2,000**	-
Reclassification of investment in an associate to a subsidiary after obtaining control	**-**	6,486
Allowance for slow-moving inventories	**2,000**	-
Gain on sale of property, plant and equipment	**(6)**	(525)
Gain on sale of investments held for trading	**(8,588)**	(1,043)
Loss/(gain) on revaluation of investments held for trading	**18,453**	(7,168)
(Gain)/ loss on sale of available for sale investments	**(16,694)**	2,113
Expenses recognized for equity settled share based payments	**1,217**	-
Provision for employees' end of service indemnity	**15,735**	4,995
Finance costs	**29,767**	26,259
Operating cash flow before changes in operating assets and liabilities	**339,941**	304,815
Increase in trade and other receivables	**(228,623)**	(222,595)
Increase in inventories	**(23,107)**	(73,338)
(Decrease)/increase in trade payables and accruals	**(38,557)**	101,196
Employees end of service indemnity paid	**(8,057)**	(1,973)
Net cash generated from operating activities	**41,597**	108,105
Cash flows from investing activities		
Additions to property, plant and equipment	**(81,178)**	(91,658)
Purchase of available-for-sale investment	**(73,939)**	(511)
Sales proceeds of available-for-sale investments	**36,957**	2,779
Purchase of investments held for trading	**(72,049)**	(29,258)
Sales proceeds from sale of investments held for trading	**60,133**	9,207
Proceeds from sale of property, plant and equipment	**6**	525
Proceeds from sale of investment property	**7,500**	-
Dividends received from an associate	**6,824**	-
Increase in non-controlling interest	**16,190**	15,156
Net cash used in investing activities	**(99,556)**	(93,760)
Cash flows from financing activities		
Proceeds from issuance of additional share capital	**175,529**	-
(Decrease)/increase in bank borrowings	**(93,341)**	228,878
Dividends paid	**(84,241)**	(82,670)
Board of directors' remuneration paid	**(2,000)**	(2,000)
Finance cost paid	**(29,767)**	(26,259)
Net cash (used in)/ generated from financing activities	**(33,820)**	117,949
Net (decrease)/increase in cash and cash equivalents	**(91,779)**	132,294
Effect of exchange difference on translation of a subsidiary	**(1,910)**	(366)
Cash and cash equivalents, at the beginning of the year	**214,614**	82,686
Cash and cash equivalents, at the end of the year (Note 13)	**120,925**	214,614

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2014

1. Establishment and operations

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 March 30, 1980 and the Emiri decree No.9/80 on May 4, 1980. The Group comprises Gulf Pharmaceutical Industries (Public Shareholding Company) and its subsidiaries "the Group" (Note 3).

The Company's ordinary shares are listed on the 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 manufacturing 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.

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these consolidated financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.
- Amendments to IAS 36 recoverable amount disclosures:
  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting
  The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities
  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• IFRS 9 Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	1 January 2018

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: ▪ Step 1: Identify the contract(s) with a customer. ▪ Step 2: Identify the performance obligations in the contract. ▪ Step 3: Determine the transaction price. ▪ Step 4: Allocate the transaction price to the performance obligations in the contract. ▪ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and applicable requirements of U.A.E. Federal Law No. 8 of 1984 (as amended).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that have been measured at revalued amounts, amortised cost or fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements of Gulf Pharmaceutical Industries P.S.C. and its Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Details of the Company’s subsidiaries as of 31 December 2014 were as follows:

Name of subsidiary	Place of incorporation and operation	Percentage of ownership	Principal activity
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

3.4 Net investment in an associate

An associate is an entity over which the Group has significant influence and that is neither 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 these consolidated financial statements 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.

3. Significant accounting policies (continued)

3.4 Net investment in an associate (continued)

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 statements only to the extent of interests in the associate that are not related to the Group.

3.5 Revenue recognition

3.5.1 Sale of goods

Sales are measured at the fair value of the consideration received or receivable against these sales. Sales are reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods are recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.5.2 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 net carrying amount.

3.5.3 Dividends

Dividend revenue from investments is recognized when the Company’s right to receive payment has been established.

3.6 The Group as a lessee

All of the Group’s lease contracts are of an operating lease nature and are accounted for as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.7 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.The amounts in the consolidated financial statements are rounded to nearest thousand ("AED '000") except when otherwise indicated.

In preparing the consolidated financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the year in which they arise.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where applicable, investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3.9 Property, plant and equipment

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.

Other property, plant and equipment are carried at cost less accumulated depreciation and any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or 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.

3. Significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

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

3.10 Investment property

Investment property, which is property held to earn rentals and/ or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Fair value is determined by open market values based on valuations performed by independent surveyors.

3.11 Inventories

Inventories of finished and semi finished products are valued at the lower of average production costs or net realisable value. Production costs include materials, labour, direct expenses and production overheads. Inventories of raw materials, packing materials, spare parts and other consumables are valued at the lower of weighted average cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.12 Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.12 Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve increase.

3.13 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Employee benefits

3.14.1 Defined contribution plan

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.14.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.14.3 Provision for employees’ end of service benefits

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period. Provisions for employees’ end of service benefit due to employees working with entities domiciled in other countries are made in accordance with local laws and regulations applicable.

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

3. Significant accounting policies (continued)

3.15 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

3.16 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets of the Group are classified into the following specified categories: bank balances and cash, financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.16.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.16.2 Financial assets at FVTPL

Financial assets are classified as at 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.

3. Significant accounting policies (continued)

3.16 Financial assets (continued)

3.16.2 Financial assets at FVTPL (continued)

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.

3.16.3 Available for Sale financial assets

Listed shares held by the Group that are traded in an active market are classified as being 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.

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.

3.16.4 Loans and receivables

Loans and receivables are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.16.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For listed and unlisted equity investments classified as AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant accounting policies (continued)

3.16 Financial assets (continued)

3.16.5 ***Impairment of financial assets*** **(continued)**

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.16.6 ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

3. Significant accounting policies (continued)

3.17 Financial liabilities and equity instruments issued by the Company

3.17.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.17.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group entities are recorded at the proceeds received, net of direct issue costs.

3.17.3 Financial liabilities

The Group has classified the following financial liabilities as 'other financial liabilities': trade payables and accruals, unclaimed dividends and bank borrowings and are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.17.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.18 Share based payment arrangements

Equity-settled share-based payments to employees providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

3.19 Dividend distribution

Dividend distribution to the Shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4. Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4.1.1 Revenue recognition

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in International Accounting Standard 18: Revenue, and in particular whether the Company had transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

4.1.2 Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances. Also, specific provisions for individual accounts are recorded when the Group becomes aware of the customer's inability to meet its financial obligations.

4.1.3 Allowance for slow moving and obsolete inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues. Based on the factors, management has identified inventory items as slow and non moving to calculate the allowance for slow moving and obsolete inventories. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates.

4.1.4 Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

4.2.1 Fair value of investment property

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4.2.2 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.

4.2.3 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.

4.2.4 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.

4.2.5 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.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

5. Property, plant and equipment

	Land	Buildings	Plant and machinery	Installations	Motor vehicles	Furniture and fixture	Tools and equipments	Land improvements	Capital work-in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost										
At 31 December 2012	3,689	298,609	496,382	109,741	31,069	13,085	1,286	10,271	579,798	1,543,930
Additions	-	1,735	20,298	6,346	992	1,690	436	-	60,161	91,658
Transfers	-	12,756	28,430	-	-	284	5,535	-	(47,005)	-
Disposals	-	-	-	-	(437)	-	-	-	-	(437)
At 31 December 2013	3,689	313,100	545,110	116,087	31,624	15,059	7,257	10,271	592,954	1,635,151
Additions	-	59	21,581	2,434	841	978	2,681	-	52,604	81,178
Transfers	-	136,779	447,971	-	-	-	210	-	(584,960)	-
Disposals	-	-	-	-	(26)	-	-	-	-	(26)
At 31 December 2014	**3,689**	**449,938**	**1,014,662**	**118,521**	**32,439**	**16,037**	**10,148**	**10,271**	**60,598**	**1,716,303**
Accumulated depreciation										
At 31 December 2012	-	124,813	251,198	66,808	19,221	10,191	1,286	6,831	-	480,348
Charge for the year	-	9,676	34,291	6,505	3,650	902	111	226	-	55,361
Eliminated on disposals	-	-	-	-	(437)	-	-	-	-	(437)
At 31 December 2013	-	134,489	285,489	73,313	22,434	11,093	1,397	7,057	-	535,272
Charge for the year	-	12,974	50,806	7,083	3,780	1,223	1,151	227	-	77,244
Eliminated on disposals	-	-	-	-	(26)	-	-	-	-	(26)
At 31 December 2014	**-**	**147,463**	**336,295**	**80,396**	**26,188**	**12,316**	**2,548**	**7,284**	**-**	**612,490**
Carrying amount										
At 31 December 2014	**3,689**	**302,475**	**678,367**	**38,125**	**6,251**	**3,721**	**7,600**	**2,987**	**60,598**	**1,103,813**
At 31 December 2013	3,689	178,611	259,621	42,774	9,190	3,966	5,860	3,214	592,954	1,099,879

5. Property, plant and equipment (continued)

Land includes a plot of land granted by the Government of Ras Al Khaimah free of charge to be utilized in the Group's business.

Capital work in progress represents costs incurred on various expansion projects up to the reporting date.

6. Investment property

Investment property is comprising of a plot of land located in the Emirate of Sharjah – U.A.E. which was sold during the current year.

Movements of investment property were as follows:

	2014 **AED'000**	2013 AED'000
Balance at the beginning of the year	**8,585**	8,585
Disposals during the year	**(8,585)**	-
Balance at the end of the year	**-**	8,585

7. Net investment in an associate

Details of the Company's associate are as follows:

Name of associate	**Place of incorporation**	**Ownership**	**2014** **AED'000**	**2013** AED'000
Planet Pharmacies L.L.C.	U.A.E.	40%	**272,554**	263,316

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

7. Net investment in an associate (continued)

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

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	**263,316**	260,054
Share of the associate's profit	**16,062**	9,748
Reclassification of an associate to a subsidiary after obtaining control by the Group	**-**	(6,486)
Less: Dividends received during the year	**(6,824)**	-
Balance at the end of the year	**272,554**	263,316

8. Available-for-sale-investments

Movements on available-for-sale-investments during the year were as follows:

	2014 AED'000	2013 AED'000
Fair value at the beginning of the year	**42,591**	31,434
Purchased during the year	**73,939**	511
Disposals during the year	**(37,525)**	(2,248)
Net increase in fair value	**350**	12,894
Fair value at the end of the year	**79,355**	42,591

	2014 AED'000	2013 AED'000
Allocated as follows:		
Investments within United Arab Emirates		
Quoted U.A.E. equity securities	**31,083**	21,913
Mutual funds	**5,569**	5,179
Unquoted U.A.E. equity securities	**7,104**	7,104
	43,756	34,196
Investments outside United Arab Emirates		
Quoted equity securities	**16,852**	8,395
Unquoted equity securities	**18,747**	-
	35,599	8,395
	79,355	42,591

During the year, dividend income received from available for sale investments amounted to AED 2.6 million (2013: AED 2.3 million).

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

8. Available-for-sale-investments (continued)

During the year 2008, the Board of Directors of the Group has reconsidered its investment strategy and accordingly the Group adopted the amendments to IAS 39 issued by the International Accounting Standards Board which permit an entity to reclassify, in particular circumstances, investments held for trading for which change in fair value is recognised in profit or loss to available-for-sale investments for which the change in the fair value is recognised under equity as cumulative changes in fair values.

	2014 **AED'000**	2013 AED'000
Fair value of reclassified investments at the beginning of the year	**32,419**	19,433
Disposals during the year	**(17,204)**	-
Net increase in fair value	**3,303**	12,986
Fair value of reclassified investments, at the end of the year	**18,518**	32,419

As a result of the above, the profit for the year ended 31 December 2014 has decreased by AED 3,303,000 (2013: decreased by AED 12,986,000).

9. Assets and liabilities of discontinued operations

Represents the assets and liabilities of Julphar Pharma GMBH – Germany for which operations have been discontinued since 1 April 2007.

	2014 **AED'000**	2013 AED'000
ASSETS		
Bank balances and cash	**77**	34
Trade and other receivables	**22**	51
Intangible assets	**1**	1
Property, plant and equipment	**3,759**	3,989
Total Assets	**3,859**	4,075
LIABILITIES		
Accounts payable and accruals	**177**	247

10. Inventories

	2014 AED'000	2013 AED'000
Raw materials	**209,689**	215,229
Packing materials	**74,365**	75,674
Spare parts	**33,957**	29,107
Finished goods	**58,480**	43,384
Work in progress	**34,610**	29,979
Production materials and others	**17,127**	11,174
Inventories in Pharmacies	**-**	1,656
Goods in transit	**1,091**	9
	429,319	406,212
Allowance for slow moving inventories	**(9,500)**	(7,500)
	419,819	398,712

Movement on allowance for slow-moving inventories during the year was as follows:

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	**7,500**	7,500
Allowance for slow-moving inventories	**2,000**	-
Balance at the end of the year	**9,500**	7,500

11. Investments held for trading

Movements of investments held for trading during the year were as follows:

	2014 AED'000	2013 AED'000
Fair value at the beginning of the year	**33,886**	5,624
Purchased during the year	**72,049**	29,258
Disposals during the year	**(51,545)**	(8,164)
Net (decrease)/ increase in fair value	**(18,453)**	7,168
	35,937	33,886

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:

	2014 AED'000	2013 AED'000
In U.A.E. markets	**35,799**	33,744
In other G.C.C. markets	**138**	142
	35,937	33,886

12. Trade and other receivables

Trade and other receivables comprise the following:

	2014	2013
	AED'000	AED'000
Trade accounts receivable	**1,209,459**	970,337
Less: Allowance for doubtful debts	**(13,555)**	(12,600)
	1,195,904	957,737
Staff receivable	**2,772**	3,166
Prepaid expenses	**4,378**	3,804
Advances to suppliers	**7,543**	17,415
Other receivables	**1,670**	3,522
	1,212,267	985,644

Movements on allowance for doubtful debts during the year were as follows:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**12,600**	12,600
Allowance for doubtful debts	**2,000**	-
Allowance for doubtful debts written off	**(1,045)**	-
Balance at the end of the year	**13,555**	12,600

The average credit period granted by the Group to its customers during the current year was 272 days (2013: on average 230 days). No interest is charged on trade receivables balances in the normal course of business. Trade receivables outstanding for more than 360 days are provided for, partially or in full, based on estimated irrecoverable amounts, determined by reference to past default, management experience and prevailing economic conditions.

Analysis of trade receivables outstanding for more than 180 days is as follows:

	2014	2013
	AED'000	AED'000
More than 180 days and less than one year	**116,366**	218,983
More than one year	**65,871**	42,911
	182,237	261,894

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 Board of Directors have performed the impairment test on the trade and other receivables and have concluded that the allowance maintained for doubtful debts as of 31 December 2014 is adequate.

13. Bank balances and cash

	2014 AED'000	2013 AED'000
Bank balances:		
Current accounts	**114,516**	208,291
Fixed deposits	**3,280**	3,255
Cash in hand	**3,129**	3,068
Cash and cash equivalents	**120,925**	214,614
By geographical area:		
In the U.A.E.	**114,046**	205,556
In other countries	**6,879**	9,058
	120,925	214,614

The fixed deposits maturity dates range from one to three months from the placement dates.

14. Share capital

	2014 AED'000	2013 AED'000
1,000,000,000 issued and fully paid up ordinary shares as of 31 December 2014 (863,155,356 ordinary shares as of 31 December 2013) at par value of AED 1 each	**1,000,000**	863,156

Pursuant to the Board of Directors' resolution to increase the Company's share capital to AED 1 billion through issuance of bonds instantly convertible to shares in favour of strategic partners, the Shareholders' Extra Ordinary General Assembly held on 10 April 2014 approved the issuance of the convertible bonds and authorized the Board of Directors to complete the deals with selected strategic partners. In the same context, the U.A.E. Ministry of Economy approved the issuance of fully paid up additional 43,252,303 shares on 6 July 2014 and an additional 7,276,806 shares on 21 September 2014.

15. 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.

Share premium collected during the year on the issuance of fully paid up additional share capital with a total of AED 126,217,000 is added to statutory reserve in accordance with the law.

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

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

16. Voluntary reserve

Appropriations to the voluntary reserve account represents appropriation of 10% of the 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.

17. Provision for employees' end of service indemnity

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

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	**32,019**	28,997
Add: Current year provision (charged to expenses)	**15,735**	4,995
Less: Amounts paid during the year	**(8,057)**	(1,973)
Balance at the end of the year	**39,697**	32,019

18. Bank borrowings

	2014 AED'000	2013 AED'000
Overdraft	**144,187**	87,846
Loans	**559,110**	708,792
	703,297	796,638
Bank borrowings shall be repaid as follows:		
Current		
On demand or within one year	**440,234**	384,372
Non current		
In the second year	**135,992**	183,359
In third to sixth year	**127,071**	228,907
	263,063	412,266
	703,297	796,638

The principal features of the bank borrowings are as follows:

Bank overdraft:

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

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

18. Bank borrowings (continued)

Loans:

- The Group has obtained long and short term loans from local banks to finance the purchase of the factory's machinery and equipment and to secure working capital requirements. The loans balance as of the reporting date amounted to AED 559,110,000 (2013: AED 708,792,000). Interest on these loans is calculated on monthly basis and paid separately or added to loan balances. The loan balances are being repaid in monthly installments, over periods ranging from one month to seventy two months, until full settlement.

The Group has obtained these banking facilities against assignment of the insurance policy covering existing machinery with a bank mortgage clause for AED 210 million, providing promissory notes and maintainance of certain financial ratios as agreed with the respective banks.

Interest rates on bank borrowings during 2014 ranged from 1.5% to 3.5% above one month EIBOR (2013: 1.5% to 3% above one month EIBOR).

19. Trade payables and accruals

	2014 AED'000	2013 AED'000
Accounts payable	**91,795**	145,786
Commission payable	**98,183**	97,354
Provision for free goods	**38,454**	29,208
Accrued expenses	**19,061**	23,726
Leave salary and air passage	**13,123**	12,324
Bonus	**18,044**	8,819
	278,660	317,217

Accounts payable and accruals represent the outstanding amount to suppliers against purchases, ongoing costs and purchase of property, plant and equipment.

20. Sales

Geographical distribution of sales is as follows:

	2014 AED'000	2013 AED'000
Local sales	**185,053**	159,248
Sales to other GCC countries	**667,341**	602,017
Sales to other countries	**589,863**	600,806
	1,442,257	1,362,071

21. Selling and distribution expenses

Selling and distribution expenses amounted to AED 571,084,000 for the year ended 31 December 2014 (2013: AED 529,163,000) included the following main items:

	2014 **AED'000**	2013 AED'000
Salaries, wages and related expenditures	**150,385**	140,482
Commissions	**145,007**	135,514
Free goods and samples	**105,617**	86,250
Advertisement and promotion	**36,154**	39,428
Freight charges	**26,323**	36,291
Sales expenses	**32,367**	18,018
Depreciation	**9,649**	6,104

22. General and administrative expenses

General and administrative expenses amounted to AED 67,531,000 for the year ended 31 December 2014 (2013: AED 67,619,000) included the following main items:

	2014 **AED'000**	2013 AED'000
Salaries, wages and related expenditures	**28,967**	30,409
Transportation and visa charges	**3,499**	3,159
Depreciation	**7,901**	8,079

23. Other income

	2014 **AED'000**	2013 AED'000
Gain on foreign currency exchange	**15,182**	8,094
Net pharmacies operating losses	**(1,657)**	(2,337)
Cafeteria operating income	**1,637**	1,306
Interest on fixed deposits	**900**	8
Promotion fees	**1,279**	2,534
Others	**2,443**	2,315
	19,784	11,920

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

24. Gain from investments and others

	2014	2013
	AED'000	AED'000
Share of associates' profit – Note 7	**16,062**	9,748
Loss on sale of investment property	**(1,085)**	-
Dividends received	**3,411**	2,659
Gain/(loss) on sale of available for sale investment	**16,694**	(2,113)
(Loss)/gain on revaluation of held for trading investments – Note 11	**(18,453)**	7,168
Gain on sale of held for trading investments	**8,588**	1,043
	25,217	18,505

25. Basic earnings per share

	2014	2013
Basic earnings per share (in UAE fils)	**24**	24

The calculation of basic earnings per share is based on the following data:

Earnings

	2014	2013
	AED'000	AED'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the equity holders of the Company)	**235,289**	230,361

Weighted average number of shares

	2014	2013
Weighted average number of shares (thousand share)	**972,916**	949,471

Basic earnings per share for the comparative year was restated to consider the effect of the bonus shares issued during the current year of 86,315,535 shares.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

26. Proposed dividends

	2014 AED'000 "Proposed"	2013 AED'000 "Approved"
Cash dividends - 15 fils for each share outstanding (2013: 10 fils for each share outstanding)	**150,000**	86,315
Bonus shares – 5% from share capital (2013: 10% from share capital)	**50,000**	86,315
Total dividends distribution	**200,000**	172,630
Percentage of the outstanding share capital	**20%**	20%

The Board of Directors proposes to pay AED 3.30 million as Board of Directors remuneration for 2014 (2013: AED 2 million).

The proposed distributions for the year 2014 are subject to the approval of the Shareholders at their ordinary general assembly meeting, accordingly it was not included in the liabilities in the consolidated financial statements.

27. Segment information

The Group is organised into two main business segments:

Manufacturing segment which includes the business of selling of various types of medicines and; investments segment which incorporates the results of investments in equity securities, fixed deposits with banks, net investment in an associate and investment property.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

27. Segment information (continued)

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Manufacturing AED'000	**Investments AED'000**	**Total AED'000**	Manufacturing AED'000	Investments AED'000	Total AED'000
Segment revenue	**1,442,257**	**-**	**1,442,257**	1,362,071	-	1,362,071
Segment result	**208,573**	**25,217**	**233,790**	209,580	18,505	228,085
Depreciation expense	**77,244**	**-**	**77,244**	55,361	-	55,361
Share of associate's profit	**-**	**16,062**	**16,062**	-	9,748	9,748

	31 December 2014			31 December 2013		
	Manufacturing AED'000	**Investments AED'000**	**Total AED'000**	Manufacturing AED'000	Investments AED'000	Total AED'000
Segment assets	**2,739,758**	**391,126**	**3,130,884**	2,488,310	351,633	2,839,943
Unallocated assets			**117,645**			211,359
Total assets			**3,248,529**			3,051,302
Segment liabilities	**1,042,424**	**-**	**1,042,424**	1,164,640	-	1,164,640

There are no transactions between the business segments.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

28. Share-based payment

On 23 September 2014, the Board of Directors' resolved to grant the Company's UAE national employees an option to buy 529,109 bonds instantly convertible to shares. It was decided that the employees will pay AED 1 per convertible bond and the remaining difference between the share's par value and its market price will be charged as an expense in the current year. The market price of the shares at the grant date was AED 3.30 per share.

All the bonds assigned were vested on the grant date and the equity settled share-based payment expense of AED 1,217,000 is recognized in profit or loss for the current period.

29. Transactions and balances with related parties

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:

	2014 AED'000	2013 AED'000
Due from related parties (included in trade and other receivables)	**141,235**	49,855
Due to related parties (included in trade payables and accruals)	**8,517**	13,741

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

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

Transactions:

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

	2014 AED'000	2013 AED'000
Sales	**193,281**	187,436
Purchases	**33,954**	39,398

Transactions with related parties were entered into on terms agreed with the management.

Compensation of board of directors/key management personnel:

	2014 AED'000	2013 AED'000
Short term benefits	**13,340**	12,123
Long term benefits	**308**	228
Board of Directors' remuneration	**2,000**	2,000

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

30. Commitments and contingent liabilities

	2014 AED'000	2013 AED'000
Capital commitments	**40,000**	50,000
Letters of credit	**9,691**	6,787
Letters of guarantee	**60,433**	69,625

31. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity capital. The Group's overall strategy remains unchanged from 2013.

Capital gearing ratio

The Group reviews the capital structure on a quarterly basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year end was as follows:

	2014 AED'000	2013 AED'000
Debt (i)	**703,297**	796,638
Bank balances and cash	**(120,925)**	(214,614)
Net debt	**582,372**	582,024
Equity (ii)	**2,176,245**	1,870,764
Net debt to equity ratio (times)	**0.27**	0.31

(i) Debt is defined as bank borrowings (see Note 18).
(ii) Equity includes share capital, statutory reserve, voluntary reserve, foreign currency translation reserve, cumulative changes on revaluation of investments and retained earnings.

32. Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

Categories of financial instruments

31 December 2014

	Financial assets				
	Loans and receivables	**Held for trading**	**Available-for-sale**	**Non-financial assets**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Assets					
Property, plant and equipment	-	-	-	1,103,813	1,103,813
Net investment in an associate	-	-	-	272,554	272,554
Inventories	-	-	-	419,819	419,819
Assets of discontinued operations	-	-	-	3,859	3,859
Investments held-for-trading	-	35,937	-	-	35,937
Trade and other receivables	1,200,346	-	-	11,921	1,212,267
Bank balances and cash	120,925	-	-	-	120,925
Available-for-sale investments	-	-	79,355	-	79,355
	1,321,271	**35,937**	**79,355**	**1,811,966**	**3,248,529**

31 December 2013

	Financial assets				
	Loans and receivables	Held for trading	Available-for-sale	Non-financial assets	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets					
Property, plant and equipment	-	-	-	1,099,879	1,099,879
Investment property	-	-	-	8,585	8,585
Net investment in an associate	-	-	-	263,316	263,316
Inventories	-	-	-	398,712	398,712
Assets of discontinued operations	-	-	-	4,075	4,075
Investments held-for-trading	-	33,886	-	-	33,886
Trade and other receivables	964,425	-	-	21,219	985,644
Bank balances and cash	214,614	-	-	-	214,614
Available-for-sale investments	-	-	42,591	-	42,591
	1,179,039	33,886	42,591	1,795,786	3,051,302

32. Financial instruments (continued)

Categories of financial instruments (continued)

31 December 2014

	Financial instruments	**Non-financial instruments**	**Total**
	AED'000	**AED'000**	**AED'000**
Equity and financial liabilities			
Equity	-	2,206,105	2,206,105
Provision for employees' end of service indemnity	-	39,697	39,697
Liabilities of discontinued operations	-	177	177
Unclaimed dividends	20,593	-	20,593
Trade payables and accruals	240,206	38,454	278,660
Bank borrowings	703,297	-	703,297
	964,096	**2,284,433**	**3,248,529**

31 December 2013

	Financial instruments	Non-financial instruments	Total
	AED'000	AED'000	AED'000
Equity and financial liabilities			
Equity	-	1,886,662	1,886,662
Provision for employees' end of service indemnity	-	32,019	32,019
Liabilities of discontinued operations	-	247	247
Unclaimed dividends	18,519	-	18,519
Trade payables and accruals	288,009	29,208	317,217
Bank borrowings	796,638	-	796,638
	1,103,166	1,948,136	3,051,302

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 financial statements approximate their fair values.

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2013.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

32. Financial instruments (continued)

Fair value measurement (continued)

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:

Financial assets	**Fair value as at 31 December 2014 AED'000**	Fair value as at 31 December 2013 AED'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Quoted equity investments – AFS	**47,935**	30,308	Level 1	Quoted bid prices in an active market.	None.	NA
Mutual funds - AFS	**5,569**	5,179	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity investments – AFS	**25,851**	7,104	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	**35,937**	33,886	Level 1	Quoted bid prices in an active market.	None.	NA

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

32. Financial instruments (continued)

Fair value measurement (continued)

Fair value hierarchy

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

- Level 1 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).

31 December 2014

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

31 December 2013

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Investments held for trading	33,886	-	-	33,886
Available-for-sale financial assets				
Quoted equities	30,308	-	-	30,308
Mutual funds	-	-	5,179	5,179
Unquoted equities	-	-	7,104	7,104
Investment property	-	-	8,585	8,585
	64,194	-	20,868	85,062

- There were no transfers between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

32. Financial instruments (continued)

Fair value measurement (continued)

Reconciliation of level 3 fair value measurements

Below is a reconciliation of movements in level 3 financial assets measured at fair values:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**12,283**	10,257
Purchased during the year	**18,747**	-
Gain recognised in other comprehensive income	**390**	2,026
	31,420	12,283

Financial risk management objectives

The Group's management observes domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through analysing risk exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of risks related to financial instruments. The Group's policies in this regards are set and approved by the board of directors who draws the overall guidelines on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the board of directors on regular basis.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group is also exposed to interest rate price risk with reference to its fixed rate time deposits with banks. During the current year, interest on fixed deposits ranged from 1% to 2% per annum (2013: from 1% to 2% per annum). The risk is managed by the Group by keeping fixed interest rate bearing financial assets.

If interest rates on bank borrowings had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2014 and equity as at 31 December 2014 would decrease/ increase by approximately AED 3.5 million (2013: AED 3.98 million).

32. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group obtains information about counterparties credit worthiness from publicly available financial information and its own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved periodically by the relevant management in the Group and, where appropriate, letters of guarantee are obtained from customers.

Credit risk is primarily related to the trade receivable balances which are presented in the consolidated statement of financial position net of any applicable allowances for losses that were estimated by the Group's management based on prior experience and prevailing economic conditions. Current year's sales include AED 729,259,000 being sales to two main customers (2013: AED 619,848,000 being sales to two main customers). Total trade receivables due from the above two main customers amounted to AED 539,113,000 as at 31 December 2014 (2013: AED 355,032,000).

Credit risk related to liquid funds is limited as the counterparties are banks with sound reputation.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Equity price risk

Sensitivity analysis

At the reporting date if the prices of investments in equity instruments are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Group's:

- Profit/equity would have increased/decreased by AED 3.59 million (2013: AED 3.39 million) in the case of investments held for trading.
- Equity would have increased/decreased by AED 7.94 million (2013: AED 4.26 million) in the case of available-for-sale investments.

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.

- As at the reporting date, if the prices of investments in equity instruments are 10% higher/ lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.

- A 10% change in the prices of investments in equity instruments has been used to give a realistic assessment as a plausible event.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

32. Financial instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, dealing with financial institutions of good reputation and matching the maturity profiles of financial assets and liabilities.

Maturity of the Group's financial assets and liabilities as at the reporting date was as follows:

Financial assets:

31 December 2014

	Within 1 year AED'000	**2 years – 5 years AED'000**	**Total AED'000**
Available-for-sale-investments	-	79,355	79,355
Investments held for trading	35,937	-	35,937
Trade and other receivables	1,200,346	-	1,200,346
Bank balances and cash	120,925	-	120,925
Total	**1,357,208**	**79,355**	**1,436,563**

31 December 2013

	Within 1 year AED'000	2 years – 5 years AED'000	Total AED'000
Available-for-sale-investments	-	42,591	42,591
Investments held for trading	33,886	-	33,886
Trade and other receivables	964,425	-	964,425
Bank balances and cash	214,614	-	214,614
Total	1,212,925	42,591	1,255,516

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

32. Financial instruments (continued)

Liquidity risk management (continued)

Financial liabilities:

31 December 2014

	Within 1 year AED'000	**2 years – 6 years AED'000**	**Total AED'000**
Bank borrowings	440,234	263,063	703,297
Unclaimed dividends	20,593	-	20,593
Trade payables and accruals	240,206	-	240,206
Total	**701,033**	**263,063**	**964,096**

31 December 2013

	Within 1 year AED'000	2 years – 6 years AED'000	Total AED'000
Bank borrowings	384,372	412,266	796,638
Unclaimed dividends	18,519	-	18,519
Trade payables and accruals	288,009	-	288,009
Total	690,900	412,266	1,103,166

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. There is no currency exchange risk related to transactions denominated in the US dollars or currencies linked with it as the AED rate is fixed to the US dollar. The management undertakes suitable procedures to minimise risks associated with transactions denominated in currencies other than AED and US$.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

33. Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intergroup eliminations.

	Julphar Pharmaceuticals P.L.C. - Ethiopia		**Gulf Inject L.L.C. - Dubai**	
	2014 AED'000	2013 AED'000	**2014 AED'000**	2013 AED'000
At 31 December:				
Current Assets	**10,098**	9,617	**11,601**	2,487
Non-Current Assets	**16,742**	17,566	**33,049**	31,960
Current Liabilities	**7,436**	21,881	**1,411**	15,103
Non-Current Liabilities	**-**	-	**120**	41
Equity Attributable to:				
Owners of the parent company	**10,672**	2,916	**21,991**	5,791
Non-controlling interest	**8,732**	2,386	**21,128**	13,512
For the year ended 31 December:				
Revenue	**12,568**	-	**9,287**	14
Expenses	**(13,432)**	(1,446)	**(11,552)**	(2,336)
Loss for the year	**(864)**	(1,446)	**(2,265)**	(2,322)
Attributable to:				
Owners of the parent company	**(475)**	(795)	**(1,155)**	(697)
Non-controlling interest	**(389)**	(651)	**(1,110)**	(1,625)

34. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 19 February 2015.