Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2020

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF PHARMACEUTICAL INDUSTRIES P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Pharmaceutical Industries P.S.C. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2020, which comprises the interim condensed consolidated statement of financial position as at 31 March 2020, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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.

Basis for Qualified Conclusion

As disclosed in note 6 to the interim condensed consolidated financial statements, the Group's investment in Planet Pharmacies L.L.C. ("Planet") which is a 40% owned associate of the Group, is carried at AED 267.3 million in the interim condensed consolidated statement of financial position as at 31 March 2020 (31 December 2019: AED 264.5 million), and the Group's share of Planet's net profit of AED 2.8 million (31 March 2019: share of net loss of AED 3.5 million) is included in Group's interim condensed consolidated statement of profit or loss for the three months then ended. Due to the ongoing and previous legal cases and other conditions described in note 6, the audit of the consolidated financial statements of Planet for the years ended 31 December 2018 and 31 December 2019 were not completed for both statutory and Group reporting purposes. Hence, we were unable to perform necessary review procedures on the carrying amount of the Group's investment in Planet as at 31 March 2020, 31 December 2019 and 31 December 2018 and the Group's share of results from Planet for the said periods/years, neither were we able to perform procedures relating to review of opening balances, transactions and disclosures. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary.

Our review conclusion for the interim condensed consolidated financial statements and the audit opinion on the consolidated financial statements of the Group as at 31 March 2019 and 31 December 2019 respectively, were also qualified for the above matter.

Qualified Conclusion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with IAS 34.

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF PHARMACEUTICAL INDUSTRIES P.S.C. (continued)

Emphasis of matter

We draw attention to note 2.2 to the interim condensed consolidated financial statements, which states that the Group incurred a loss of AED 68.9 million during the three months ended 31 March 2020 and, as of that date, the Group's accumulated losses amounted to AED 565.7 million, its current liabilities exceeded current assets by AED 161.8 million and the Group had negative cash outflow from operating activities of AED 46.0 million. As stated in note 2.2, these conditions, along with other matters as stated in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not further modified in respect of this matter.

For Ernst & Young

Signed by:
Thodla Hari Gopal
Partner
Registration number: 689

23 May 2020

Sharjah, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020 (Unaudited)

		Three months ended 31 March	
	Notes	***2020 AED millions***	*2019 AED millions*
Continuing operations			
Revenue from contracts with customers	4	**104.4**	110.7
Cost of sales		**(90.6)**	(106.3)
Gross profit		**13.8**	4.4
Other income		**1.8**	2.0
Selling and distribution expenses		**(49.1)**	(64.3)
General and administrative expenses		**(27.4)**	(20.5)
Share of profit/(loss) of an associate	6	**2.8**	(3.5)
Gain from investments and others		**0.2**	1.8
Operating loss		**(57.9)**	(80.1)
Finance income		**0.3**	0.5
Finance costs		**(10.4)**	(7.0)
Loss for the period from continuing operations		**(68.0)**	(86.6)
Discontinued operations			
Loss for the period from discontinued operations	7	**(0.9)**	(5.0)
LOSS FOR THE PERIOD		**(68.9)**	(91.6)
Loss attributable to:			
Equity holders of the Parent		**(62.5)**	(89.1)
Non-controlling interests		**(6.4)**	(2.5)
		(68.9)	(91.6)
Earnings per share: Basic and diluted Loss per share attributable to the equity holders of the Parent (in UAE fils)	18	**(5.39)**	(7.69)
Earnings per share for continuing operations: Basic and diluted Loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	18	**(5.39)**	(7.40)

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020 (unaudited)

	Three months ended 31 March	
	2020 AED millions	*2019 AED millions*
Loss for the period	**(68.9)**	(91.6)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Currency translation differences	**(0.2)**	(3.3)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(69.1)**	(94.9)
Total comprehensive loss attributable to:		
Equity holders of the Parent	**(62.7)**	(92.4)
Non-controlling interests	**(6.4)**	(2.5)
	(69.1)	(94.9)

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020 (unaudited)

	Notes	*31 March 2020 AED millions (unaudited)*	*31 December 2019 AED millions (audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**995.2**	1,014.7
Intangible assets		**18.1**	20.1
Investment in an associate	6	**267.3**	264.5
Deferred tax asset		**3.2**	3.9
		1,283.8	1,303.2
Current assets			
Inventories	8	**311.9**	293.6
Financial assets at fair value through profit or loss	9	**20.3**	22.1
Trade and other receivables	10	**641.4**	667.8
Bank balances and cash	11	**45.8**	58.8
		1,019.4	1,042.3
Assets held for sale	7	**104.3**	104.9
		1,123.7	1,147.2
TOTAL ASSETS		**2,407.5**	2,450.4
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**1,158.5**	1,158.5
Statutory reserve	13	**185.5**	185.5
Foreign currency translation reserve		**(142.4)**	(142.2)
Accumulated losses		**(565.7)**	(503.2)
Equity attributable to shareholders of the Parent		**635.9**	698.6
Non-controlling interests	15	**173.0**	179.4
Total equity		**808.9**	878.0
Non-current liabilities			
Provision for employees' end of service benefits		**59.7**	59.1
Bank and other borrowings	16	**249.4**	250.0
Deferred tax liability		**4.0**	4.0
		313.1	313.1
Current liabilities			
Trade payables and accruals		**317.7**	311.0
Bank and other borrowings	16	**697.1**	652.8
Deferred revenue	17	**242.3**	267.2
		1,257.1	1,231.0
Liabilities directly associated with the assets held for sale	7	**28.4**	28.3
		1,285.5	1,259.3
Total liabilities		**1,598.6**	1,572.4
TOTAL EQUITY AND LIABILITIES		**2,407.5**	2,450.4

Sh Saqer Humaid Al Qasimi
Chairman

Dr. Essam Farouk
Chief Executive Officer

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020 (unaudited)

	Attributable to the equity holders of the Parent							
	Share capital AED millions	*Statutory reserve AED millions (refer note 13)*	*Voluntary reserve AED millions (refer note 14)*	*Foreign currency translation reserve AED millions*	*Accumulated losses AED millions*	*Total AED millions*	*Non-controlling interest AED millions*	*Total equity AED millions*
As at 1 January 2020 (audited)	1,158.5	185.5	-	(142.2)	(503.2)	698.6	179.4	878.0
Loss for the period	-	-	-	-	(62.5)	(62.5)	(6.4)	(68.9)
Other comprehensive loss for the period	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Total comprehensive loss for the period	-	-	-	(0.2)	(62.5)	(62.7)	(6.4)	(69.1)
As at 31 March 2020 (unaudited)	**1,158.5**	**185.5**	**-**	**(142.4)**	**(565.7)**	**635.9**	**173.0**	**808.9**
As at 1 January 2019 (audited)	1,158.5	562.4	184.8	(138.1)	(561.7)	1,205.9	174.6	1,380.5
Loss for the period	-	-	-	-	(89.1)	(89.1)	(2.5)	(91.6)
Other comprehensive loss for the period	-	-	-	(3.3)	-	(3.3)	-	(3.3)
Total comprehensive loss for the period	-	-	-	(3.3)	(89.1)	(92.4)	(2.5)	(94.9)
Movement in non-controlling interest	-	-	-	-	-	-	6.5	6.5
As at 31 March 2019 (unaudited)	1,158.5	562.4	184.8	(141.4)	(650.8)	1,113.5	178.6	1,292.1

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2020 (unaudited)

	Notes	*Three months ended 31 March* **2020 AED millions**	*2019 AED millions*
OPERATING ACTIVITIES			
Loss for the period from continuing operations		**(68.0)**	(86.6)
Loss for the period from discontinued operations		**(0.9)**	(5.0)
Loss before tax for the period		**(68.9)**	(91.6)
Adjustments for:			
Depreciation of property, plant and equipment	5	**21.9**	20.2
Amortisation of intangible assets		**1.2**	1.0
Share of (profit)/loss of investment in an associate	6	**(2.8)**	3.5
Loss on revaluation of financial asset at fair value through profit or loss	9	**1.8**	-
Allowance for slow-moving inventories	8	**-**	5.5
Provision for employees' end of service benefits		**2.1**	2.1
Finance income		**(0.3)**	(0.5)
Finance costs		**10.4**	7.0
		(34.6)	(52.8)
Changes in working capital			
Trade and other receivables		**26.4**	153.9
Inventories		**(18.3)**	(7.9)
Trade payables, accruals and deferred revenue		**(18.2)**	(63.1)
Cash (used in)/generated from operations		**(44.7)**	30.1
Employees' end of service benefits paid		**(1.3)**	(1.5)
Net cash flows (used in)/from operating activities		**(46.0)**	28.6
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(2.9)**	(17.3)
Finance income received		**0.3**	0.5
Net cash flows used in investing activities		**(2.6)**	(16.8)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**82.6**	100.0
Repayment of bank borrowings		**(38.3)**	(133.8)
Increase in non-controlling interest		**-**	9.2
Interest paid		**(10.4)**	(7.0)
Net cash from/(used in) financing activities		**33.9**	(31.6)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14.7)**	(19.8)
Currency translation differences		**1.7**	(4.4)
Cash and cash equivalents at the beginning of the period		**58.8**	87.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	**45.8**	63.6

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

1. ACTIVITIES

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

The Company's registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates (UAE). The Company commenced its commercial activities effective from November 1984. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its subsidiaries (the "Group" or "Julphar") are the manufacturing and selling of medicines, drugs and various other types of pharmaceutical and medical compounds in addition to cosmetic compounds.

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2020 was authorised for issue in accordance with the resolution of the Board of Directors on 21 May 2020.

The Company has the following major subsidiaries:

Serial No.	*Name of subsidiary*	*Place of incorporation and operation*	*Percentage of ownership 2019*	*2018*	*Subsidiary activity*
1.	Mena Cool F.Z.E (note (a))	Ras Al Khaimah – UAE	**100%**	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C	Ethiopia	**55%**	55%	Manufacturing of medicines, wrapping and packing materials
3.	Gulf Inject L.L.C. (note (b))	Dubai – UAE	**100%**	100%	Manufacturing of medical supplies
4.	RAK Pharmaceuticals Pvt. Ltd. (note (b))	Dhaka – Bangladesh	**50.5%**	50.5%	Manufacturing of medicines
5.	Alpha Pharma L.L.C. (formerly Julphar Saudi Arabia L.L.C.)	Rabigh – Saudi Arabia	**51%**	51%	Manufacturing of medicines
6.	Julphar Egypt Company L.L.C.	Cairo – Egypt	**100%**	100%	Distributors of Julphar's products in Egypt
7.	Julphar Diabetes L.L.C. (note (a))	Ras Al Khaimah – UAE	**100%**	100%	Manufacturing of medicines
8.	Julphar General Trading L.L.C. (note (a))	Ras Al Khaimah – UAE	**100%**	100%	General Trading
9.	Mena Cool Machinery Trading (note (a))	Ras Al Khaimah – UAE	**100%**	100%	General Trading
10.	Julphar Life Science L.L.C. (note (a))	Ras Al Khaimah – UAE	**100%**	100%	General Trading
11.	Julphar Pakistan Private Limited (note (a))	Pakistan	**99%**	**99%**	Distributors of Julphar's products in Pakistan
12.	Julphar Tunisie (note (a))	Tunisia	**99%**	**99%**	Distributors of Julphar's products in Tunisia

1. ACTIVITIES (continued)

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

b) During the year 2019, management has classified these subsidiaries as disposal group held for sale (note 7).

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

In addition, results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is also the functional currency of the Company, and all values are rounded to the nearest million except where otherwise indicated.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value through profit or loss and a disposal group held for sale measured at fair value less cost to sell (note 7).

2.2 Going concern

During the three months ended 31 March 2020, the Group incurred a loss of AED 68.9 million and, as of that date, the Group's accumulated losses amounted to AED 565.7 million, its current liabilities exceeded current assets by AED 161.8 million and the Group's net cash outflow from operating activities reached AED 46.0 million. In addition, as at 31 December 2019, the Group was not able to comply with some loans' covenants. Subsequent to the period end, the Group has rescheduled these loans.

Moreover, in September 2018, the Saudi Food Drug Authority (SFDA) performed a physical inspection of the Company's plant in Ras Al Khaimah and as a result of their inspection, they imposed a temporary ban on the Company exporting its products to the Kingdom of Saudi Arabia (KSA) and Kingdom of Bahrain. Furthermore, in May 2019, the Gulf Health Council (GHC) performed a physical inspection of the Company's plants in Ras Al Khaimah and issued a report in July 2019. As a result of their inspection, they imposed a temporary suspension on the Company exporting its products to the State of Kuwait and Sultanate of Oman. Further, during early 2019, certain batches of a variety of products were recalled by the United Arab Emirates Ministry of Health (MOH) for stability reasons and they were cleared in 2019.

The circumstances outlined give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

Despite these events and conditions, the interim condensed consolidated financial statements have been prepared on a going concern basis considering the following facts, events and resolutions by the Board of Directors and management:

a) Since the suspension began, management had been working closely with the SFDA and GHC to address all the issues raised in the both reports. There was a re-inspection by SFDA and GHC in January 2020 and as a result on 29 April 2020, the Saudi Food & Drug Authorities (SFDA), lifted the suspension to export goods to Saudi Arabia except for certain goods that still remain suspended. Further, the temporary suspension to exports goods to Sultanate of Oman was also lifted during March 2020.

b) The Company expects that the temporary suspension on export of the Company's products to Kingdom of Bahrain and State of Kuwait will be soon lifted.

c) During the three months period ended 31 March 2020, the Company's Board of Directors in its meeting held on 16 January 2020, have decided to strengthen the capital base of the Company by reducing the issued share capital to extinguish the accumulated losses as at 31 December 2019 and followed by a rights issue at a price of AED 1 per share. The transaction was approved in the Annual General Meeting by the shareholders on 9 April 2020.The transaction is expected to be completed during the third quarter of 2020, once the necessary legal formalities are completed.

d) Management has undertaken various operational measures and restructuring decisions to oversee the strategic direction of the Company;

e) The Group will strengthen its financial position with capital restructuring and is currently in advanced negotiations to restructure existing loans and obtain new loans through internal and external sources to bridge its current and future working capital requirements to ensure business continuity;

f) Twenty seven new products will be launched during 2020 covering a broad range of therapeutic areas. This will help the Company to improve its sales to the market and recover is leading market position.

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Other amendments

1. IFRS 3: Definition of a Business
2. IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
3. IAS 1 and IAS 8: Definition of Material
4. Conceptual Framework for Financial Reporting issued on 29 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of interim 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 interim 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 annual consolidated financial statements for the year ended 31 December 2019, except those disclosed in note 25, which are primarily arising due to the impact of COVID-19.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Three months ended 31 March	
	2020 AED millions (unaudited)	2019 AED millions (unaudited)
Gross sales	**120.1**	125.5
Less: commissions	**(5.5)**	(7.2)
Net Sales	**114.6**	118.3
Less: net sales relating to discontinued operations (note 7(c))	**(10.2)**	(7.6)
	104.4	110.7

The Group derives its revenue from sale of medicines, drugs and various other types of pharmaceuticals and medical compounds in addition to cosmetic compounds. The revenue is recognised on the basis of at "point in time" revenue recognition criteria. The geographical split of gross revenue is as follows:

	Three months ended 31 March	
	2020 AED millions (unaudited)	2019 AED millions (unaudited)
Geographic information		
UAE	**31.1**	8.7
Other GCC countries	**6.3**	11.3
Other countries	**77.2**	98.3
	114.6	118.3
Less: net sales relating to discontinued operations (note 7(c))	**(10.2)**	(7.6)
	104.4	110.7

4.1 Contract balances

	31 March 2020 AED millions (unaudited)	31 December 2019 AED millions (audited)
Contract assets		
Trade receivables (note 10)	**370.7**	376.8
Due from a related party (note 10)	**236.6**	266.6
	607.3	643.4
Contract liabilities		
Refund liabilities	**87.2**	85.5
Advances from customers	**6.2**	5.6
Deferred revenue (note 17)	**242.3**	267.2
Commissions payable	**53.8**	52.5
	389.5	410.8

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

4.2 Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 6 to 12 months from delivery.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March are, as follows:

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Within one year	**242.3**	267.2

5. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment additions during the current period amounted to AED 2.9 million (31 March 2019: AED 17.3 million).

b) Depreciation charges for the current period amounted to AED 21.9 million (31 March 2019: AED 20.2 million).

c) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 16).

d) In February 2019, a fire in the adjacent factory of a subsidiary of the Group in Jebel Ali damaged part of the building of the subsidiary. The fire also destroyed property and equipment amounting to AED 0.1 million. Inventories stored in the warehouse of the subsidiary amounting to AED 2.6 million were damaged as the pharmaceutical drugs were not maintained at the prescribed temperatures due to interrupted power supply during the incident. The subsidiary had assessed that total loss from damage of property, plant and equipment and inventories and disruption of its business to be approximately AED 7.5 million and made an insurance claim against this damage. The subsidiary received a claim of AED 7.5 million from the insurance company on 30 December 2019 and recorded other income of AED 7.5 million.

e) The factory and its related buildings of the Parent Company are constructed on plots of land amounting to AED 3.6 million (31 December 2019: AED 3.6 million) which are owned by the Government of Ras Al Khaimah.

f) The factory of the Group's subsidiary in KSA is built on a piece of land amounting to AED 15.4 million (31 December 2019: AED 15.4 million) which is registered in the name of a minority shareholder.

6. INVESTMENT IN AN ASSOCIATE

The Group has a 40% shareholding in Planet Pharmacies L.L.C. ("Planet") which is the distributor of the Company's products and has a wide distribution of retail and wholesale pharmacies in UAE, KSA and Oman. The Group's shares are currently pledged with a bank to obtain a banking facility (note 16).

Details of the Group's investment in Planet Pharmacies which is accounted for using the equity method is as follows:

Name of associate	*Place of incorporation and operation*	*Percentage of ownership*	***31 March 2020 AED million (unaudited)***	*31 December 2019 AED million (audited)*
Planet Pharmacies L.L.C.	UAE	40%	**267.3**	264.5

6. INVESTMENT IN ASSOCIATE (continued)

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

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Balance at the beginning of the period/year	**264.5**	283.7
Share of associate's consolidated profit/(loss) for the period/year	**2.8**	(19.2)
At the end of the period/year	**267.3**	264.5

Planet has two subsidiaries in KSA, which are held under nominee shareholder arrangements. During 2018, one of the two nominee shareholders ("nominee shareholder") of Planet's subsidiaries, took control of the subsidiaries in KSA by appointing herself as the General Manager and took actions which she is not empowered to do under the nominee shareholder agreements. The Group considered this to be unlawful and, as a result filed a case against the nominee shareholder regarding her self-appointment as the General Manager and for claiming outright ownership of the subsidiaries.

On 12 September 2019 a court in KSA issue a judgement in favor of Planet Pharmacies for the ownership of it's subsidiaries. The Articles of Association of the subsidiaries were amended accordingly. The court also ordered the nominee shareholder to pay back AED 9.8 million to Planet. As a result of the above, Planet has now regained full control of the pharmacies in KSA. Presently the judgement of one of the subsidiaries is under appeal and the management expects a successful outcome. As of the reporting date, Planet is assessing the accuracy of the financial statements for its subsidiaries in KSA for the years ended 31 December 2018, 31 December 2019 and three months period ended 31 March 2020.

7. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Gulf Inject L.L.C.

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell Gulf Inject L.L.C. ("Gulf Inject"), a wholly owned subsidiary. The sale of Gulf Inject is expected to be completed during the year ending 31 December 2020. Accordingly, Gulf Inject has been classified as a disposal group held for sale and as a discontinued operation.

With Gulf Inject being classified as a discontinued operation, the results of Gulf Inject has not been presented in the segment information (note 20). There was no write-down of carrying amount immediately before and after the classification of the disposal group as held for sale. The comparative interim condensed consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Gulf Inject separately from continuing operations.

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

	Three months ended 31 March	
	2020 AED millions (unaudited)	*2019 AED millions (unaudited)*
Operating	**6.1**	(0.9)
Investing	**-**	(0.5)
Net cash inflow/(outflow)	**6.1**	(1.4)

Basic and diluted loss per share

Basic and diluted loss per share is disclosed in note 18.

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

b) RAK Pharmaceuticals Pvt Ltd.

During the year ended 31 December 2019, the Board of Directors of the Company decided to sell RAK Pharmaceuticals Pvt Ltd ("Julphar Bangladesh"). The Company owns 50.5% of Julphar Bangladesh. The sale of Julphar Bangladesh is expected to be completed during the year ending 31 December 2020. Accordingly, Julphar Bangladesh has been classified as a disposal group held for sale and as a discontinued operation.

With Julphar Bangladesh being classified as a discontinued operation, the results of Julphar Bangladesh has not been presented in the segment information (note 20). The comparative interim condensed consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Julphar Bangladesh separately from continuing operations.

The net cash flows (incurred)/generated by Julphar Bangladesh are as follows:

	Three months ended 31 March	
	2020 AED millions (unaudited)	*2019 AED millions (unaudited)*
Operating	**(0.4)**	0.6
Investing	**-**	(0.2)
Financing	**0.3**	(0.3)
Net cash (outflow)/inflow	**(0.1)**	0.1

Measurement of fair value
As at 31 December 2019, the non-recurring fair value measurement for the disposal group of AED 33 million (before costs to sell) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (note 21).

As at 31 March 2020, the carrying amount of the disposal group of AED 30.9 million is lower than the non-recurring fair value measurement for the disposal group of AED 33 million. Accordingly, the disposal group as at 31 March 2020 is measured at the carrying amount.

Basic and diluted loss per share
Basic and diluted loss per share is disclosed in note 18.

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

c) The results of the discontinued operation for the three months ended 31 March are presented below:

	2020			*2019*		
	Gulf Inject LLC AED millions (unaudited)	***RAK Pharmaceuticals Pvt. Ltd. AED millions (unaudited)***	***Total AED millions (unaudited)***	*Gulf Inject LLC AED millions (unaudited)*	*RAK Pharmaceuticals Pvt. Ltd. AED millions (unaudited)*	*Total AED millions (unaudited)*
Revenue from contracts with customers	**6.6**	**3.6**	**10.2**	1.5	6.1	7.6
Cost of sales	**(4.5)**	**(1.7)**	**(6.2)**	(2.5)	(2.6)	(5.1)
GROSS PROFIT/(LOSS)	**2.1**	**1.9**	**4.0**	(1.0)	3.5	2.5
Other income	**0.1**	**0.7**	**0.8**	-	0.3	0.3
Selling and distribution expenses	**(1.2)**	**(4.1)**	**(5.3)**	(0.7)	(6.8)	(7.5)
OPERATING PROFIT/ (LOSS)	**1.0**	**(1.5)**	**(0.5)**	(1.7)	(3.0)	(4.7)
Finance costs	**-**	**(0.4)**	**(0.4)**	-	(0.3)	(0.3)
PROFIT/ (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**1.0**	**(1.9)**	**(0.9)**	(1.7)	(3.3)	(5.0)
Attributable to:						
Equity holders of the Parent	**1.0**	**(1.0)**	**-**	(1.7)	(1.7)	(3.4)
Non-controlling interests	**-**	**(0.9)**	**(0.9)**	-	(1.6)	(1.6)
	1.0	**(1.9)**	**(0.9)**	(1.7)	(3.3)	(5.0)

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

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

d) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 March 2020 are as follows:

	31 March 2020 (unaudited)			*31 December 2019 (audited)*		
	Gulf Inject LLC AED millions	***RAK Pharmaceuticals Pvt. Ltd. AED millions***	***Total AED millions***	*Gulf Inject LLC AED millions*	*RAK Pharmaceuticals Pvt. Ltd. AED millions*	*Total AED millions*
ASSETS						
Property, plant and equipment	**24.7**	**35.2**	**59.9**	24.7	35.6	60.3
Intangible assets	**-**	**10.1**	**10.1**	-	10.1	10.1
Inventories	**4.0**	**4.8**	**8.8**	4.5	5.2	9.7
Trade and other receivables	**14.6**	**4.5**	**19.1**	19.8	4.4	24.2
Bank balances and cash	**6.3**	**0.1**	**6.4**	0.4	0.2	0.6
Assets held for sale	**49.6**	**54.7**	**104.3**	49.4	55.5	104.9
LIABILITIES						
Provision for employees' end of service benefits	**0.4**	**3.6**	**4.0**	0.4	3.4	3.8
Trade payables and accruals	**4.2**	**20.2**	**24.4**	5.4	19.1	24.5
Liabilities directly associated with assets held for sale	**4.6**	**23.8**	**28.4**	5.8	22.5	28.3
Net assets directly associated with assets held for sale	**45.0**	**30.9**	**75.9**	43.6	33.0	76.6
Less: net assets attributable to non-controlling interest	**-**	**(15.6)**	**(15.6)**	-	(16.3)	(16.3)
Group's share of net assets directly associated with disposal group	**45.0**	**15.3**	**60.3**	43.6	16.7	60.3

Write-down of intangible asset

During 2019, immediately before the classification of Julphar Bangladesh as a discontinued operation, the recoverable amount was estimated for intangible asset and no impairment loss was identified. Following the classification, a write-down of AED 4.4 million was recognised related to intangible asset to reduce the carrying amount of the net assets to their fair value less costs to sell amounting AED 33.0 million. This was recognised in discontinued operations in the consolidated statement of profit or loss. Fair value measurement disclosures are provided in note 21.

8. INVENTORIES

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Raw materials (note (b))	**133.9**	141.9
Packing materials (note (b))	**46.0**	45.4
Work-in-progress	**18.0**	12.3
Finished goods	**88.1**	70.4
Goods in transit	**0.4**	2.5
Consumables	**18.4**	17.7
Spare parts	**33.0**	31.1
	337.8	321.3
Less: allowance for slow moving inventories	**(17.1)**	(18.0)
	320.7	303.3
Less: inventories attributable to assets held for sale (note 7(d))	**(8.8)**	(9.7)
	311.9	293.6

a) The movement in the Group's allowance for slow-moving inventories is as follows:

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Balance at the beginning of the period/year	**18.0**	9.5
Charge during the period/year	**-**	39.1
Written-off during the period/year	**(0.9)**	(30.6)
Balance at the end of the period/year	**17.1**	18.0

b) Includes raw materials and packing materials amounting to AED 27.9 million (31 December 2019: 26.3 million) held by a third party.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Majority of financial assets at fair value through profit or loss are denominated in AED and are held for trading in listed and non-listed equity securities and include the following:

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
In UAE markets	**20.2**	22.0
In other GCC markets	**0.1**	0.1
	20.3	22.1

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Balance at the beginning of the period/year	**22.1**	21.3
Net (loss)/gain on revaluation	**(1.8)**	0.8
	20.3	22.1

Out of the investments amounting to AED 20.3 million, AED 19.5 million relates to an investment in unquoted equity security of an entity which is engaged in manufacturing of packing materials. The Group has 7.25% equity investment in the entity. Management has performed a valuation and recorded the investment at fair value. Fair value less costs of disposal has been computed using discounted cash flow projections. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (note 21).

10. TRADE AND OTHER RECEIVABLES

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Trade receivables	**786.6**	792.7
Less: allowance for expected credit losses	**(415.9)**	(415.9)
	370.7	376.8
Due from a related party (note 19(c))	**236.6**	266.6
Advances to suppliers	**17.6**	17.4
Value added tax receivable	**12.6**	11.0
Prepaid expenses	**1.2**	0.9
Other receivables	**21.8**	19.3
	660.5	692.0
Less: trade and other receivables attributable to assets held for sale (note 7(d))	**(19.1)**	(24.2)
	641.4	667.8

Movement in the provision for expected credit losses during the period/year was as follows:

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Balance at the beginning of the period/year	**415.9**	419.6
Reversal of allowances on subsequent collection	-	(3.7)
Balance at the end of the period/year	**415.9**	415.9

10. TRADE AND OTHER RECEIVABLES (continued)

During 2018, the Saudi Food and Drug Authority (SFDA) imposed a temporary suspension to export the Parent Company's products to the Kingdom of Saudi Arabia (KSA). The Company deals with an exclusive distributor in KSA and therefore all products sold in KSA are exported to that distributor. As a consequence of this ban, the trading activities between the Parent Company and its Saudi distributor have diminished significantly. Furthermore, the respective receivable ageing has deteriorated and therefore, in 2018 management booked a provision amounting to AED 287.1 million related to receivable balances outstanding from this distributor. The net un-provided amount as at 31 March 2020 is AED 221.4 million (31 December 2019: AED 218.4 million) against which the parent Company has a corresponding liability to the same Saudi distributor in the form of goods amounting to AED 192.0 million (31 December 2019: AED 192.0 million), recorded within deferred revenue and the remaining balance is expected to be recoverable by the management. Subsequent to the period ended 31 March 2020, the temporary suspension on the Parent Company's products in KSA was lifted, however presently the Parent Company is negotiating with the distributor on a mechanism to settle the outstanding balance and believes that the existing provision should be maintained in the interim condensed consolidated financial statements until a settlement is reached with the distributor.

11. CASH AND CASH EQUIVALENTS

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Bank balances:		
Current accounts	**50.0**	56.9
Short term bank deposits	**-**	0.4
	50.0	57.3
Cash in hand	**2.2**	2.1
	52.2	59.4
Less: cash and bank balances attributable to assets held for sale (note 7(d))	**(6.4)**	(0.6)
Cash and bank balances	**45.8**	58.8

The short-term bank deposits maturity dates range from one to three-month from the placement dates and carry interest at commercial rates.

12. SHARE CAPITAL

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Authorised, issued and fully paid		
1,158,502,800 ordinary shares (31 December 2018:1,158,502,800 ordinary shares) at par value of AED 1 each	**1,158.5**	1,158.5

During the three months period ended 31 March 2020, the Company's Board of Directors in its meeting held on 16 January 2020, have decided to strengthen the capital base of the Company by reducing the issued share capital to extinguish the accumulated losses as at 31 December 2019 and followed by a rights issue at a price of AED 1 per share. The transaction was approved in the Annual General Meeting by the shareholders on 9 April 2020.The transaction is expected to be completed in Q3 2020, once the necessary legal formalities are completed.

13. STATUTORY RESERVE

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year plus last year. The statutory reserve only includes the parent Company as the other subsidiaries do not require a statutory reserve. As the Company has incurred loss during the year, therefore, no additional appropriation has been made in the statutory reserve. This reserve is not available for distribution except in the circumstances stipulated by the law.

The shareholders of the Parent Company in the annual general meeting held on 1 July 2019 resolved to utilise the reserve to offset the accumulated losses of the Group subject to the approval from Securities and Commodities Authority. During the year ended 31 December 2019, the Securities and Commodities Authority approved the utilisation of the reserve against the accumulated losses of the Group up to 31 December 2018. Accordingly, the Group transferred part of the statutory reserve amounting to AED 376.9 million to accumulated losses to offset the Group's remaining accumulated losses as of 31 December 2018.

14. VOLUNTARY RESERVE

Appropriations to the voluntary reserve account represents appropriation of the profit for each year as and when required. The shareholders of the Parent Company in the annual general meeting held on 1 July 2019 resolved to utilise the reserve to offset the accumulated losses of the Group subject to the approval from Securities and Commodities Authority. During the year ended 31 December 2019, the Securities and Commodities Authority approved the utilisation of the reserve against the accumulated losses of the Group as at 31 December 2018. Accordingly, the Group transferred the full amount of voluntary reserve to accumulated losses to offset the Group's losses.

15. NON-CONTROLLING INTERESTS

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Non-controlling interests	**173.0**	179.4

During the three months ended 31 March 2020, the minority party in one of the Group's subsidiary in KSA has injected capital amounting to nil (31 December 2019: AED 20.5 million).

16. BANK AND OTHER BORROWINGS

	Interest rate(%)	*Maturity*	***31 March 2020 AED millions (unaudited)***	*31 December 2019 AED millions (audited)*
Current interest bearing loans and borrowings				
Bank overdraft	**3m EIBOR+2.5%**	On demand	**269.0**	271.1
Bank and other loans				
AED 300 million loan	**3m EIBOR+2.75%**	31 December 2025	**50.0**	50.0
USD 150 million loan	**3.65%**	4 September 2020	**137.7**	153.0
AED 50 million loan	**3m EIBOR+1.65%**	28 April 2021	**7.9**	15.8
EUR 4.5 million	**3m EIBOR+1.25%**	31 March 2020	**-**	12.9
AED 222.7 million loan	**3m EIBOR+3.5%**	25 June 2020	**222.7**	150.0
SAR 20 million	**SIBOR+2%**	16 August 2020	**9.8**	-
Total current interest bearing loans and borrowings			**697.1**	652.8
Non-current interest bearing loans and borrowings				
Bank loans				
AED 300 million loan	**3m EIBOR+2.75%**	31 December 2025	**241.5**	250.0
AED 50 million loan	**3m EIBOR+1.65%**	28 April 2021	**7.9**	-
Total non current interest bearing loans and borrowings			**249.4**	250.0
Total interest bearing loans and borrowings			**946.5**	902.8

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (unaudited)*
The bank and other loans comprise of		
Ijara Loans	**137.7**	153.0
Other Loans	**539.8**	478.7
	677.5	631.7

The principal features of the bank borrowings are as follows:

a) Ijara Loan

The Group has taken Ijara loans for general corporate borrowing purposes. Loans are secured against the assets financed and are repayable in periodic instalments. The company has pledged assets worth AED 550 million against the loan.

Significant security terms are as follows:

- Negative pledge over all fixed assets including buildings, plant and machinery upto 125% of the outstanding loan amount.
- Assignment of receivables for at least USD 150 million equivalent and undertaking to route them annually through Obligor's collection account with the Bank including export LC's.
- Assignment of insurance policy over stocks, plant and machinery in favour of the Bank as loss payee.

16. BANK AND OTHER BORROWINGS (continued)

b) Other loans

The Group has obtained long and short-term loans from local banks and a related party 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 539.8 million (31 December 2019: AED 478.7 million). Interest on these loans is calculated on a monthly/quarterly basis. The loan balances are paid in monthly/quarterly instalments, over periods ranging from one month to five years, until full settlement, with the exception of related party loan that needs to be repaid at the end of its term as bullet payment.

The Group has obtained banking facilities against the following securities:

1. Assignment of insurance policies in favor of banks amounting to AED 137.7 million.
2. Pledge of the Group's shares in its associate (note 6).
3. Maintenance of certain financial ratios as agreed with the respective banks.

Some of the Group's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. As at 31 December 2019, the Group did not meet the tangible net worth ratio as required in the contract with a local bank with outstanding balance of AED 25 million (out of total outstanding balance to the bank of AED 40.9 million). Due to this breach of the covenant, the bank was contractually entitled to request for immediate repayment of the outstanding loan amount. It also entitled another local bank to request for repayment on another facility amounting to AED 137.7 million (because of cross default). Extension of this facility along with waiver for debt covenant was finalized with respective loan bank in the first quarter of 2020. Further, payment terms have been extended further from the due dates by respective banks along with covenant revisions by all other respective banks in second quarter of 2020. Accordingly, the outstanding balance as at 31 December 2019 and 31 March 2020 was presented as a current liability.

The group's bank borrowings are denominated in the following currencies as at 31 March:

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
USD	**137.7**	153.0
AED	**808.8**	736.9
Euro	**-**	12.9
	946.5	902.8

The Group has obtained a new loan facility on 31 January 2019 from a bank amounting to AED 300 million to pre-settle the existing loan amounting to AED 100 million and to partially settle other loans. The loan is repayable in 72 equal monthly installments starting from 31 January 2020.

c) Bank overdraft

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

16. BANK AND OTHER BORROWINGS (continued)

Movement in borrowings is as follows:

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
At the beginning of the period/year	**902.8**	801.8
Less: loans repaid during the period/year	**(38.3)**	(359.9)
Add: new drawdowns	**82.6**	462.0
Less: exchange gain	**(0.6)**	(1.1)
At the end of the period/year	**946.5**	902.8

17. DEFERRED REVENUE

The Group provides bonus goods to its distributors as part of its marketing activities. These arrangements can have single or multiple performance obligations under IFRS 15 based on the nature of marketing campaigns run by the Group. Factors affecting the conclusion whether an arrangement has single or multiple performance obligations can include (among other factors) customer's expectations from the contract, distinct nature of the products and services and degree of integration or inter-relation between the various products and services. This assessment requires significant judgement from the Group.

Under IFRS 15, the bonus goods distributions are considered as a separate performance obligation and revenue is deferred to the extent the bonus goods obligation is considered outstanding. The obligation of bonus goods is estimated at the time of sale based on available information and historical experience. As a consequence, the net amount of revenue deferred as at 31 March 2020 was AED 242.3 million (31 December 2019: AED 267.2 million) which will be realised in the income statement upon fulfilment of bonus goods obligations to the customers.

18. EARNINGS PER SHARE (EPS)

Basis EPS is calculated by dividing the loss for the period attributable to ordinary equity holders of the Parent by the weighted average number of outstanding during the period

	Three months ended 31 March	
	2020 AED millions (unaudited)	*2019 AED millions (unaudited)*
Loss for the period attributable to the equity shareholders of the Parent:		
Continuing operations	**(62.5)**	(85.7)
Discontinued operations (note 7(c))	**-**	(3.4)
Loss for the period attributable to the equity holders of the Parent	**(62.5)**	(89.1)
Weighted average number of shares	**1,158.5**	1,158.5

18. EARNINGS PER SHARE (EPS) (continued)

	Three months ended 31 March	
	2020 (unaudited)	*2019 (unaudited)*
Basic loss per share attributable to the equity holders of the Parent (in UAE fils)	**(5.39)**	(7.69)
Basic loss per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	**(5.39)**	(7.40)

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

	Three months ended 31 March	
	2020 (unaudited)	*2019 (unaudited)*
Loss for the period attributable to the equity shareholders of the Parent from discontinued operations (note 7(c)) (in AED millions)	**-**	(3.40)
Basic loss per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	**-**	(0.29)

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

19. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Company's majority shareholders, key management personnel, subsidiaries, associates, directors, Government of Ras Al Khaimah and other businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates"). In the normal course of business, the Group has various transactions with its related parties. Pricing policies and terms of these transactions are approved by the Group's management, or its Board of Directors.

Transactions with related parties under common ownership and management control are eliminated on consolidation.

a) Related party transactions

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

	Three months ended 31 March	
	2020 AED millions (unaudited)	*2019 AED millions (unaudited)*
Sales to associate	**4.1**	7.2
Purchases from affiliates	**0.4**	-
Finance cost payable to a shareholder	**1.1**	-

19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Compensation of key management personnel of the Group

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

	Three months ended 31 March	
	2020 AED millions (unaudited)	*2019 AED millions (unaudited)*
Short-term benefits	**1.0**	1.4
Employees' end of service benefits	**-**	-
	1.0	1.4

c) Due from a related party

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Planet Pharmacies L.L.C. (Associate) (note 10)	**236.6**	266.6

d) Due to a related party

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Majan Printing and Packaging Company L.L.C.	**2.2**	3.5
Loan from a shareholder (note 16)	**222.7**	150.0

During the three months ended 31 March 2020, the Group obtained a further loan from a shareholder amounting to AED 72.7 million (31 December 2019: AED 150 million), the loan is secured through pledge of moveable assets of the Parent Company and carries interest at EIBOR+3.5%. The loan is repayable in full on 25 June 2020.

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 expected credit losses in respect of the amounts owed by related parties.

20. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

For management purposes, the Group is organised into business units based on their products and services and the following reportable segments:

a. Manufacturing
b. Investments
c. Others

There are no sales between segments during the period.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components (i.e. combination of all products and services) by distribution and by region.

The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors rely mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

20. SEGMENT INFORMATION (continued)

	For the three months ended 31 March 2020 (unaudited)				*For the three months ended 31 March 2019 (unaudited)*			
	Manufacturing AED millions	***Investments AED millions***	***Other segments AED millions***	***Total AED millions***	*Manufacturing AED millions*	*Investments AED millions*	*Other segments AED millions*	*Total AED millions*
Segment revenue	**104.4**	**-**	**-**	**104.4**	110.7	-	-	110.7
Segment result	**(59.0)**	**0.2**	**(10.1)**	**(68.9)**	(86.6)	1.8	(6.8)	(91.6)
Depreciation expense	**21.9**	**-**	**-**	**21.9**	20.2	-	-	20.2
Share of associate's profit/(loss)	**-**	**2.8**	**-**	**2.8**	-	(3.5)	-	(3.5)

	31 March 2020 (unaudited)				*31 December 2019 (audited)*			
	Manufacturing AED millions	***Investments AED millions***	***Other segments AED millions***	***Total AED millions***	*Manufacturing AED millions*	*Investments AED millions*	*Other segments AED millions*	*Total AED millions*
Segment assets	**2,074.1**	**287.6**	**45.8**	**2,407.5**	2,105.0	286.6	58.8	2,450.4
Segment liabilities	**652.1**	**-**	**946.5**	**1,598.6**	669.6	-	902.8	1,572.4

20. SEGMENT INFORMATION (continued)

Information by geographical region
In accordance with IFRS 8, non-current assets below are based on the geographical location in which the Group holds assets. In accordance with IFRS 8, the non-current assets reported below exclude financial instruments.

	31 March 2020 (unaudited)			
	Total AED millions	***UAE AED millions***	***Saudi Arabia AED millions***	***Others AED millions***
Non-current assets				
Property, plant and equipment	**995.2**	**733.0**	**256.3**	**5.9**
Intangible assets	**18.1**	**1.9**	**-**	**16.2**

	Three months ended 31 March 2020 (unaudited)			
	Total AED millions	***UAE AED millions***	***Saudi Arabia AED millions***	***Others AED millions***
Revenue	**104.4**	**24.5**	**2.7**	**77.2**

	31 December 2019 (audited)			
	Total AED millions	*UAE AED millions*	*Saudi Arabia AED millions*	*Others AED millions*
Non-current assets				
Property, plant and equipment	1,014.7	761.6	247.0	6.1
Intangible assets	20.1	3.3	-	16.8
	Three months ended 31 March 2019 (Unaudited)			
Revenue	110.7	7.2	0.1	103.4

The Group has sales to 2 customers whose sales individually are more than 10% of the total external sales. Total amount of sales for the three month ended 31 March 2020 to these customers amounts to AED 39.0 million (31 March 2019: AED 35.9 million). These revenues are included under manufacturing segment. Included under "others" intangibles amounting to AED 19.5 million (31 December 2019: AED 21.2 million) in Egypt. There are no other non-current assets or revenue included in "Others" which are more than 10% of the total segment non-current assets or total revenue.

21. FAIR VALUE MEASUREMENTS

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

Fair value of financial instruments carried at amortised cost
Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim 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 2019.

21. 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*** ***2020 31 March AED millions***	*2019 31 December AED millions*	***Fair Value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
Unquoted equity investments – FVTPL	**19.5**	19.5	Level 3	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)	Discount rate, terminal growth rate	Refer Note 7
Quoted equity investments – FVTPL	**0.8**	2.6	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	None.	NA
	20.3	22.1				

Fair value of a disposal group held for sale are measured at fair value less cost to sale
As at 31 December 2019, disposal group held for sale was measured at fair value. The following table gives information about how the fair value of the disposal group was determined:

Disposal Group	***Fair Value as at 31 December 2019 AED million***	***Fair Value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
Julphar Bangladesh	**33.0**	Level 3	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)	None	NA

21. 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

22. COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2020 AED millions (unaudited)	*31 December 2019 AED millions (audited)*
Capital commitments	**6.3**	13.2
Letters of credit	**19.5**	2.2
Letters of guarantee	**46.4**	48.5

23. SUBSEQUENT EVENTS

Other than the events disclosed in note 2.2 to these interim condensed consolidated financial statements, there were no other subsequent events from the reporting date to the date the interim condensed consolidated financial statements were authorised for issue that would require adjustment of the balances in the interim condensed consolidated financial statements nor require additional disclosures in the notes to the interim condensed consolidated financial statements.

24. COMPARATIVE INFORMATION

Other than the effect of the discontinued operation disclosed in note 7, certain other corresponding figures for previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported loss or shareholder’s equity.

These changes have been made to improve the quality of information presented.

25. IMPACT OF COVID-19

On 11 March 2020, Covid-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance in 2020.

25. IMPACT OF COVID-19 (continued)

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. The Group's business operations remain largely unaffected by the current situation.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the condensed interim consolidated financial statements:

a) Impairment of non-financial assets

The Group has performed a qualitative assessment for its investment in CGUs, considering the minimal impact of COVID-19 on entities operating in healthcare and pharmaceutical industry, and compared the actual results for the three-month period ended 31 March 2020 against the budget and industry benchmarks and that conclude the impairment assessment as at 31 December 2019 remains unchanged.

The Group has also considered any impairment indicators and any significant uncertainties impacting its property, plant and equipment and concluded that there is no material impact of COVID-19.

b) Expected Credit Losses ("ECL") and impairment of financial assets

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 March 2020. The Group has updated the relevant forward-looking information; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

In determining the recoverability of trade receivables, the Company considers any significant change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As a result, the Group has determined that no additional provision is required for the three-month period ended 31 March 2020.

c) Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group entities, customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments and have no concluded no additional provision is required.

d) Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these interim condensed consolidated financial statements have been appropriately prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its 'operations and financial performance in 2020.

For further, details refer note 2.2.