Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 31 December 2019	Current Period		Cumulative Period	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue	**715,683**	596,644	**2,820,530**	2,384,956
Cost of sales	**(869,581)**	(524,860)	**(2,726,549)**	(2,062,845)
Gross (loss)/profit	**(153,898)**	71,784	**93,981**	322,111
Other income	**188**	92	**1,245**	959
Operating expenses	**(76,100)**	(50,737)	**(248,225)**	(217,677)
Finance costs	**(9,161)**	(9,574)	**(40,258)**	(36,072)
Interest income	**497**	375	**1,392**	899
(Loss)/Profit before zakat and taxation	**(238,474)**	11,940	**(191,865)**	70,220
Zakat	**186**	(60)	**(2,240)**	(1,071)
Taxation	**59,555**	(7,310)	**44,658**	(25,919)
(Loss)/Profit for the financial period/year	**(178,733)**	4,570	**(149,447)**	43,230
(Loss)/Profit for the financial period attributable to:				
Owners of the parent	**(178,598)**	4,437	**(149,219)**	42,468
Non-controlling interests	**(135)**	133	**(228)**	762
(Loss)/Profit for the financial period/year	**(178,733)**	4,570	**(149,447)**	43,230
Earnings per share - sen				
- Basic	**(68.45)**	1.71	**(57.19)**	16.33
- Diluted	**(68.21)**	1.70	**(56.99)**	16.29

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 2019	Current Period		Cumulative Period	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the financial period/year	**(178,733)**	4,570	**(149,447)**	43,230
Other comprehensive (loss)/income, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**27**	4,886	**2,544**	(2,670)
Recognition of actuarial (loss)/gain	**(35)**	372	**(212)**	679
	(8)	5,258	**2,332**	(1,991)
Total comprehensive (loss)/income for the financial period/year	**(178,741)**	9,828	**(147,115)**	41,239
Attributable to:				
Owners of the parent	**(178,599)**	8,983	**(147,122)**	40,750
Non-controlling interests	**(142)**	845	**7**	489
Total comprehensive (loss)/income for the financial period/year	**(178,741)**	9,828	**(147,115)**	41,239

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 December 2019	As at 31 December 2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**380,517**	406,407
Rights-of-use	**29,593**	-
Prepaid lease payments	**-**	2,098
Intangible assets	**200,342**	400,892
Deferred tax assets	**48,139**	39,796
	658,591	849,193
Current assets		
Inventories	**617,909**	693,020
Receivables	**267,146**	311,916
Amount due from immediate holding company	**-**	9
Tax recoverable	**19,069**	17,926
Deposits, cash and bank balances	**29,587**	35,655
	933,711	1,058,526
TOTAL ASSETS	**1,592,302**	1,907,719
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**151,879**	149,401
Reserves	**185,972**	359,935
Shareholders' equity	**337,851**	509,336
Non-controlling interests	**19,075**	19,327
Total equity	**356,926**	528,663
Non-current liabilities		
Borrowings	**-**	102
Lease liabilities	**2,441**	-
Deferred tax liabilities	**18,066**	59,191
Provision for defined benefit plan	**9,999**	8,306
Government grants	**4,289**	4,630
	34,795	72,229
Current liabilities		
Payables	**626,510**	645,719
Amount due to immediate holding company	**190**	390
Current tax liabilities	**715**	4,365
Contract liabilities	**6,387**	242
Government grants	**341**	341
Borrowings	**564,616**	642,745
Lease liabilities	**1,822**	-
Dividend payable	**-**	13,025
	1,200,581	1,306,827
Total liabilities	**1,235,376**	1,379,056
TOTAL EQUITY AND LIABILITIES	**1,592,302**	1,907,719

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 2019	**Share Capital**	**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**
At 1 January 2019	**149,401**	**1,036**	**8,015**	**350,884**	**509,336**	**19,327**	**528,663**
- Net loss for the financial year	**-**	**-**	**-**	**(149,219)**	**(149,219)**	**(228)**	**(149,447)**
- Other comprehensive income/(loss)	**-**	**2,253**	**-**	**(156)**	**2,097**	**235**	**2,332**
Total comprehensive income/(loss) for the financial year	**-**	**2,253**	**-**	**(149,375)**	**(147,122)**	**7**	**(147,115)**
Transactions with owners							
Share options granted under Share Option Plan	**-**	**-**	**466**	**-**	**466**	**-**	**466**
Shares granted under Long Term Incentive Plan	**-**	**-**	**2,542**	**-**	**2,542**	**-**	**2,542**
Issuance of new shares - Long Term Incentive Plan	**2,478**	**-**	**(2,478)**	**-**	**-**	**-**	**-**
Forfeiture of Share Option Plan	**-**	**-**	**(1,354)**	**1,354**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**(27,371)**	**(27,371)**	**(259)**	**(27,630)**
Total transactions with owners for the financial year	**2,478**	**-**	**(824)**	**(26,017)**	**(24,363)**	**(259)**	**(24,622)**
At 31 December 2019	**151,879**	**3,289**	**7,191**	**175,492**	**337,851**	**19,075**	**356,926**
At 1 January 2018	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)
- Net loss 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 shares							
- 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

Note a
The Group had adopted MFRS 9 on 1 January 2018. As permitted by the transitional provisions of MFRS 9, the cumulative impacts arising from the adoption of this standard were adjusted to the retained earnings of the Group as at 1 January 2018.

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 2019

	2019	2018
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**2,894,967**	2,374,187
Cash payments to suppliers and employees	**(2,657,613)**	(2,406,227)
Net cash generated from/(used in) operations	**237,354**	(32,040)
Interest paid	**(38,039)**	(34,268)
Tax paid	**(8,493)**	(16,264)
Zakat paid	**(2,240)**	(1,071)
Interest received	**178**	825
Net cash generated from/(used in) operating activities	**188,760**	(82,818)
Investing Activities		
Purchase of property, plant and equipment	**(20,668)**	(17,743)
Purchase of intangible assets	**(52,080)**	(54,111)
Proceeds from disposal of property, plant and equipment	**69**	97
Inrease in investment in deposits maturing more than three (3) months	**(5)**	(4,829)
Net cash used in investing activities	**(72,684)**	(76,586)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(40,396)**	(39,001)
- non-controlling interests of a subsidiary	**(259)**	(243)
Net (repayment)/drawdown of borrowings	**(81,378)**	202,090
Payment of lease liabilities	**(2,237)**	-
Net cash (used in)/generated from financing activities	**(124,270)**	162,846
Net (decrease)/increase in cash and cash equivalents	**(8,194)**	3,442
Effects of exchange rate changes	**318**	(509)
Cash and cash equivalent at beginning of year	**30,826**	27,893
Cash and cash equivalent at end of year	**22,950**	30,826
Analysis of cash and cash equivalents:		
Cash and bank balances	**17,453**	22,531
Deposits with licensed banks	**12,134**	13,124
	29,587	35,655
less: Deposits maturing more than three (3) months	**(4,834)**	(4,829)
less: Bank overdraft	**(1,803)**	-
	22,950	**30,826**

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 2019 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 2018. 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 2018.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018, except for the adoption of the following new published standard and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2019.

A2.1 Standard and amendments to published standards that are effective

On 1 January 2019, the Group applied the following new published standard and amendments to published standards:

MFRS 16	Leases
Amendments to MFRS 119 ‘Employee Benefits’	Plan Amendment, Curtailment or Settlement
Annual Improvements to MFRSs 2015 - 2017 Cycle	Amendments to MFRS 3 ‘Business Combinations’, MFRS 112 ‘Income Taxes’ and MFRS 123 ‘Borrowing Costs’

Except for the adoption of MFRS 16 as further explained below, the adoption of the above amendments 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.

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 profit or loss.

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.

a) Impact of adoption of MFRS 16

On date of initial application, the Group recognised lease liabilities in relation to leases (except for short-term leases and leases of low-value assets) which had previously been classified as ‘operating leases’ under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental rate applied to the lease liabilities on 1 January 2019 range from 4.0% to 9.0% per annum.

As permitted by the transitional provisions of MFRS 16, the Group adopted the standard using the modified retrospective approach without restating the comparatives.

b) Change in accounting policies

The Group leases various offices, warehouse, retail stores and equipment. These leases have an average lease period of between 2 years to 5 years with renewal option included in the contracts. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The total amount of cash paid is separated into principal portion (presented within financing activities) and interest (presented within operating expenses) in the statement of cash flows.

A2. Significant Accounting Policies (Cont'd)

A2.1 Standard and amendments to published standards that are effective (cont'd)

c) Reconciliation of operating lease commitment as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019

	RM'000
Operating lease commitments disclosed as at 31 December 2018	20,591
Contracts scoped out under MFRS 16	(14,279)
Discounted using weighted average incremental borrowing rate as at 1 January 2019	(684)
Add: Adjustment in relation to extension options	12
Lease liabilities recognised as at 1 January 2019	**5,640**

A2.2 Early Adoption of Amendments to MFRS 3 'Business Combinations'

The Group has early adopted the amendments to MFRS 3 and applied it on asset acquisitions that occur on or after the beginning of 1 January 2019. The Amendments 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 adoption of the above amendments did not have any material on the financial statements of the Group.

A2.3 Amendments that have been issued but not yet effective

Financial year beginning on/after 1 January 2020

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.

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 2018 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2018 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

In the month of November 2019, the Group received a letter from the Ministry of Health ("MOH"), extending its services for the provision of medicines and medical supplies to MOH facilities for an interim period of twenty-five (25) months, commencing 1 December 2019 to 31 December 2021 to allow MOH to make necessary preparations to undertake the service. In addition, the Group also secured a five (5) year contract to continue providing logistics and distribution services for MOH for a period of five (5) years ending 31 December 2024. Following the new contract arrangement, the Group has to revise the useful life of rights to supply and hence, the remaining unamortised rights to supply is fully recognised in current year. The revision has been accounted for as a change in accounting estimate and as a result, the amortisation charged during the financial year as disclosed in Note A16 was RM247 million.

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 724,700 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 10 June 2019.

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

A8. Dividends

On 11 October 2019, the Company paid a second interim dividend of 2.5 sen (2018: 4.0 sen) per share in respect of the financial year ending 31 December 2019 amounting to RM6.5 million (2018: RM10.4 million).

A8. Dividends (Cont'd)

On 27 June 2019, the Company paid a first interim dividend of 6.0 sen (2018: 5.0 sen) per share in respect of the financial year ending 31 December 2019 amounting to RM15.6 million (2018: RM13.0 million).

On 10 April 2019, the Company paid a fourth interim dividend of 2.0 sen (2017: 6.0 sen) per share in respect of the financial year ended 31 December 2018 amounting to RM5.2 million (2017: RM15.6 million).

No fourth interim dividend (2018: 2.0 sen per share) was proposed or declared in respect of the financial year ended 31 December 2019 (2018: RM5.2 million).

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2019					
Revenue					
External revenue	2,012,413	7,000	801,117	-	2,820,530
Inter-segment revenue	-	282,698	-	(282,698)	-
Total revenue	2,012,413	289,698	801,117	(282,698)	2,820,530
Results					
EBITDA	47,081	61,151	22,361	-	130,594
Segment results	(201,773)	41,128	15,748	-	(144,897)
Finance costs	(19,673)	(3,775)	(17,544)	734	(40,258)
Interest income	1,544	555	27	(734)	1,392
	(219,902)	37,908	(1,769)	-	(183,763)
Unallocated corporate expenses					(8,102)
Loss before zakat and taxation					(191,865)
Zakat					(2,240)
Taxation	48,419	(1,317)	(1,559)	(885)	44,658
Loss for the financial year					(149,447)
<u>Timing of revenue recognition</u>					
Goods or services transferred:					
- At a point in time	1,972,421	289,698	801,117	(282,698)	2,780,538
- Over time	39,992	-	-	-	39,992
	2,012,413	289,698	801,117	(282,698)	2,820,530
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					
EBITDA	50,593	82,812	20,050	-	153,455
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 financial year					43,230
<u>Timing of revenue recognition</u>					
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

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					
	2019			2018		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,746,973,820	0.0292	801,117	2,434,838,929	0.0285	694,673
Segment results	(6,065,777)	0.0292	(1,769)	1,559,731	0.0285	445

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 20 February 2020 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 2019.

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 2019:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	3,894	117,381	121,275

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 2018.

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 2019	144,131	23,579	27,435	20,560	304,825	3,071	523,601
Additions	-	-	11,555	-	38,040	-	49,595
Transfer from property, plant and equipment	-	-	292	-	-	-	292
Write off	-	-	(725)	-	-	-	(725)
Foreign exchange adjustments	1,305	103	47	481	-	-	1,936
At 31 December 2019	145,436	23,682	38,604	21,041	342,865	3,071	574,699
Accumulated amortisation							
At 1 January 2019	-	5,057	176	8,886	95,545	392	110,056
Amortisation charged	-	1,356	177	2,206	247,320	206	251,265
Foreign exchange adjustments	-	103	-	280	-	-	383
At 31 December 2019	-	6,516	353	11,372	342,865	598	361,704
Accumulated impairment							
At 1 January/ 31 December 2019	12,653	-	-	-	-	-	12,653
Net carrying value							
At 31 December 2019	132,783	17,166	38,251	9,669	-	2,473	200,342
At 31 December 2018	131,478	18,522	27,259	11,674	209,280	2,679	400,892

B17. Performance Review

	Current Period			Cumulative Period		
	2019 RM'000	**2018 RM'000**	**+/(-) %**	**2019 RM'000**	**2018 RM'000**	**+/(-) %**
Revenue	715,683	596,644	20.0%	2,820,530	2,384,956	18.3%
Earnings before interest, taxation, depreciation and amortisation	6,143	34,292	-82.1%	130,594	153,455	-14.9%
(Loss)/Profit before interest, zakat and taxation	(229,810)	21,139	> -100%	(152,999)	105,393	> -100%
(Loss)/Profit before zakat and taxation	(238,474)	11,940	> -100%	(191,865)	70,220	> -100%
(Loss)/Profit for the financial period/year	(178,733)	4,570	> -100%	(149,447)	43,230	> -100%
(Loss)/Profit attributable to owners of the parent	(178,598)	4,437	> -100%	(149,219)	42,468	> -100%

Quarter 4 2019 vs Quarter 4 2018

For the fourth quarter ended 31 December 2019, the Group delivered an improved revenue of RM716 million, up by 20.0% compared with RM597 million in the previous year's corresponding quarter. This was mainly attributable to stronger demand from the concession, non-concession and Indonesia businesses. However, as a result of the revision in useful life of the rights to supply, a non-cash item worth RM247 million and the provision of stock write off on the voluntary Ranitidine product recall, the Group recorded a loss before zakat and taxation (LBT) of RM238 million.

The rights to supply are expenses incurred for Pharmacy Information System (PhIS) in providing and supplying to the Government of Malaysia certain hardware and software, being part and parcel of the ordinary contractual obligations under the Concession Agreement. The title of the said hardware and software vests with the Government of Malaysia. With the new contract arrangement as explained in A6, the remaining unamortised rights to supply has been fully recognised in current period.

Year ended 31 December 2019 vs Year ended 31 December 2018

For the financial year ended 31 December 2019, the Group registered a higher revenue of RM2.8 billion compared with RM2.4 billion in previous year. This was achieved on the back of solid performances from concession, non-concession and Indonesia businesses. However, as a result of the revision in useful life of the rights to supply as explained above, the Group posted a LBT of RM192 million. The earnings before interest, taxation, depreciation and amortisation of the Group stood at RM131 million, a decrease of 14.9% as compared to 2018 of RM153 million due to lower contribution margins from manufacturing division and the provision of stock write off as a result of voluntary Ranitidine product recall.

The **Logistics and Distribution Division** posted a LBT of RM220 million for the year, a decrease compared with profit before zakat and taxation (PBT) of RM12 million in previous year as a result of the revision in useful life of the rights to supply as explained above.

The **Manufacturing Division** recorded a PBT of RM38 million on the back of revenue of RM290 million, in line with order trends from the Government sector. Nevertheless, the Division has tremendous growth opportunities as it accelerates launches of new products, expands international market presence and increases capacity utilisation via the contract manufacturing business.

The **Indonesia Division** recorded a deficit of RM1.8 million compared with a PBT of RM0.4 million in the same period last year. This was mainly due to higher finance costs.

Consolidated Statement of Financial Position

As at 31 December 2019, the decrease receivables was due to improved collections.

Consolidated Statement of Cash Flows

For the year under review, the improved operating cash flows was due to higher sales achieved coupled with improved collections.

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

	Current Period	Immediate Preceding Period	
	2019 RM'000	**2019 RM'000**	**+/(-) %**
Revenue	715,683	716,849	-0.2%
Earnings before interest, taxation, depreciation and amortisation	6,143	31,022	-80.2%
(Loss)/Profit before interest, zakat and taxation	(229,810)	14,837	> -100%
(Loss)/Profit before zakat and taxation	(238,474)	3,885	> -100%
(Loss)/Profit for the financial period	(178,733)	376	> -100%
(Loss)/Profit attributable to owners of the parent	(178,598)	481	> -100%

In comparison with the immediate preceding quarter, the Group recorded a comparable revenue of RM716 million for the current quarter. However, the Group recorded a LBT of RM238 million for the current quarter due to the revision in useful life of the rights to supply and provision of stock write off as a result of the voluntary Ranitidine product recall as explained above.

Accordingly, the Group posted a loss for the financial period under review of RM179 million compared with profit of RM0.4 million in the immediate preceding quarter.

B19. Prospects

It was a challenging year as the Group was significantly impacted by the recognition of the remaining unamortised PhIS, a non-cash item worth RM247 million due to the revision in useful life of the PhIS as explained above. Nevertheless, it is imperative to note that the Group's financial performance will not be burdened by the PhIS amortisation moving forward.

The fact that the Group continued to register solid growth in revenue is indeed encouraging and bodes well for prospects ahead. In the short-term, the ongoing coronavirus outbreak remains at the forefront as the healthcare sector strives to contain the disease.

From a long-term perspective, the Group remains positive on its outlook. The new contract secured with MOH for the provision of medicines and medical supplies to MOH facilities from 1 December 2019 to 31 December 2021, as well as logistics and distribution services to MOH for five years ending 31 December 2024, are set to be key contributors to the Group's earnings.

In tandem, Pharmaniaga is strongly focused on its continuous drive to provide quality products and services as well as enhance its manufacturing and operational efficiencies and build up research and development capabilities to tap into new opportunities in the pharmaceutical industry. This will enable the Group to grow its various business streams as well as overseas operations led by the Indonesian business, which continues to see good progress.

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**	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Taxation based on profit for the period/year:				
- Current	**(1,918)**	3,050	**6,906**	14,618
- Deferred	**(56,690)**	(1,266)	**(50,561)**	5,765
	(58,608)	1,784	**(43,655)**	20,383
(Over)/Under provision in prior years:				
- Current	**(1,017)**	5,597	**(1,358)**	5,571
- Deferred	**70**	(71)	**355**	(35)
	(947)	5,526	**(1,003)**	5,536
	(59,555)	7,310	**(44,658)**	25,919

The Group's effective tax rate is slightly lower than the statutory tax rate. The tax income is due to derecognition of deferred tax liabilities upon the revision in the useful life of the rights to supply and the recognition of deferred tax assets on the provision for the voluntary Ranitidine product

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and lease liabilities

(a) Borrowings and Debt Securities - Unsecured

		31 December 2019	31 December 2018
		RM'000	RM'000
Non-current:			
Hire purchase:			
- Denominated in Ringgit Malaysia		**-**	30
- Denominated in Indonesian Rupiah		**-**	72
		-	102
Current:			
Bankers' acceptances:			
- Denominated in Ringgit Malaysia		**254,134**	255,507
- Denominated in Indonesian Rupiah		**158,679**	136,756
Revolving credits		**150,000**	250,000
Hire purchase:			
- Denominated in Ringgit Malaysia		**-**	396
- Denominated in Indonesian Rupiah		**-**	86
Bank overdraft		**1,803**	-
		564,616	642,745
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**544,006,780**	475,395,833
Exchange rate for Indonesian Rupiah	**RM**	**0.0295**	0.0288

B23. Borrowings and lease liabilities (Cont'd)

(a) Borrowings and Debt Securities - Unsecured (Cont'd)

As at 31 December 2019, the decreased borrowings is primarily due to improved collections from customers.

As at 31 December 2019, the weighted average floating interest rate of borrowings is 5.9% (2018: 5.5%) per annum. For borrowings denominated in foreign currency, there is no hedging as the amounts are due within 12 months.

(b) Lease liabilities

	31 December 2019 RM'000	31 December 2018 RM'000
Non-current:		
Hire purchase:		
- Denominated in Ringgit Malaysia	**187**	-
- Denominated in Indonesian Rupiah	**129**	-
Lease liabilities	**2,125**	-
	2,441	-
Current:		
Hire purchase:		
- Denominated in Ringgit Malaysia	**219**	-
- Denominated in Indonesian Rupiah	**146**	-
Lease liabilities	**1,457**	-
	1,822	-

Hire purchase were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard, MFRS16 Leases.

B24. Additional Disclosures

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

	Current Period		**Cumulative Period**	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Depreciation and amortisation	**235,953**	13,153	**283,593**	48,062
Net impairment of/(reversal of) and write off of receivables	**115**	(6,144)	**(6,747)**	(2,131)
Net provision for stock obsolescence and write off of inventories	**13,332**	6,574	**19,363**	17,050
Net foreign exchange losses	**276**	1,094	**457**	1,031

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 2019.

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**	
	2019	2018	**2019**	2018
(Loss)/Profit attributable to owners of the Company (RM'000)	**(178,598)**	4,437	**(149,219)**	42,468
Average number of ordinary shares in issue ('000)	**260,910**	260,134	**260,910**	260,134
Basic earnings per share (sen)	**(68.45)**	1.71	**(57.19)**	16.33

(b) Diluted earnings per share

	Current Period 2019	2018	**Cumulative Period 2019**	2018
(Loss)/Profit attributable to owners of the Company (RM'000)	**(178,598)**	4,437	**(149,219)**	42,468
Average number of ordinary shares in issue ('000)	**260,910**	260,134	**260,910**	260,134
Assumed shares issued under Long Term Incentive Plan ('000)	**916**	641	**916**	641
Weighted average number of ordinary shares in issue ('000)	**261,826**	260,775	**261,826**	260,775
Diluted earnings per share (sen)	**(68.21)**	1.70	**(56.99)**	16.29

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 20 February 2020.

By Order of the Board

WAN INTAN IDURA WAN ISMAIL (LS 0010452)
SYARUZAIMI BIN YUSOF (LS 0010451)
Company Secretaries

Kuala Lumpur
20 February 2020