Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 31 December 2018	Current Period		Cumulative Period	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue	**596,644**	613,196	**2,384,956**	2,323,960
Cost of sales	**(524,860)**	(525,960)	**(2,062,845)**	(1,988,798)
Gross profit	**71,784**	87,236	**322,111**	335,162
Other income	**92**	8,322	**959**	9,006
Operating expenses	**(50,737)**	(68,583)	**(217,677)**	(243,057)
Finance costs	**(9,574)**	(7,558)	**(36,072)**	(28,774)
Interest income	**375**	449	**899**	727
Profit before zakat and taxation	**11,940**	19,866	**70,220**	73,064
Zakat	**(60)**	(100)	**(1,071)**	(600)
Taxation	**(7,310)**	2,322	**(25,919)**	(17,377)
Profit for the period/year	**4,570**	22,088	**43,230**	55,087
Profit for the period/year attributable to:				
Owners of the parent	**4,437**	21,700	**42,468**	53,823
Non-controlling interests	**133**	388	**762**	1,264
Profit for the period/year	**4,570**	22,088	**43,230**	55,087
Earnings per share - sen				
- Basic	**1.71**	8.36	**16.33**	20.74
- Diluted	**1.70**	8.34	**16.29**	20.69

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 December 2018	Current Period		Cumulative Period	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period/year	**4,570**	22,088	**43,230**	55,087
Other comprehensive income/(loss), net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**4,886**	(8,269)	**(2,670)**	(16,900)
Recognition of actuarial gain/(loss)	**372**	120	**679**	(224)
	5,258	(8,149)	**(1,991)**	(17,124)
Total comprehensive income for the period/year	**9,828**	13,939	**41,239**	37,963
Attributable to:				
Owners of the parent	**8,983**	16,068	**40,750**	41,627
Non-controlling interests	**845**	(2,129)	**489**	(3,664)
Total comprehensive income for the period/year	**9,828**	13,939	**41,239**	37,963

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2018	As at 31 December 2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**406,407**	410,854
Prepaid lease payments	**2,098**	2,281
Intangible assets	**400,892**	365,394
Receivables	**-**	15,146
Deferred tax assets	**39,796**	35,437
	849,193	829,112
Current assets		
Inventories	**693,020**	484,993
Receivables	**321,646**	246,703
Amount due from immediate holding company	**9**	-
Tax recoverable	**17,926**	19,049
Deposits, cash and bank balances	**35,655**	27,893
	1,068,256	778,638
TOTAL ASSETS	**1,917,449**	1,607,750
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**149,401**	146,213
Reserves	**359,935**	381,833
Shareholders' equity	**509,336**	528,046
Non-controlling interests	**19,327**	19,081
Total equity	**528,663**	547,127
Non-current liabilities		
Loans and borrowings	**102**	401
Payables	**-**	457
Deferred tax liabilities	**59,191**	52,999
Provision for defined benefit plan	**8,306**	8,977
Government grants	**4,630**	4,864
	72,229	67,698
Current liabilities		
Payables	**655,449**	546,219
Amount due to immediate holding company	**390**	725
Current tax liabilities	**4,365**	1,494
Contract liabilities	**242**	257
Government grants	**341**	314
Loans and borrowings	**642,745**	443,916
Dividend payable	**13,025**	-
	1,316,557	992,925
Total liabilities	**1,388,786**	1,060,623
TOTAL EQUITY AND LIABILITIES	**1,917,449**	1,607,750

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-	
For the year ended 31 December 2018	**Share Capital**	**Share Premium**	**Exchange Reserve**	**Share Reserve**	**Retained Earnings**	**Total**	**controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018, as reported	**146,213**	**-**	**3,239**	**10,527**	**368,067**	**528,046**	**19,081**	**547,127**
MFRS 9 adjustments (Note a)	**-**	**-**	**-**	**-**	**(11,835)**	**(11,835)**	**-**	**(11,835)**
At 1 January 2018, as restated	**146,213**	**-**	**3,239**	**10,527**	**356,232**	**516,211**	**19,081**	**535,292**
- Net profit for the financial year	**-**	**-**	**-**	**-**	**42,468**	**42,468**	**762**	**43,230**
- Other comprehensive (loss)/income	**-**	**-**	**(2,203)**	**-**	**485**	**(1,718)**	**(273)**	**(1,991)**
Total comprehensive (loss)/income for the financial year	**-**	**-**	**(2,203)**	**-**	**42,953**	**40,750**	**489**	**41,239**
Transactions with owners								
Share options granted under Share Option Plan	**-**	**-**	**-**	**1,662**	**-**	**1,662**	**-**	**1,662**
Shares granted under Long Term Incentive Plan	**-**	**-**	**-**	**2,739**	**-**	**2,739**	**-**	**2,739**
Issuance of new shares								
- Long Term Incentive Plan	**3,188**	**-**	**-**	**(3,188)**	**-**	**-**	**-**	**-**
Forfeiture of share options/shares granted under:								
- Share Option Plan	**-**	**-**	**-**	**(3,646)**	**3,646**	**-**	**-**	**-**
- Long Term Incentive Plan	**-**	**-**	**-**	**(79)**	**79**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**(52,026)**	**(52,026)**	**(243)**	**(52,269)**
Total transactions with owners for the financial year	**3,188**	**-**	**-**	**(2,512)**	**(48,301)**	**(47,625)**	**(243)**	**(47,868)**
At 31 December 2018	**149,401**	**-**	**1,036**	**8,015**	**350,884**	**509,336**	**19,327**	**528,663**
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 b)	14,266	(14,266)	-	-	-	-	-	-
- Net profit for the financial year	-	-	-	-	53,823	53,823	1,264	55,087
- Other comprehensive loss	-	-	(12,080)	-	(116)	(12,196)	(4,928)	(17,124)
Total comprehensive (loss)/income for the financial year	-	-	(12,080)	-	53,707	41,627	(3,664)	37,963
Transactions with owners								
Accretion of interests in subsidiaries	-	-	-	-	(9,637)	(9,637)	(6,455)	(16,092)
Issuance of shares by a subsidiary	-	-	-	-	-	-	398	398
Adjustments arising from the finalisation of purchase price allocation	-	-	-	-	-	-	282	282
Share options granted under Share Option Plan	-	-	-	4,331	-	4,331	-	4,331
Shares granted under Long Term Incentive Plan	-	-	-	2,634	-	2,634	-	2,634
Issuance of new shares								
- Long Term Incentive Plan	2,259	-	-	(2,259)	-	-	-	-
Dividends	-	-	-	-	(41,540)	(41,540)	(256)	(41,796)
Total transactions with owners for the financial year	2,259	-	-	4,706	(51,177)	(44,212)	(6,031)	(50,243)
At 31 December 2017	146,213	-	3,239	10,527	368,067	528,046	19,081	547,127

Note a

On the date of initial application, MFRS 9 did not affect the classification and measurement the Group's financial assets and financial liabilities, except that the Group's allowance for impairment has increased by RM14.6 million as at 1 January 2018 as a result of applying the ECL model on receivables, deposits and contract assets. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus these adjustments were recognised in the opening retained earnings of the current year.

Note b

With the Companies Act 2016 ("New Act") came 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 Company may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the New Act. As at 31 January 2019, the Company did not exercise its rights to use the credit amounts.

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 year ended 31 December 2018

	2018	2017
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**2,374,187**	2,332,061
Cash payments to suppliers and employees	**(2,406,227)**	(2,044,399)
Net cash (used in)/generated from operations	**(32,040)**	287,662
Interest paid	**(34,268)**	(29,338)
Tax paid	**(16,264)**	(18,953)
Zakat paid	**(1,071)**	(600)
Interest received	**825**	642
Net cash (used in)/generated from operating activities	**(82,818)**	239,413
Investing Activities		
Repayment from a corporate shareholder of a subsidiary	**-**	16,092
Purchase of property, plant and equipment	**(17,743)**	(29,430)
Purchase of intangible assets	**(54,111)**	(49,164)
Proceeds from disposal of property, plant and equipment	**97**	79
Net cash used in investing activities	**(71,757)**	(62,423)
Financing Activities		
Acquisition of interest in a subsidiary from non-controlling interest	-	(16,092)
Issuance of shares	-	378
Dividends paid to:		
- owners of the Company	**(39,001)**	(41,540)
- non-controlling interests of a subsidiary	**(243)**	(256)
Net drawdown/(repayment) of borrowings	**202,090**	(159,236)
Net cash generated from/(used in) financing activities	**162,846**	(216,746)
Net increase/(decrease) in cash and cash equivalents	**8,271**	(39,756)
Effects of exchange rate changes	**(509)**	(2,807)
Cash and cash equivalent at beginning of year	**27,893**	70,456
Cash and cash equivalent at end of year	**35,655**	27,893
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	**35,655**	27,893

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

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the year ended 31 December 2018 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 2017. 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 2017.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following new published standards, amendments and Issues Committee (‘IC’) Interpretation to published standards that are effective for the Group's financial year beginning on or after 1 January 2018.

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

On 1 January 2018, the Group applied the following new published standards, amendments and IC Interpretation to published standards:

Amendments to MFRS 2 ‘Share-based Payment’	Classification and Measurement of Share-based Payment Transaction
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
MFRS 9 ‘Financial Instruments’	
MFRS 15 ‘Revenue from Contracts with Customers’	

Except for the adoption of MFRS 9 and MFRS 15 as further explained below, the adoption of the above amendments and IC Interpretation to published standards did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

i) MFRS 9 ‘Financial Instruments’ replaces 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 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 (‘ECL’) model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group's provision matrix is based on its historical credit loss experience with trade receivables and contract assets of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities except that the Group’s allowance for impairment has increased by RM14.6 million as at 1 January 2018 as a result of applying the ECL model on trade and other receivables. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures, and thus these adjustments were recognised in the opening retained earnings of the current year as follows:

	RM'000
Balance as at 31 December 2017	368,067
Increase in loss allowance for trade and other receivables, including deferred tax impact	(11,835)
As restated at 1 January 2018	356,232

A2. Significant Accounting Policies (Cont'd)

A2.1 Standards, amendments to published standards and IC Interpretation that are effective (cont'd)

ii) MFRS 15 'Revenue from Contracts with Customers'

The Group applied MFRS 15 for the first time in the 2018 financial statements with the date of initial application of 1 January 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The main changes to accounting policy on revenue are as follows:

- Revenue relating to sales of good will be recognised when control of the products has transferred, being the point when the products are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sales of good under MFRS 15 does not have any impact on the current accounting policy.

- Revenue relating to services will be recognised in the accounting period in which the services are rendered. Revenue from contracts include multiple deliverables, such as system and equipment design, planning, installation and commissioning contracts. It is therefore accounted for as a separate performance obligation under MFRS 15. The transaction price will be allocated to each performance obligation based on the stand-alone selling price. Revenue relating to revenue from contract will be recognised over time based on the entity's progress towards complete satisfaction of that performance obligation. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the equipment is delivered, the legal title has passed and the customer has accepted the equipment. Under MFRS 15, the revenue recognition for services does not have any impact on its current practice.

- In previous reporting years, contract liabilities in relation to the RoyalePharma cash vouchers issued were previously presented as deferred revenue. Accordingly, the presentation on Consolidated Statement of Financial Position has been changed to reflect the terminology of MFRS 15 and MFRS 9. Contract assets is presented within receivables in the Consolidated Statement of Financial Position.

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

a) Financial year beginning on/after 1 January 2019

i) 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 requirement in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RM20.6 million. Upon the adoption of MFRS 16, the Group will recognise a liability for the future operating lease payments and right-of-use assets, unless the underlying right-of-use asset is of low value or they are short-term leases, in its consolidated statements of financial position. This would result in a gross-up of the Group's total assets and total liabilities by approximately RM17.1 million. However, the Group does not expect the adoption of MFRS 16 would have any significant impact on profit and loss.

The Group does not intend to adopt MFRS 16 before its mandatory date and however, on the date of adoption intends to adopt MFRS 16 under modified transitional approach with the cumulative retrospective impact as an adjustment to equity.

ii) Annual improvements to MFRSs 2015 - 2017 Cycle (amendments to MFRS 3 'Business Combinations', MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs')

The Group has assessed the impact of the above amendments to published standards and do not expect significant impact on the financial statements of the Group in the year of initial adoption.

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 2019 (cont'd)

iii) Amendments to MFRS 119 'Employee Benefits' requires an entity to remeasure the net defined benefit liability (asset) when there is a plan amendment, curtailment or settlement, to determine past service cost or a gain or loss on settlement. The amendments specify that when an entity remeasures the net defined benefit liability (asset), the entity determines the current service cost and net interest for the remainder of the annual reporting period using the assumptions used for the remeasurement and net interest for the remainder of the annual reporting period on the basis of the remeasured net defined benefit liability (asset). The amendments further clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirement.

An entity shall apply Amendments to MFRS 119 prospectively and earlier application is permitted.

The Group has assessed the impact of the above amendments to published standards and do not expect significant impact on the financial statements of the Group in the year of initial adoption.

b) Financial year beginning on/after 1 January 2020

i) Amendments to MFRS 101 'Presentation of Financial Statements' and Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates, and Errors' refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

ii) Amendments to MFRS 3 'Business Combinations' clarifies the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

A3. Audit report in respect of the 2017 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2017 was unqualified.

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 year under review.

A6. Change in Estimates

There were no material changes in estimates of amounts reported in the current 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 year other than the issuance of 684,000 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 17 July 2018.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

A8. Dividends

On 28 March 2018, the Company paid a fourth interim dividend of 6.0 sen (2016: 3.0 sen) per share in respect of the financial year ended 31 December 2017 amounting to RM15.6 million (2016: RM7.8 million).

On 20 June 2018, the Company paid a first interim dividend of 5.0 sen (2017: 4.0 sen) per share in respect of the financial year ending 31 December 2018 amounting to RM13.0 million (2017: RM10.4 million).

On 18 September 2018, the Company paid a second interim dividend of 4.0 sen (2017: 4.0 sen) per share in respect of the financial year ending 31 December 2018 amounting to RM10.4 million (2017: RM10.4 million).

A8. Dividends (Cont'd)

On 3 January 2019, the Company paid a third interim dividend of 5.0 sen (2017: 5.0 sen) per share in respect of the financial year ending 31 December 2018 amounting to RM13.1 million (2017: RM13.0 million).

For the fourth quarter, the Directors have declared a fourth interim dividend of 2.0 sen (2017: 6.0 sen) per share in respect of the financial year ended 31 December 2018. The dividend will be paid on 10 April 2019 to shareholders registered in the Register of Members at the close of business on 12 March 2019.

A9. Operating segments

Operating segments information for the year is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2018					
Revenue					
External revenue	1,686,018	4,265	694,673	-	2,384,956
Inter-segment revenue	-	324,910	-	(324,910)	-
Total revenue	1,686,018	329,175	694,673	(324,910)	2,384,956
Results					
Segment results	27,977	64,531	15,770	-	108,278
Finance costs	(18,081)	(4,291)	(15,615)	1,915	(36,072)
Interest income	2,079	445	290	(1,915)	899
	11,975	60,685	445	-	73,105
Unallocated corporate expenses					(2,885)
Profit before zakat and taxation					70,220
Zakat					(1,071)
Taxation	(6,415)	(17,376)	(2,076)	(52)	(25,919)
Profit for the year					43,230
Timing of revenue recognition					
Goods or services transferred:					
- At a point in time	1,635,484	329,175	694,673	(324,910)	2,334,422
- Over time	50,534	-	-	-	50,534
	1,686,018	329,175	694,673	(324,910)	2,384,956
2017					
Revenue					
External revenue	1,586,839	3,110	734,011	-	2,323,960
Inter-segment revenue	-	274,137	-	(274,137)	-
Total revenue	1,586,839	277,247	734,011	(274,137)	2,323,960
Results					
Segment results	19,581	76,530	14,321	-	110,432
Finance costs	(16,877)	(2,461)	(10,312)	876	(28,774)
Interest income	755	810	38	(876)	727
	3,459	74,879	4,047	-	82,385
Unallocated corporate expenses					(9,321)
Profit before zakat and taxation					73,064
Zakat					(600)
Taxation	5,860	(14,872)	(2,648)	(5,717)	(17,377)
Profit for the year					55,087
Timing of revenue recognition					
Goods or services transferred:					
- At a point in time	1,558,581	277,247	734,011	(274,137)	2,295,702
- Over time	28,258	-	-	-	28,258
	1,586,839	277,247	734,011	(274,137)	2,323,960

For Indonesia segment, the breakdown of segment revenue and results that is denominated in foreign currency and the currency exchange ratio used are as follows:

	Year Ended 31 December					
	2018			2017		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,434,838,929	0.0285	694,673	2,245,164,551	0.0327	734,011
Segment results	1,559,731	0.0285	445	12,382,046	0.0327	4,047

A10. Carrying Amount of Revalued Assets

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

A11. Subsequent Event

There was no subsequent event as at 21 February 2019 that will materially affect the financial statements of the financial year under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial year ended 31 December 2018.

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 December 2018:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	10,490	173,585	184,075

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 2017.

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 2018	145,995	17,731	20,595	21,248	258,980	3,063	467,612
Additions	-	6,005	6,625	-	45,845	8	58,483
Transfer from property, plant and equipment	-	-	477	-	-	-	477
Write off	-	-	(269)	-	-	-	(269)
Foreign exchange adjustments	(1,864)	(147)	-	(688)	-	-	(2,699)
At 31 December 2018	144,131	23,589	27,428	20,560	304,825	3,071	523,604
Accumulated amortisation							
At 1 January 2018	-	3,873	18	8,497	76,990	187	89,565
Amortisation charged	-	1,339	152	2,168	18,555	205	22,419
Foreign exchange adjustments	-	(146)	-	(1,779)	-	-	(1,925)
At 31 December 2018	-	5,066	170	8,886	95,545	392	110,059
Accumulated impairment							
At 1 January/ 31 December 2018	12,653	-	-	-	-	-	12,653
Net carrying value							
At 31 December 2018	131,478	18,523	27,258	11,674	209,280	2,679	400,892
At 31 December 2017	133,342	13,858	20,577	12,751	181,990	2,876	365,394

B17. Performance Review

	Current Period			Cumulative Period		
	2018 RM'000	**2017 RM'000**	**+/(-) %**	**2018 RM'000**	**2017 RM'000**	**+/(-) %**
Revenue	596,644	613,196	-2.7%	2,384,956	2,323,960	2.6%
Profit before interest and taxation	21,139	26,975	-21.6%	105,393	101,111	4.2%
Profit before zakat and taxation	11,940	19,866	-39.9%	70,220	73,064	-3.9%
Profit for the period/year	4,570	22,088	-79.3%	43,230	55,087	-21.5%
Profit attributable to owners of the parent	4,437	21,700	-79.6%	42,468	53,823	-21.1%

Quarter 4 2018 vs Quarter 4 2017

For the quarter under review, the Group recorded revenue of RM597 million, down by 2.7% compared with RM613 million in the previous year's corresponding quarter. This was mainly attributable to lower demand from Government hospitals under the non-concession business. As a result of this and higher finance costs, the Group's profit before tax (PBT) dropped to RM12 million, from RM20 million in the same quarter last year. In addition, included in corresponding quarter last year was a one-off compensation receivable in relation to a previous joint venture company in China.

Accordingly, profit after tax (PAT) for the quarter under review stood at RM5 million compared with RM22 million in previous year's corresponding quarter ensuing the recognition of prior years' corporate tax.

Year ended 31 December 2018 vs Year ended 31 December 2017

For the financial year ended 31 December 2018, the Group achieved a higher revenue of RM2.4 billion compared with RM2.3 billion in the previous year. Meanwhile, PBT declined to RM70 million from RM73 million last year due to prior year's PBT included a one-off compensation received as described above coupled with higher finance costs in the current year. However, this was partially mitigated by reduced operating expenses arising from cost containment measures. Consequently, the Group recorded a PAT of RM43 million compared with RM55 million in the previous financial year due to recognition of prior years' corporate tax.

The **Logistics and Distribution Division** registered an improved PBT of RM12 million compared with RM3 million in the previous year due to higher demand from Government under concession business.

The **Manufacturing Division** recorded a PBT of RM61 million compared with last year's RM75 million mainly attributable to reduced contributions from concession business.

The **Indonesia Division** posted a lower PBT of RM0.4 million compared with RM4 million in the previous year, primarily due to higher finance costs as a result of slower collections from government hospitals.

Consolidated Statement of Financial Position

As at 31 December 2018, the higher receivables was a result of slow collections from customers which has led to an increase in borrowings. Consequent to the higher inventories in anticipation of higher demand in quarter 1 2019, the trade payables has also increased correspondingly.

Consolidated Statement of Cash Flows

For the year under review, reduced collections have contributed to the negative operating cash flows.

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

	Current Period	Immediate Preceding Period	
	2018 RM'000	**2018 RM'000**	**+/(-) %**
Revenue	596,644	587,660	1.5%
Profit before interest and taxation	21,139	27,828	-24.0%
Profit before zakat and taxation	11,940	17,603	-32.2%
Profit for the period	4,570	15,305	-70.1%
Profit attributable to owners of the parent	4,437	15,051	-70.5%

In comparison with immediate preceding quarter, the Group's revenue increased marginally to RM597 million for the fourth quarter. This was mainly attributable from higher demand from concession business and Indonesian operations. Despite the increase, the Group recorded a lower PBT of RM12 million as compared with RM18 million in preceding quarter, primarily due to higher operating costs including selling and distribution.

Accordingly, together with the recognition of prior years' corporate tax, PAT for quarter under review decreased to RM5 million from RM15.3 million in the immediate preceding quarter.

B19. Prospects

In 2019, the Malaysian economic landscape is set to be challenging with moderate growth fuelled by Government's implementation of populist policies that are expected to boost private consumption and consumer spending. Leveraging on this, the Group continues its pursuit in boosting its market presence in the private sector via aggressive marketing initiatives with parallel focus on enhancing operational efficiencies as well as ongoing containment measures, both domestic and Indonesia operations.

Moving forward, the Group continues to focus on strengthening business synergies between its overseas subsidiaries, PT Millennium Pharmacon International TbK and PT Errita Pharma to tap into opportunities in Indonesia market.

With the above and increased budget allocation for healthcare sector, the Group remains upbeat and is confident on a positive outlook 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**	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Taxation based on profit for the period/year:				
- Current	**3,050**	8,953	**14,618**	12,459
- Deferred	**(1,266)**	(11,275)	**5,765**	(3,417)
	1,784	(2,322)	**20,383**	9,042
Under/(over) provision in prior years:				
- Current	**5,597**	-	**5,571**	5,012
- Deferred	**(71)**	-	**(35)**	3,323
	5,526	-	**5,536**	8,335
	7,310	(2,322)	**25,919**	17,377

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to higher corporate tax arising from non-allowable expenses.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

		31 December 2018	31 December 2017
		RM'000	RM'000
Non-current:			
Hire purchase:			
- Denominated in Ringgit Malaysia		**30**	373
- Denominated in Indonesian Rupiah		**72**	28
		102	401
Current:			
Bankers' acceptances:			
- Denominated in Ringgit Malaysia		**255,507**	166,506
- Denominated in Indonesian Rupiah		**15,507**	14,993
Revolving credits		**250,000**	159,000
Short term foreign time loan - denominated in Indonesian Rupiah		**121,249**	102,651
Hire purchase			
- Denominated in Ringgit Malaysia		**396**	738
- Denominated in Indonesian Rupiah		**86**	28
		642,745	443,916
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**475,395,833**	394,966,443
Exchange rate for Indonesian Rupiah	**RM**	**0.0288**	0.0298

As at 31 December 2018, the increased borrowings is primarily due to reduced collections from customers.

As at 31 December 2018, the weighted average floating interest rate of borrowings is 7.3% (2017: 6.7%) per annum.

For borrowings denominated in foreign currency, there is no hedging as the amounts are due within 12 months.

B24. Additional Disclosures

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

	Current Period		Cumulative Period	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Depreciation and amortisation	**13,153**	11,737	**48,062**	46,522
Net (write back)/provision for and write off of receivables	**(6,144)**	1,415	**(2,131)**	3,542
Net provision for/(write back) and write off of inventories	**6,574**	(736)	**17,050**	6,069
Net foreign exchange loss	**1,094**	3,738	**1,031**	2,057

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 year ended 31 December 2018.

B25. Profit Forecast

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

B26. Earnings Per Share ("EPS")

(a) Basic earnings per share

	Current Period		Cumulative Period	
	2018	2017	**2018**	2017
Profit attributable to owners of the Company (RM'000)	**4,437**	21,700	**42,468**	53,823
Average number of ordinary shares in issue ('000)	**260,134**	259,551	**260,134**	259,551
Basic earnings per share (sen)	**1.71**	8.36	**16.33**	20.74

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	**4,437**	21,700	**42,468**	53,823
Average number of ordinary shares in issue ('000)	**260,134**	259,551	**260,134**	259,551
Assumed shares issued from the exercise of Option Plan ('000)	**-**	-	**-**	-
Assumed shares issued under Long Term Incentive Plan ('000)	**641**	606	**641**	606
Weighted average number of ordinary shares in issue ('000)	**260,775**	260,157	**260,775**	260,157
Diluted earnings per share (sen)	**1.70**	8.34	**16.29**	20.69

B27. 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 21 February 2019.

By Order of the Board

Kuala Lumpur
21 February 2019

TASNEEM MOHD DAHALAN (LS0006966)