Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 31 March 2017	Current Period		Cumulative Period	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	**618,294**	559,195	**618,294**	559,195
Cost of sales	**(523,874)**	(475,080)	**(523,874)**	(475,080)
Gross profit	**94,420**	84,115	**94,420**	84,115
Operating expenses	**(60,349)**	(50,353)	**(60,349)**	(50,353)
Finance costs	**(6,381)**	(7,542)	**(6,381)**	(7,542)
Interest income	**87**	318	**87**	318
Profit before taxation	**27,777**	26,538	**27,777**	26,538
Taxation	**(8,519)**	(8,068)	**(8,519)**	(8,068)
Profit for the period	**19,258**	18,470	**19,258**	18,470
Profit for the period attributable to:				
Owners of the parent	**18,923**	18,379	**18,923**	18,379
Non-controlling interests	**335**	91	**335**	91
Profit for the period	**19,258**	18,470	**19,258**	18,470
Earnings per share - sen				
- Basic	**7.30**	7.10	**7.30**	7.10
- Diluted	**7.28**	7.10	**7.28**	7.10

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2017	**Current Period**		**Cumulative Period**	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the period	**19,258**	18,470	**19,258**	18,470
Other comprehensive (loss)/income, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**(795)**	(7,863)	**(795)**	(7,863)
Recognition of actuarial gain	**23**	-	**23**	-
	(772)	(7,863)	**(772)**	(7,863)
Total comprehensive income for the period	**18,486**	10,607	**18,486**	10,607
Attributable to:				
Owners of the parent	**18,474**	13,088	**18,474**	13,088
Non-controlling interests	**12**	(2,481)	**12**	(2,481)
Total comprehensive income for the period	**18,486**	10,607	**18,486**	10,607

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**424,802**	420,465
Prepaid lease payments	**2,576**	2,616
Intangible assets	**353,150**	342,796
Receivables	**12,118**	12,236
Deferred tax assets	**18,907**	28,298
	811,553	806,411
Current assets		
Inventories	**477,894**	532,211
Receivables	**352,713**	256,289
Tax recoverable	**26,101**	17,743
Deposits, cash and bank balances	**19,030**	70,456
	875,738	876,699
TOTAL ASSETS	**1,687,291**	1,683,110
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**143,954**	129,688
Reserves	**400,131**	400,943
Shareholders' equity	**544,085**	530,631
Non-controlling interests	**28,808**	28,776
Total equity	**572,893**	559,407
Non-current liabilities		
Loans and borrowings	**190**	248
Payables	**547**	547
Deferred tax liabilities	**48,217**	48,105
Provision for defined benefit plan	**8,966**	8,593
Deferred income	**4,190**	4,190
	62,110	61,683
Current liabilities		
Payables	**513,256**	442,757
Amount due to immediate holding company	**476**	472
Current tax liabilities	**139**	1,703
Deferred income	**510**	424
Loans and borrowings	**537,907**	616,664
	1,052,288	1,062,020
Total liabilities	**1,114,398**	1,123,703
TOTAL EQUITY AND LIABILITIES	**1,687,291**	1,683,110

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							
	<------------------ Non-distributable ------------------>				Distributable		Non-	
	Share	Share	Exchange	Share	Retained		controlling	Total
For the period ended 31 March 2017	**Capital**	**Premium**	**Reserve**	**Reserve**	**Earnings**	**Total**	**Interests**	**Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	**129,688**	**14,266**	**15,319**	**5,821**	**365,537**	**530,631**	**28,776**	**559,407**
Adjustments for effects of Companies Act 2016 (Note a)	**14,266**	**(14,266)**	**-**	**-**	**-**	**-**	**-**	**-**
- Net profit for the financial period	**-**	**-**	**-**	**-**	**18,923**	**18,923**	**335**	**19,258**
- Other comprehensive (loss)/income	**-**	**-**	**(469)**	**-**	**20**	**(449)**	**(323)**	**(772)**
Total comprehensive (loss)/income for the financial period	**-**	**-**	**(469)**	**-**	**18,943**	**18,474**	**12**	**18,486**
<u>Transactions with owners</u>								
Issuance of shares by a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**20**
Share options granted under Share Option Plan	**-**	**-**	**-**	**2,323**	**-**	**2,323**	**-**	**2,323**
Shares granted under Long Term Incentive Plan	**-**	**-**	**-**	**438**	**-**	**438**	**-**	**438**
Dividends	**-**	**-**	**-**	**-**	**(7,781)**	**(7,781)**	**-**	**(7,781)**
Total transactions with owners for the financial period	**-**	**-**	**-**	**2,761**	**(7,781)**	**(5,020)**	**20**	**(5,000)**
At 31 March 2017	**143,954**	**-**	**14,850**	**8,582**	**376,699**	**544,085**	**28,808**	**572,893**
At 1 January 2016	129,441	11,751	7,842	-	380,375	529,409	30,585	559,994
- Net profit for the financial period	-	-	-	-	18,379	18,379	(2,481)	15,898
- Other comprehensive loss	-	-	(5,291)	-	-	(5,291)	-	(5,291)
Total comprehensive (loss)/income for the financial period	-	-	(5,291)	-	18,379	13,088	(2,481)	10,607
<u>Transactions with owners</u>								
Accretion of interest in a subsidiary	-	-	-	-	(8,549)	(8,549)	(3,425)	(11,974)
Dividends	-	-	-	-	(18,122)	(18,122)	-	(18,122)
Total transactions with owners for the financial period	-	-	-	-	(26,671)	(26,671)	(3,425)	(30,096)
At 31 March 2016	129,441	11,751	2,551	-	372,083	515,826	24,679	540,505

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM14,266,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 31 March 2017

	2017	2016
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**533,070**	474,152
Cash payments to suppliers and employees	**(467,209)**	(591,464)
Net cash generated from/(used in) operations	**65,861**	(117,312)
Interest paid	**(6,552)**	(6,750)
Tax paid	**(8,775)**	(8,011)
Interest received	**61**	270
Net cash generated from/(used in) operating activities	**50,595**	(131,803)
Investing Activities		
Acquisition of a subsidiary	**-**	(11,973)
Advance to a corporate shareholder of a subsidiary	**-**	(17,960)
Purchase of property, plant and equipment	**(10,876)**	(9,244)
Purchase of intangible assets	**(5,525)**	(7,006)
Proceeds from disposal of property, plant and equipment	**29**	5
Net cash used in investing activities	**(16,372)**	(46,178)
Financing Activities		
Dividend paid	**(7,781)**	(18,122)
Net (repayment)/drawdown of borrowings	**(77,813)**	202,535
Net cash (used in)/generated from financing activities	**(85,594)**	184,413
Net (decrease)/increase in cash and cash equivalents	**(51,371)**	6,432
Effects of exchange rate changes	**(55)**	(748)
Cash and cash equivalent at beginning of period	**70,456**	22,518
Cash and cash equivalent at end of period	**19,030**	28,202
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	**19,030**	28,202

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the period ended 31 March 2017 have been prepared in accordance with MFRS 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following improvements and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2017.

A2.1 Standards, amendments to published standards and interpretations that are effective

On 1 January 2017, the Group applied the following improvements and amendments to published standards:-

Amendments to MFRS 107 ‘Statement of Cash Flows’	Disclosure Initiative
Amendments to MFRS 112 ‘Income Taxes’	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above improvements and amendments to published standards did not have any significant impact on the financial statements of the Group.

A2.2 Standards and amendments that have been issued but not yet effective

At the date of authorisation of these interim financial statements, the following standards and amendments have been issued and are effective for financial year beginning after 1 January 2018 and have not been applied by the Group:

a) Financial year beginning on/after 1 January 2018

i) MFRS 15 ’Revenue from Contracts with Customers’ replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:
- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligation; and
- Recognise the revenue as each performance obligation is satisfied

Key provisions of the new standard are as follows:
- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

A2. Significant Accounting Policies (Cont'd)

A2.2 Standards and amendments that have been issued but not yet effective (cont'd)

a) Financial year beginning on/after 1 January 2018 (cont'd)

ii) MFRS 9 ‘Financial Instruments’ will replace MFRS 139 ‘Financial Instruments: Recognition and Measurement’.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (‘OCI’). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

iii) Amendments to MFRS 2 'Share-based Payment' deals with classification and measurement of share-based payment transactions. The amendments provides specific guidance on how to account for the following situations:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

iv) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

This Interpretation applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions. This Interpretation also provides guidance how to determine “the date of transaction” when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Intepretation 22 retrospectively or prospectively.

b) Financial year beginning on/after 1 January 2019

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group is assessing the impact of the above standards and amendments to published standards on the financial statements of the Group in the year of initial adoption.

A3. Audit report in respect of the 2016 financial statements

The audit report on the Group’s financial statements for the financial year ended 31 December 2016 was not qualified.

A4. Seasonal or cyclical factors

The Group’s operations are not subject to any significant seasonal or cyclical factors.

A5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the period under review.

A6. Change in Estimates

Other than as disclosed in the audited financial statements for the financial year ended 31 December 2016, there were no other material changes in estimates of amounts reported in the current financial period or previous financial year.

A7. Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

A8. Dividends

On 17 March 2017, the Company paid a fourth interim dividend of 3.0 sen (2015: 7.0 sen) per share in respect of the financial year ended 31 December 2016 amounting to RM7.8 million (2015: RM18.1 million).

For the first quarter, the Directors have declared a first interim dividend of 4.0 sen (2016: 4.0 sen) per share in respect of the financial year ending 31 December 2017. The dividend will be paid on 7 June 2017 to shareholders registered in the Register of Members at the close of business on 31 May 2017.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2017					
Revenue					
External revenue	440,470	743	177,081	-	618,294
Inter-segment revenue	-	30,975	-	(30,975)	-
Total revenue	440,470	31,718	177,081	(30,975)	618,294
Results					
Segment results	6,346	26,352	2,820	-	35,518
Finance costs	(4,217)	(453)	(1,927)	216	(6,381)
Interest income	101	195	7	(216)	87
	2,230	26,094	900	-	29,224
Unallocated corporate expenses					(1,447)
Profit before taxation					27,777
Taxation					(8,519)
Profit for the period					19,258
2016					
Revenue					
External revenue	404,717	638	153,840	-	559,195
Inter-segment revenue	-	101,302	-	(101,302)	-
Total revenue	404,717	101,940	153,840	(101,302)	559,195
Results					
Segment results	4,081	27,067	2,810	-	33,958
Finance costs	(3,681)	(370)	(3,870)	379	(7,542)
Interest income	504	171	22	(379)	318
	904	26,868	(1,038)	-	26,734
Unallocated corporate expenses					(196)
Profit before taxation					26,538
Taxation					(8,068)
Profit for the period					18,470

Effective 1 January 2017, the Group's segmental reporting discloses Indonesia Division, comprising all Indonesian subsidiaries, as a separate segment, whose operating results are now regularly reviewed by the Group for better allocation of resources and performance assessment.

Other than the reclassification of all Indonesian subsidiaries that were previously reported under Logistics and Distribution and Manufacturing divisions respectively, the segmental information is consistent with those of the audited financial statements for the year ended 31 December 2016. Accordingly, the corresponding prior period amounts have been restated following the change in reporting segments.

A10. Carrying Amount of Revalued Assets

There has been no revaluation of property, plant and equipment during the current financial period.

A11. Subsequent Event

There was no subsequent event as at 16 May 2017 that will materially affect the financial statements of the financial period under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current period ended 31 March 2017 other than the subscription of 80% equity interest in Paradigm Industry Sdn. Bhd. ("PISB") during the financial period.

On 13 January 2017, Pharmaniaga Pristine Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary, subscribed to the total issued and paid-up capital of PISB of RM2.00. Furtherance to that, on 29 March 2017, PISB increased its paid-up capital to RM100,000 through the issuance of 99,998 ordinary shares by way of capitalisation of amount owing to PPSB (80%) and Sweetleaves Health Sdn. Bhd. (20%).

A13. Contingent Liabilities

There is no other contingent liability has arisen since the financial year end.

A14. Commitments

The Group has the following commitments as at 31 March 2017:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	34,874	524	35,398
Intangible assets	259	-	259

A15. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for year ended 31 December 2016.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development costs of work-in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2017	153,176	4,289	13,073	23,096	234,658	-	428,292
Additions	-	-	706	-	11,182	3,062	14,950
Transfer from property, plant and equipment	-	-	45	-	-	-	45
Foreign exchange adjustments	(186)	(15)	-	(69)	-	-	(270)
At 31 March 2017	152,990	4,274	13,824	23,027	245,840	3,062	443,017
Accumulated amortisation							
At 1 January 2017	-	4,065	7	6,650	62,121	-	72,843
Amortisation charged	-	172	3	595	3,601	33	4,404
Foreign exchange adjustments	-	(14)	-	(19)	-	-	(33)
At 31 March 2017	-	4,223	10	7,226	65,722	33	77,214

A16. Intangible Assets (Cont'd)

RM'000	Goodwill	Software	Capitalised development costs of work-in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Accumulated impairment							
At 1 January/ 31 March 2017	12,653	-	-	-	-	-	12,653
Net carrying value							
At 31 March 2017	140,337	51	13,814	15,801	180,118	3,029	353,150
At 31 December 2016	140,523	224	13,066	16,446	172,537	-	342,796

During the current financial period, Pharmaniaga Pristine Sdn. Bhd., a wholly-owned subsidiary, acquired a formula to produce natural Stevia sweetener from Sweetleaves Health Sdn Bhd for a cash consideration of RM2.95 million payable over a period of two (2) years.

On 23 May 2016, the Group completed the acquisition of Bio-Collagen Technologies Sdn. Bhd. ("Bio-Collagen"). As of the date of this report, management has yet to finalise the purchase price allocation ("PPA") for the business combination, as required by MFRS 3 "Business Combination". The excess of cost of business over the Group's interest in the fair value of identifiable net assets acquired arising from the business combination has been derived only on a provisional basis.

Based on the preliminary assessment, the goodwill on acquisition is estimated at RM3.4 million. Management has 12 months from the date of completion of the acquisition to complete the PPA and the initial accounting for the transaction. The results of the PPA exercise will determine the final value of goodwill arising from the acquisition of Bio-Collagen. Upon finalisation of the PPA, the Group will recognise any adjustments to the provisional values of the excess of the cost of business over the Group's interest in the fair value of identifiable net assets acquired from the business combination.

B17. Performance Review

Quarter 1 2017 vs Quarter 1 2016

For the quarter under review, the Group recorded an improved revenue of RM618 million, a 10.6% increase compared with RM559 million in the previous year’s corresponding quarter. This was attributable to higher demand from Government hospitals under the concession business, coupled with double-digit growth from the private sector business and the Group’s Indonesian operations.

Profit before tax (PBT) grew to RM28 million compared with RM26 million in the same quarter last year. This was primarily due to reduced finance costs, lower amortisation of the Pharmacy Information System as well as increased contributions from the private sector business and the Group’s Indonesian operations, although this was mitigated by higher operating costs.

The **Logistics and Distribution Division** recorded a higher PBT of RM2.2 million for the quarter under review compared with RM0.9 million in the previous year’s corresponding quarter, owing to improved contributions from both the concession and private sector businesses.

The **Manufacturing Division** posted a PBT of RM26 million, marginally lower than RM27 million in the same quarter last year.

The **Indonesia Division** achieved a PBT of RM0.9 million, a turnaround from the deficit of RM1.0 million in the previous year’s corresponding quarter. This was mainly attributable to higher contributions as a result of a production rationalisation exercise as well as reduced finance costs.

B18. Material Changes in Quarterly Results Compared to The Results of the Immediate Preceding Quarter

The Group recorded an improved revenue of RM618 million compared with RM583 million in the preceding quarter. This was primarily attributable to higher demand from Government hospitals and improved contributions from the Group’s overseas operations. As a result, the Group registered an improved PBT of RM28 million for quarter under review, a substantial increase from RM4 million in the preceding quarter.

B19. Prospects

The healthcare sector continues to offer strong prospects that Pharmaniaga is well-positioned to leverage on as a leading pharmaceutical manufacturer. With higher demand from Government hospitals as well as from the private sector business, coupled with improved contributions from its overseas operations, the Group is focused on tapping into the vast opportunities in both the domestic market and in the international market.

Pharmaniaga’s Indonesian operations remain a key area of growth, while also making further progress in the European Union as the Group seeks to expand its global presence. In tandem with this, the Group is focused on implementing continuous cost optimisation measures across its operations in order to strengthen earnings potential and deliver sustained results in the year ahead.

B20. Notes on variance in actual profit and shortfall in profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and shortfall in profit guarantee are not applicable.

B21. Income Tax

	Current Period		**Cumulative Period**	
	2017 RM’000	2016 RM’000	**2017 RM’000**	2016 RM’000
Taxation based on profit for the period:				
- Current	**463**	8,944	**463**	8,944
- Deferred	**7,689**	(1,124)	**7,689**	(1,124)
	8,152	7,820	**8,152**	7,820
(Over)/under provision in prior years:				
- Current	**(1,611)**	(773)	**(1,611)**	(773)
- Deferred	**1,978**	1,021	**1,978**	1,021
	367	248	**367**	248
	8,519	8,068	**8,519**	8,068

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to losses of certain subsidiaries.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

	31 March 2017 RM’000	31 December 2016 RM’000
Current:		
Bankers' acceptances	**252,349**	284,277
Revolving credits	**195,000**	230,000
Short term foreign time loan	**90,116**	101,921
Hire purchase	**442**	466
	537,907	616,664
Non-current:		
Hire purchase	**190**	248

Short term foreign time loan of RM90.1 million (2016: RM101.9 million) is denominated in Indonesian Rupiah (IDR) and is equivalent to IDR271,434 million (2016: IDR306,069 million).

Included in bankers' acceptances is RM16.9 million (2016: RM14.6 million) Indonesian Rupiah (IDR) denominated which is equivalent to IDR50,935 million (2016: IDR43,970 million).

B24. Realised and Unrealised Profits of the Group

The retained profits as at 31 March 2017 is analysed as follows:

	31 March 2017 RM'000	31 December 2016 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	**410,496**	421,104
- unrealised losses	**(30,390)**	(20,341)
	380,106	400,763
Less: Consolidation adjustments	**(3,407)**	(35,226)
Total Group retained profits as per consolidated accounts	**376,699**	365,537

B25. Additional Disclosures

The Group's profit before taxation is stated after charging/(crediting) the following:

	Current Period		**Cumulative Period**	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Depreciation and amortisation	**12,462**	16,858	**12,462**	16,858
Net provision for and write off of receivables	**213**	264	**213**	264
Provision for and write off of inventories	**2,089**	1,283	**2,089**	1,283
Net foreign exchange (gain)/losses	**(1,634)**	15	**(1,634)**	15

Other than the items mentioned above which have been included in the consolidated income statement and consolidated statement of comprehensive income, there were no impairment of assets, gain or loss on derivatives, gain or loss on disposal of subsidiaries and exceptional items included in the results for the period ended 31 March 2017.

B26. Profit Forecast

No commentary is made on any variance between actual profit from forecast profit, as it does not apply to the Group.

B27. Earnings Per Share ("EPS")

(a) Basic earnings per share

	Current Period		**Cumulative Period**	
	2017	2016	**2017**	2016
Profit attributable to owners of the Company (RM'000)	**18,923**	18,379	**18,923**	18,379
Average number of ordinary shares in issue ('000)	**259,377**	258,883	**259,377**	258,883
Basic earnings per share (sen)	**7.30**	7.10	**7.30**	7.10

(b) Diluted earnings per share

	Current Period 2017	2016	**Cumulative Period 2017**	2016
Profit attributable to owners of the Company (RM'000)	**18,923**	18,379	**18,923**	18,379
Average number of ordinary shares in issue ('000)	**259,377**	258,883	**259,377**	258,883
Assumed shares issued from the exercise of Option Plan ('000)	-	-	-	-
Assumed shares issued under Long Term Incentive Plan ('000)	**582**	-	**582**	-
Weighted average number of ordinary shares in issue ('000)	**259,959**	258,883	**259,959**	258,883
Diluted earnings per share (sen)	**7.28**	7.10	**7.28**	7.10

B28. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 May 2017.

By Order of the Board

Kuala Lumpur
16 May 2017

TASNEEM MOHD DAHALAN (LS0006966)