GULF PHARMACEUTICAL INDUSTRIES P.S.C.

Review report and consolidated interim financial information for the nine months period ended 30 September 2014

Deloitte.

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Gulf Pharmaceutical Industries P.S.C.
Ras Al Khaimah
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Gulf Pharmaceutical Industries (a Public Shareholding Company) "the Company" and subsidiaries (the "Group") – Ras Al Khaimah, United Arab Emirates, as at 30 September 2014 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
30 October 2014

Condensed consolidated statement of financial position as at 30 September 2014

	Note	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,111,792	1,099,879
Investment property		-	8,585
Net investment in an associate	5	256,492	263,316
Available-for-sale-investments	6	48,039	42,591
Total non-current assets		1,416,323	1,414,371
Current assets			
Assets of discontinued operations		4,075	4,075
Inventories		448,042	398,712
Investments held for trading	7	65,440	33,886
Trade and other receivables	8	1,159,404	985,644
Bank balances and cash	9	133,487	214,614
Total current assets		1,810,448	1,636,931
Total assets		3,226,771	3,051,302
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1,000,000	863,156
Statutory reserve	11	531,954	405,737
Voluntary reserve	12	161,290	161,290
Foreign currency translation reserve		(510)	534
Cumulative changes on revaluation of investments		10,025	8,604
Retained earnings		419,554	431,443
Equity attributable to shareholders of the Company		2,122,313	1,870,764
Non-controlling interest		28,136	15,898
Total equity		2,150,449	1,886,662
Non-current liabilities			
Provision for employees' end of service indemnity		36,567	32,019
Bank borrowings	13	312,683	412,266
Total non-current liabilities		349,250	444,285
Current liabilities			
Liabilities of discontinued operations		247	247
Unclaimed dividends		30,206	18,519
Trade payables and accruals		266,265	317,217
Bank borrowings	13	430,354	384,372
Total current liabilities		727,072	720,355
Total liabilities		1,076,322	1,164,640
Total equity and liabilities		3,226,771	3,051,302

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FAISAL BIN SAQR AL QASIMI
CHAIRMAN

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

Condensed consolidated income statement (unaudited)
for the nine months period ended 30 September 2014

	Note	Nine months period ended 30 September		Three months period ended 30 September	
		2014	2013	**2014**	2013
		AED'000	AED'000	**AED'000**	AED'000
Sales		**1,022,822**	1,003,377	**261,051**	307,015
Cost of sales		**(432,734)**	(407,947)	**(126,067)**	(123,710)
Gross profit		**590,088**	595,430	**134,984**	183,305
Selling and distribution expenses		**(399,526)**	(363,829)	**(106,621)**	(112,418)
General and administrative expenses		**(56,709)**	(61,211)	**(10,361)**	(17,822)
Other income		**14,251**	11,848	**7,812**	3,506
Gain from investments and others		**32,321**	4,219	**22,125**	1,046
Finance costs		**(19,199)**	(19,439)	**(5,016)**	(7,489)
Profit for the period		**161,226**	167,018	**42,923**	50,128
Attributable to:					
Equity shareholders of the Company		**162,741**	167,517	**43,303**	50,233
Non-controlling interest		**(1,515)**	(499)	**(380)**	(105)
		161,226	167,018	**42,923**	50,128
Basic earnings per share (in UAE Fils)	14	**16.9**	17.6	**4.4**	5.3

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

Condensed consolidated statement of comprehensive income (unaudited)
for the nine months period ended 30 September 2014

	Nine months period ended 30 September		Three months period ended 30 September	
	2014	2013	**2014**	2013
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period	**161,226**	167,018	**42,923**	50,128
Other comprehensive (loss)/income:				
Items that maybe reclassified subsequently to profit or loss:				
Change in the fair value of available for sale investments	**18,410**	7,707	**14,648**	(500)
Reclassification adjustment on disposal of available for sale investments	**(16,989)**	1,581	**(3,695)**	1,581
Exchange difference on translation of subsidiaries financial statements	**(1,632)**	(242)	**(445)**	(24)
Items that will not be reclassified subsequently to profit or loss:				
Board of Directors' remuneration	**(2,000)**	(2,000)	**-**	-
Other comprehensive (loss)/income for the period	**(2,211)**	7,046	**10,508**	1,057
Total comprehensive income for the period	**159,015**	174,064	**53,431**	51,185
Attributable to:				
Equity shareholders of the Company	**161,118**	174,668	**54,012**	51,305
Non-controlling interest	**(2,103)**	(604)	**(581)**	(120)
	159,015	174,064	**53,431**	51,185

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

Condensed consolidated statement of changes in equity for the nine months period ended 30 September 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	Equity attributable to shareholders of the Company AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 31 December 2012 (audited)	784,687	382,701	138,254	801	(6,934)	406,092	1,705,601	3,188	1,708,789
Profit for the nine months period ended 30 September 2013	-	-	-	-	-	167,517	167,517	(499)	167,018
Other comprehensive income for the period	-	-	-	(137)	9,288	(2,000)	7,151	(105)	7,046
Total comprehensive income for the period	-	-	-	(137)	9,288	165,517	174,668	(604)	174,064
Issuance of bonus shares (Note 15)	78,469	-	-	-	-	(78,469)	-	-	-
Approved cash dividends (Note 15)	-	-	-	-	-	(78,469)	(78,469)	-	(78,469)
	78,469	-	-	-	-	(156,938)	(78,469)	-	(78,469)
Balance at 30 September 2013 (unaudited)	863,156	382,701	138,254	664	2,354	414,671	1,801,800	2,584	1,804,384
Balance at 31 December 2013 (audited)	863,156	405,737	161,290	534	8,604	431,443	1,870,764	15,898	1,886,662
Profit for the nine months period ended 30 September 2014	-	-	-	-	-	162,741	162,741	(1,515)	161,226
Other comprehensive loss for the period	-	-	-	(1,044)	1,421	(2,000)	(1,623)	(588)	(2,211)
Total comprehensive income for the period	-	-	-	(1,044)	1,421	160,741	161,118	(2,103)	159,015
Issuance of bonus shares (Note 15)	86,315	-	-	-	-	(86,315)	-	-	-
Issuance of additional share capital (Note 10)	50,000	-	-	-	-	-	50,000	-	50,000
Issuance of additional share capital under employee share option plan (Note 10 & 17)	529	-	-	-	-	-	529	-	529
Share premium on issuance of additional share capital (Note 11)	-	126,217	-	-	-	-	126,217	-	126,217
Approved cash dividends (Note 15)	-	-	-	-	-	(86,315)	(86,315)	-	(86,315)
Movement in non-controlling interest	-	-	-	-	-	-	-	14,341	14,341
	136,844	126,217	-	-	-	(172,630)	90,431	14,341	104,772
Balance at 30 September 2014 (unaudited)	**1,000,000**	**531,954**	**161,290**	**(510)**	**10,025**	**419,554**	**2,122,313**	**28,136**	**2,150,449**

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

Condensed consolidated statement of cash flows (unaudited) for the nine months period ended 30 September 2014

	Nine months period ended 30 September	
	2014	2013
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**161,226**	167,018
Adjustments for:		
Depreciation of property, plant and equipment	**54,100**	40,735
Loss on sale of investment property	**1,085**	-
Gain from investments	**(20,855)**	(4,218)
Allowance for doubtful debts	**2,000**	-
Allowance for slow moving inventories	**2,000**	-
Expenses recognised for equity-settled share-based payments	**1,217**	-
Provision for employees' end of service indemnity	**6,358**	6,300
Finance costs	**19,199**	19,439
Operating cash flow before changes in operating assets and liabilities	**226,330**	229,274
Increase in trade and other receivables	**(175,760)**	(332,613)
Increase in inventories	**(51,330)**	(46,926)
(Decrease)/ increase in trade payables and accruals	**(50,952)**	73,174
Provision for employees end of service indemnity paid	**(1,810)**	(1,323)
Net cash used in operating activities	**(53,522)**	(78,414)
Cash flows from investing activities		
Additions to property, plant and equipment	**(66,013)**	(35,440)
Dividend received from an associate	**6,824**	-
Dividend received from investments	**2,399**	2,574
Purchase of investments	**(90,487)**	(4,059)
Proceeds from sale of investments	**73,362**	2,239
Proceeds from sale of investment property	**7,500**	-
Increase in non-controlling interest	**14,341**	-
Net cash used in investing activities	**(52,074)**	(34,686)
Cash flows from financing activities		
Proceeds from issue of additional share capital	**175,529**	-
(Decrease)/ increase in bank borrowings	**(53,601)**	213,535
Dividends paid	**(74,628)**	(72,404)
Board of directors' remuneration paid	**(2,000)**	(2,000)
Finance costs paid	**(19,199)**	(19,439)
Net cash generated from financing activities	**26,101**	119,692
Net (decrease)/increase in cash and cash equivalents	**(79,495)**	6,592
Effect of exchange rate changes on the balances of cash held in foreign currencies	**(1,632)**	(242)
Cash and cash equivalents at the beginning of the period	**214,614**	82,686
Cash and cash equivalents at the end of the period (Note 9)	**133,487**	89,036

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014

1. General

Gulf Pharmaceutical Industries is a public shareholding company "the Company" domiciled in Digdaga - Ras Al Khaimah. It was incorporated by the Emiri decree No.5/80 issued by H.H. The Ruler of the Emirate of Ras Al Khaimah and its dependencies on 30 March 1980 and the Emiri decree No.9/80 on 4 May 1980. The Group comprises Gulf Pharmaceutical Industries (Public Shareholding Company) and its subsidiaries "the Group" (Note 3).

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

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

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

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

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

The following new and revised IFRSs have been adopted in these condensed 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.

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• 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.	1 January 2014
• 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.	1 January 2014
• IFRIC 21 – Levies: Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2014 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• 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.	1 January 2014

2.2 New and revised International Financial Reporting Standards (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 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.	1 January 2018

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

2.2 New and revised International Financial Reporting Standards (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 9 Financial Instruments *(continued)* 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.	
• IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 July 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

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2014 (continued)

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

2.2 New and revised International Financial Reporting Standards (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
• 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, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Summary of significant accounting policies

3.1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "Interim Financial Reporting" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment property.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2013. In addition, results for the nine months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The accounting policies, presentation and methods used in these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2013.

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 December 2013.

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2013.

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

3.2 Share based payment arrangements

During the current period, following accounting policy was adopted with no material impact on the prior periods presented in these condensed consolidated financial statements:

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 17.

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. Summary of significant accounting policies (continued)

3.3 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 accumulated impairment losses.

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.

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

3.4 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.

3.5 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.

3. Summary of significant accounting policies (continued)

3.5 Net investment in an associate (continued)

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 associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

3.6 Financial assets at fair value through profit and loss (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.

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. Summary of significant accounting policies (continued)

3.7 Available for Sale (AFS) 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.

3.8 Basis of consolidation

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

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

Details of Gulf Pharmaceutical Industries (Public Shareholding Company) subsidiaries as of 30 September 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

4. Property, plant and equipment

- Property, plant and equipment additions during the nine months period ended 30 September 2014 amounted to AED 66,013,000 (Nine months period ended 30 September 2013: AED 35,440,000).
- Depreciation charges for the nine months period ended 30 September 2014 amounted to AED 54,100,000 (Nine months period ended 30 September 2013: AED 40,735,000).

5. Net investment in an associate

Details of the Company's associate are as follows:

Name of associate	Place of incorporation	Ownership	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Planet Pharmacies L.L.C.	U.A.E	40%	**256,492**	263,316

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

	Nine months period ended 30 September 2014 (unaudited) AED'000	Year ended 31 December 2013 (audited) AED'000
Balance at the beginning of the period/year	**263,316**	260,054
Share of the associate's profit	**-**	9,748
Reclassification of an associate to a subsidiary after obtaining control by the Group	**-**	(6,486)
Less: Dividends received	**(6,824)**	-
Balance at the end of the period/year	**256,492**	263,316

6. Available-for-sale-investments

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

	Nine months period ended 30 September 2014 (unaudited) AED'000	Year ended 31 December 2013 (audited) AED'000
Fair value at the beginning of the period/year	**42,591**	31,434
Purchased during the period/year	**23,385**	511
Disposals during the period/year	**(36,347)**	(2,248)
Net increase in fair value	**18,410**	12,894
Fair value at the end of the period/year	**48,039**	42,591

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

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

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Investments within United Arab Emirates		
Quoted investments	**17,539**	27,092
Unquoted investments	**7,104**	7,104
	24,643	34,196
Investments outside United Arab Emirates		
Quoted investments	**23,396**	8,395
	48,039	42,591

Reclassification of investments

During the year 2008, the Board of Directors reconsidered its investment strategy and accordingly the Group adopted the amendments to IAS 39 issued by the International Accounting Standards Board which permits an entity to reclassify, in particular circumstances, investments held for trading, for which change in fair value is recognised in the 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 (unaudited) AED'000	2013 (unaudited) AED'000
Fair value of reclassified investments as of 1 January (audited)	**32,419**	22,910
Disposals during the period	**(18,882)**	-
Gain on revaluation of available for sale investments during the period	**9,918**	4,221
Fair value of reclassified investments as of 30 September	**23,455**	27,131

As a result of the above, profit for the period has decreased by AED 9,918,000 (2013: decreased by AED 4,221,000).

7. Investments held for trading

Movements of investments held for trading were as follows:

	Nine months period ended 30 September 2014 (unaudited) AED'000	Year ended 31 December 2013 (audited) AED'000
Fair value at the beginning of the period/year	**33,886**	5,624
Purchased during the period/year	**67,102**	29,258
Disposals during the period/year	**(34,755)**	(8,164)
Net (decrease)/ increase in fair value	**(793)**	7,168
	65,440	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:

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
In U.A.E. markets	**65,302**	33,744
In other G.C.C. markets	**138**	142
	65,440	33,886

8. Trade and other receivables

Trade and other receivables comprise the following:

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Trade accounts receivable	**920,606**	712,718
Trade notes receivable	**194,279**	257,619
	1,114,885	970,337
Less: Allowance for doubtful debts	**(13,555)**	(12,600)
	1,101,330	957,737
Staff receivable	**3,302**	3,166
Prepaid expenses	**6,877**	3,804
Advances to suppliers	**33,901**	17,415
Other receivables	**13,994**	3,522
	1,159,404	985,644

8. Trade and other receivables (continued)

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

	Nine months period ended 30 September 2014 (unaudited) AED'000	Year ended 31 December 2013 (audited) AED'000
Balance at the beginning of the period/year	**12,600**	12,600
Add: Allowance for doubtful debts	**2,000**	-
Less: Allowance for doubtful debts written off	**(1,045)**	-
Balance at the end of the period/year	**13,555**	12,600

9. Bank balances and cash

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Bank balances:		
Current accounts	**125,778**	208,291
Fixed deposits	**4,419**	3,255
Cash in hand	**3,290**	3,068
Cash and cash equivalents	**133,487**	214,614
By geographical area:		
In the U.A.E.	**125,735**	205,556
In other countries	**7,752**	9,058
	133,487	214,614

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

10. Share capital

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Issued and fully paid up 1,000,000,000 ordinary shares (31 December 2013: 863,155,356 ordinary shares) at par value of AED 1 each	**1,000,000**	863,156

10. Share capital (continued)

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.

11. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, the Company has established a statutory reserve by appropriation of 10% of profit for each year. This appropriation shall be suspended once its balance reaches 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the law.

Share premium collected during the period 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.

12. Voluntary reserve

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

13. Bank borrowings

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Overdraft	**111,763**	87,846
Loans	**631,274**	708,792
	743,037	796,638

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

13. Bank borrowings (continued)

Bank borrowings shall be repaid as follows:

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Current		
On demand or within one year	**430,354**	384,372
Non current		
In the second year	**157,232**	183,359
In third to sixth year	**155,451**	228,907
	312,683	412,266
	743,037	796,638

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

14. Basic earnings per share

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2014 (Unaudited)	2013 (Unaudited)	**2014 (Unaudited)**	2013 (Unaudited)
Profit for the period (AED'000)	**162,741**	167,517	**43,303**	50,233
Weighted average number of shares (Share)	**963,888,325**	949,470,891	**992,723,194**	949,470,891
Basic earning per share (in UAE Fils)	**16.9**	17.6	**4.4**	5.3

Basic earnings per share for the comparative period was restated to consider the effect of the additional fully paid up 50,529,109 shares issued during the period in addition to the effect of the bonus shares with a total of 86,315,535 shares issued during the current period.

15. Dividends

The Shareholders' Ordinary General Assembly held on 10 April 2014 approved the payment of cash dividend at 10% of share capital amounting to AED 86,315,535 and issuance of bonus shares at 10% of share capital amounting to AED 86,315,535 for the year 2013 (2013: the Shareholders general assembly approved cash dividend at 10% of share capital amounting to AED 78,468,669 and bonus shares at 10% of share capital amounting to AED 78,468,669 for the year 2012).

16. 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 condensed consolidated financial statements
for the nine months period ended 30 September 2014 (continued)

16. Segment information

	Nine months period ended 30 September 2014			Nine months period ended 30 September 2013		
	Manufacturing (unaudited) AED'000	**Investments (unaudited) AED'000**	**Total (unaudited) AED'000**	Manufacturing (unaudited) AED'000	Investments (unaudited) AED'000	Total (unaudited) AED'000
Segment revenue	**1,022,822**	**-**	**1,022,822**	1,003,377	-	1,003,377
Segment result	**128,905**	**32,321**	**161,226**	162,799	4,219	167,018

	30 September 2014			31 December 2013		
	Manufacturing (unaudited) AED'000	**Investments (unaudited) AED'000**	**Total (unaudited) AED'000**	Manufacturing (audited) AED'000	Investments (audited) AED'000	Total (audited) AED'000
Segment assets	**2,723,313**	**374,390**	**3,097,703**	2,488,310	351,633	2,839,943
Unallocated assets			**129,068**			211,359
Total assets			**3,226,771**			3,051,302
Segment liabilities	**1,076,322**	**-**	**1,076,322**	1,164,640	-	1,164,640

There are no transactions between the business segments.

17. 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 period. 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.

18. Related party balances and transactions

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

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

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Due from related parties (included in trade and other receivables)	**140,941**	49,855
Due to related parties (included in trade payables and accruals)	**10,825**	13,741

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

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

Transactions:

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

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2014 (unaudited) AED'000	2013 (unaudited) AED'000	**2014 (unaudited) AED'000**	2013 (unaudited) AED'000
Sales	**144,263**	135,198	**28,962**	56,495
Purchases	**27,723**	27,973	**9,123**	8,932

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

18. Related party balances and transactions (continued)

Compensation of board of directors/key management personnel:

	Nine months period ended 30 September		Three months period ended 30 September	
	2014 (unaudited) AED'000	2013 (unaudited) AED'000	**2014 (unaudited) AED'000**	2013 (unaudited) AED'000
Short term benefits	**10,840**	9,767	**1,906**	1,540
Long term benefits	**304**	266	**105**	93
Board of Directors' remuneration	**2,000**	2,000	**-**	-

19. Fair value measurement

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

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated 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.

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

The following table provides an analysis of financial assets 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).

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2014 (continued)**

19. Fair value measurement (continued)

30 September 2014 (unaudited)

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Investments held for trading	**65,440**	**-**	**-**	**65,440**
Available-for-sale investments				
Quoted equities	**40,935**	**-**	**-**	**40,935**
Unquoted equities	**-**	**-**	**7,104**	**7,104**
	106,375	**-**	**7,104**	**113,479**

31 December 2013 (audited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments held for trading	33,886	-	-	33,886
Available-for-sale financial assets				
Quoted equities	35,487	-	-	35,487
Unquoted equities	-	-	7,104	7,104
Investment property	-	-	8,585	8,585
	69,373	-	15,689	85,062

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

20. Commitments and contingent liabilities

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Capital commitments	**50,000**	50,000
Letters of credit	**8,042**	6,787
Letters of guarantee	**65,115**	69,625

21. Seasonality of results

Gain from investments and others includes dividend income of AED 2,399,000 for the nine months period ended 30 September 2014 (Nine months period ended 30 September 2013: AED 2,574,000), which is of a seasonal nature.

22. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue on 30 October 2014.