

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 30 September 2020	Current Period		Cumulative Period	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	624,804	716,849	2,090,488	2,104,847
Cost of sales	(557,338)	(640,625)	(1,848,223)	(1,856,968)
Gross profit	67,466	76,224	242,265	247,879
Other income	276	248	939	1,057
Operating expenses	(53,607)	(61,635)	(165,532)	(172,125)
Finance costs	(10,128)	(11,063)	(28,822)	(31,097)
Interest income	86	111	449	895
Profit before zakat and taxation	4,093	3,885	49,299	46,609
Zakat	(1,105)	(173)	(1,113)	(2,426)
Taxation	(1,694)	(3,336)	(14,870)	(14,897)
Profit for the financial period	1,294	376	33,316	29,286
Profit for the financial period attributable to:				
Owners of the parent	1,442	481	33,820	29,379
Non-controlling interests	(148)	(105)	(504)	(93)
Profit for the financial period	1,294	376	33,316	29,286
Earnings per share - sen				
- Basic	0.55	0.18	12.94	11.26
- Diluted	0.55	0.18	12.92	11.23

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

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 September 2020	Current Period		Cumulative Period	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the financial period	1,294	376	33,316	29,286
<u>Other comprehensive income/(loss), net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation income of foreign operations	(8,755)	845	(5,382)	2,517
Recognition of actuarial loss	-	-	-	(177)
	<u>(8,755)</u>	<u>845</u>	<u>(5,382)</u>	<u>2,340</u>
Total comprehensive (loss)/income for the financial period	(7,461)	1,221	27,934	31,626
Attributable to:				
Owners of the parent	(6,028)	1,206	29,081	31,478
Non-controlling interests	(1,433)	15	(1,147)	148
Total comprehensive (loss)/income for the financial period	(7,461)	1,221	27,934	31,626

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	367,271	382,268
Intangible assets	201,398	200,342
Rights-of-use assets	27,792	27,842
Deferred tax assets	43,301	48,139
	<u>639,762</u>	<u>658,591</u>
Current assets		
Inventories	629,370	617,909
Receivables	457,346	267,132
Amount due from immediate holding company	-	14
Tax recoverable	2,647	19,069
Deposits, cash and bank balances	36,540	29,587
	<u>1,125,903</u>	<u>933,711</u>
TOTAL ASSETS	<u>1,765,665</u>	<u>1,592,302</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	153,339	151,879
Reserves	192,220	185,972
Shareholders' equity	<u>345,559</u>	<u>337,851</u>
Non-controlling interests	17,842	19,075
Total equity	<u>363,401</u>	<u>356,926</u>
Non-current liabilities		
Borrowings	361	316
Lease liabilities	2,019	2,125
Deferred tax liabilities	15,617	18,066
Provision for defined benefit plan	9,429	9,999
Government grants	4,034	4,289
	<u>31,460</u>	<u>34,795</u>
Current liabilities		
Payables	625,045	626,510
Amount due to immediate holding company	126	190
Current tax liabilities	1,069	715
Contract liabilities	6,767	6,387
Government grants	341	341
Borrowings	729,227	564,981
Lease liabilities	1,686	1,457
Dividend payable	6,543	-
	<u>1,370,804</u>	<u>1,200,581</u>
Total liabilities	<u>1,402,264</u>	<u>1,235,376</u>
TOTAL EQUITY AND LIABILITIES	<u>1,765,665</u>	<u>1,592,302</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2020	Attributable to shareholders of the Company						
	<----- Non-distributable ----->			Distributable	Total	Non-	Total
	Share Capital	Exchange Reserve	Share Reserve	Retained Earnings		controlling Interests	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2020	151,879	3,289	7,191	175,492	337,851	19,075	356,926
- Net profit/(loss) for the financial period	-	-	-	33,820	33,820	(504)	33,316
- Other comprehensive loss	-	(4,739)	-	-	(4,739)	(643)	(5,382)
Total comprehensive (loss)/income for the financial period	-	(4,739)	-	33,820	29,081	(1,147)	27,934
Transactions with owners							
Share options granted under Share Option Plan	-	-	91	-	91	-	91
Shares granted under Long Term Incentive Plan	-	-	752	-	752	-	752
Issuance of new shares - Long Term Incentive Plan	1,460	-	(1,460)	-	-	-	-
Forfeiture of shares options under Share Option Plan	-	-	(2,840)	2,840	-	-	-
Forfeiture of shares under Long Term Incentive Plan	-	-	(294)	294	-	-	-
Dividends	-	-	-	(22,216)	(22,216)	(86)	(22,302)
Total transactions with owners for the financial period	1,460	-	(3,751)	(19,082)	(21,373)	(86)	(21,459)
At 30 September 2020	153,339	(1,450)	3,440	190,230	345,559	17,842	363,401
At 1 January 2019	149,401	1,036	8,015	350,884	509,336	19,327	528,663
- Net profit/(loss) for the financial period	-	-	-	29,379	29,379	(93)	29,286
- Other comprehensive income/(loss)	-	2,228	-	(129)	2,099	241	2,340
Total comprehensive income for the financial period	-	2,228	-	29,250	31,478	148	31,626
Transactions with owners							
Share options granted under Share Option Plan	-	-	398	-	398	-	398
Shares granted under Long Term Incentive Plan	-	-	2,112	-	2,112	-	2,112
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 period	2,478	-	(1,322)	(26,017)	(24,861)	(259)	(25,120)
At 30 September 2019	151,879	3,264	6,693	354,117	515,953	19,216	535,169

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2020

	2020	2019
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	1,914,000	1,976,589
Cash payments to suppliers and employees	(2,022,638)	(1,926,273)
Net cash (used in)/generated from operations	(108,638)	50,316
Interest paid	(32,241)	(29,188)
Tax refunded/(paid)	7,559	(6,684)
Zakat paid	(913)	(2,426)
Interest received	85	78
Net cash (used in)generated from operating activities	(134,148)	12,096
Investing Activities		
Purchase of property, plant and equipment	(7,437)	(9,343)
Purchase of intangible assets	(2,622)	(29,689)
Proceeds from disposal of property, plant and equipment	1	57
Net cash used in investing activities	(10,058)	(38,975)
Financing Activities		
Dividends paid to:		
- owners of the Company	(15,674)	(33,865)
- non-controlling interests of a subsidiary	(86)	(259)
Net drawdown of borrowings	169,624	63,190
Net cash generated from financing activities	153,864	29,066
Net increase in cash and cash equivalents	9,658	2,187
Effects of exchange rate changes	(902)	180
Cash and cash equivalent at beginning of period	22,950	30,826
Cash and cash equivalent at end of period	31,706	33,193
Analysis of cash and cash equivalents:		
Cash and bank balances	31,706	21,499
Deposits with licensed banks	4,834	17,924
	36,540	39,423
Less: Deposits maturing more than three (3) months	(4,834)	(4,829)
Less: Bank overdraft	-	(1,401)
	31,706	33,193

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 30 September 2020 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 2019. 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 2019.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019, 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 2020.

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

On 1 January 2020, the Group applied the following new published standard and amendments to published standards:

- The Conceptual Framework for Financial Reporting (Revised 2018).
- Amendments to MFRS 101 "Presentation of Financial Statements" and Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates, and Errors".
- Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" and MFRS 7 "Financial Instruments: Disclosures".

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.

A2.2 Amendments that have been issued but not yet effective

The effective date for the amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between Investor and its Associate or Joint Venture has been deferred to a date to be determined by Malaysian Accounting Standards Board.

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 2019 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2019 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 period under review.

A6. Change in Estimates

There were no material changes in estimates of amounts reported in the current financial period.

In previous year, 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 revised the useful life of rights to supply and hence, the remaining unamortised rights to supply was fully recognised in previous year. The revision had been accounted for as a change in accounting estimate and as a result, the amortisation charged in previous financial year 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 period.

A8. Dividends

On 6 October 2020, the Company paid a second interim dividend of 2.5 sen (2019: 2.5 sen) per share in respect of the financial year ending 31 December 2020 amounting to RM6.5 million (2019: RM6.5 million).

On 30 June 2020, the Company paid a first interim dividend of 6.0 sen (2019: 6.0 sen) per share in respect of the financial year ending 31 December 2020 amounting to RM15.7 million (2019: RM15.6 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

A8. Dividends (continued)

For the third quarter, the Directors have declared a third interim dividend of 1.5 sen (2019: Nil) per share in respect of the financial year ending 31 December 2020. The dividend will be paid on 29 December 2020 to shareholders registered in the Register of Members at the close of business on 7 December 2020.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2020						
Revenue						
External revenue	1,492,186	1,969	596,333	-	-	2,090,488
Inter-segment revenue	-	199,257	-	-	(199,257)	-
Total revenue	1,492,186	201,226	596,333	-	(199,257)	2,090,488
Results						
Earnings before interest, taxation, depreciation and amortisation						
Depreciation and amortisation	60,929	27,601	15,987	(3,564)	-	100,953
Finance costs	(6,792)	(11,796)	(4,693)	-	-	(23,281)
Interest income	(12,856)	(2,735)	(13,735)	-	504	(28,822)
Profit/(Loss) before zakat and taxation	520	418	15	-	(504)	449
Zakat	41,801	13,488	(2,426)	(3,564)	-	49,299
Taxation	(913)	(200)	-	-	-	(1,113)
Profit/(Loss) for the period	(11,654)	(2,691)	(525)	-	-	(14,870)
Profit/(Loss) for the period	29,234	10,597	(2,951)	(3,564)	-	33,316
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,491,601	201,226	596,333	-	(199,257)	2,089,903
- Over time	585	-	-	-	-	585
	1,492,186	201,226	596,333	-	(199,257)	2,090,488
2019						
Revenue						
External revenue	1,504,240	6,174	594,433	-	-	2,104,847
Inter-segment revenue	-	213,595	-	-	(213,595)	-
Total revenue	1,504,240	219,769	594,433	-	(213,595)	2,104,847
Results						
Earnings before interest, taxation, depreciation and amortisation						
Depreciation and amortisation	59,135	53,669	17,782	(6,135)	-	124,451
Finance costs	(27,027)	(15,392)	(5,221)	-	-	(47,640)
Interest income	(15,806)	(2,587)	(13,272)	-	568	(31,097)
Profit/(Loss) before zakat and taxation	1,038	402	23	-	(568)	895
Zakat	17,340	36,092	(688)	(6,135)	-	46,609
Taxation	(2,076)	(350)	-	-	-	(2,426)
Profit/(Loss) for the period	(8,224)	(5,253)	(1,420)	-	-	(14,897)
Profit/(Loss) for the period	7,040	30,489	(2,108)	(6,135)	-	29,286
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,488,148	219,769	594,433	-	(213,595)	2,088,755
- Over time	16,092	-	-	-	-	16,092
	1,504,240	219,769	594,433	-	(213,595)	2,104,847

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:

	Period Ended 30 September					
	2020			2019		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,048,961,562	0.0291	596,333	2,041,719,098	0.0291	594,433
Earnings before interest, taxation, depreciation and amortisation	54,930,296	0.0291	15,987	61,076,436	0.0291	17,782

A10. Carrying Amount of Revalued Assets

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A11. Subsequent Event**

There was no subsequent event as at 19 November 2020 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 financial period ended 30 September 2020 except for the transfer of 100% shares of Pharmaniaga Biomedical Sdn Bhd in Pharmaniaga Logistics Sdn Bhd, a 100% owned subsidiary of Pharmaniaga Berhad, to Pharmaniaga Berhad.

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 30 September 2020:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	3,902	16,097	19,999

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 2019.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost of work-in- progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2020	145,436	23,682	38,604	21,041	342,865	3,071	574,699
Additions	-	-	8,308	-	-	-	8,308
Transfer from property, plant and equipment	-	-	197	-	-	-	197
Foreign exchange adjustments	(2,983)	(236)	(151)	(1,102)	-	-	(4,472)
Written off	-	-	(900)	-	-	-	(900)
At 30 September 2020	142,453	23,446	46,058	19,939	342,865	3,071	577,832
Accumulated amortisation							
At 1 January 2020	-	6,516	352	11,373	342,865	598	361,704
Amortisation charged	-	998	132	1,670	-	154	2,954
Foreign exchange adjustments	-	(236)	-	(641)	-	-	(877)
At 30 September 2020	-	7,278	484	12,402	342,865	752	363,781
Accumulated impairment							
At 1 January/ 30 September 2020	12,653	-	-	-	-	-	12,653
Net carrying value							
At 30 September 2020	129,800	16,168	45,574	7,537	-	2,319	201,398
At 31 December 2019	132,783	17,166	38,252	9,668	-	2,473	200,342

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

B17. Performance Review

	Current Period			Cumulative Period		
	2020 RM'000	2019 RM'000	+ /(-) %	2020 RM'000	2019 RM'000	+ /(-) %
Revenue	624,804	716,849	-12.8%	2,090,488	2,104,847	-0.7%
Earnings before interest, taxation, depreciation and amortisation	21,372	31,022	-31.1%	100,953	124,451	-18.9%
Profit before interest, zakat and taxation	14,135	14,837	-4.7%	77,672	76,811	1.1%
Profit before zakat and taxation	4,093	3,885	5.4%	49,299	46,609	5.8%
Profit for the financial period	1,294	376	244.1%	33,316	29,286	13.8%
Profit attributable to owners of the parent	1,442	481	199.8%	33,820	29,379	15.1%

Quarter 3 2020 vs Quarter 3 2019

For its third quarter ended 30 September 2020, the Group recorded a lower revenue of RM625 million compared with RM717 million in the previous year's corresponding quarter. This was mainly attributable to reduced demand from both the concession business and Indonesia business due to the ongoing Covid-19 pandemic. However, as a result of lower operating expenditure during the Movement Control Order enforced by the Government to curtail the spread of the pandemic, the Group recorded a profit before zakat and taxation (PBT) of RM4 million, reflecting a growth of 5.4% compared with last year's corresponding quarter.

Period ended 30 September 2020 vs Period ended 30 September 2019

For the first nine months of the financial year under review, the Group delivered a revenue of RM2.1 billion, consistent with the same period last year. This was achieved on the back of stronger contribution from the non-concession business, mainly due to higher sales of personal protective equipment in response to the COVID-19 outbreak. This saw the Group's PBT increase by 5.8% to RM49 million. As a result, the Group recorded a higher PAT of RM33 million compared with RM29 million in the same period last year.

The **Logistics and Distribution Division** recorded a higher PBT of RM42 million for the first nine-months, compared with RM17 million in the same period last year. This was primarily due to stronger contribution from the non-concession business.

The **Manufacturing Division** turned in a PBT of RM13 million on the back of a revenue of RM201 million for the nine-month period, in line with order trends from Government hospitals. The Division continues to hold encouraging potential, propelled by a strong product pipeline and continued international expansion, coupled with increased capacity utilisation via its contract manufacturing business.

The **Indonesia Division** registered a deficit of RM3 million for the nine-month period. This was primarily due to higher finance costs, as a result of the ongoing delay in payment from government hospitals which continues to affect Indonesia's healthcare industry. The Division was further impacted by Indonesia's large-scale social restrictions, *Pembatasan Sosial Berskala Besar*, in response to the Covid-19 pandemic, which resulted in limited access to doctors, clinics, pharmacies and hospitals.

Consolidated Statement of Financial Position

The lower receivables as at 31 December 2019 as compared with 30 September 2020 was mainly due to Malaysia Government's policy to settle the debts before the closing of the financial year. In addition, the increase in receivables was also due to slow collection from key customers in Indonesia which has led to an increase in borrowings.

Consolidated Statement of Cash Flows

For the period under review, the negative operating cash flow was the result of advance payment made to suppliers to purchase personal protective equipment during the COVID-19 pandemic. There is a timing difference in terms of collection from customers. This situation is expected to regularise in quarter 4 2020.

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

	Current Period	Immediate Preceding Period	+ /(-) %
	2020 RM'000	2020 RM'000	
Revenue	624,804	645,763	-3.2%
Earnings before interest, taxation, depreciation and amortisation	21,372	30,098	-29.0%
Profit before interest, zakat and taxation	14,135	23,231	-39.2%
Profit before zakat and taxation	4,093	14,326	-71.4%
Profit for the financial period	1,294	9,607	-86.5%
Profit attributable to owners of the parent	1,442	9,979	-85.5%

In comparison with the immediate preceding quarter, the Group recorded a lower revenue of RM625 million for the current quarter. This was mainly due to reduced demand from both the concession business and the Indonesia business as a result of the Covid-19 pandemic, which saw limited access to doctors, clinics, pharmacies and hospitals. The Group recorded a PBT of RM4 million, compared with RM14 million in the immediate preceding quarter.

Accordingly, PAT for the quarter under review stood at RM1 million, compared with RM10 million in the immediate preceding quarter.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B19. Prospects**

Moving forward, the Group is focused on enhancing operations across its Divisions. Admittedly, COVID-19 will continue to have an impact on the business. However, Pharmaniaga will stay the course and ensure that it is able to serve the healthcare requirements of the *Rakyat*.

The Group is optimistic that it will be able to weather through this, more so as it has strategic plans in place to enhance prospects by improving manufacturing and operational efficiencies, progressing in research and development efforts and tapping viable opportunities for growth.

Towards this end, the Group continues to expand its vaccine business. The Halal vaccine project is making good headway, with approval received for the Pneumococcal Conjugate Vaccine (PCV) initiated with Serum Institute of India Private Limited (SERUM), a leading Indian pharmaceutical and biotechnology company. Also as announced previously, preparations for the fill and finish process of the COVID-19 vaccine are progressing well, with plans underway to repurpose the Group's small volume injectable plant, as well as exploring collaborations with other potential partners to ensure safe and effective delivery of the vaccine to support the Government's vaccination programme.

Prospects for the healthcare sector are further supported by the Government's 2021 National Budget, with RM1 billion allocated to curb the spread of COVID-19. This will include purchasing of reagents, test kits and consumables for the Ministry of Health (MOH), personal protective equipment and hand sanitiser for MOH frontliners, as well as equipment, laboratory supplies and medicine for university teaching hospitals. Pharmaniaga is indeed positioned to cater to these needs, given our strong track record in logistics and distribution as well as our halal manufacturing facilities.

The long-term outlook for the healthcare sector is expected to be positive in the post COVID-19 period, and hence generic pharmaceutical products will likely retain their importance as effective and economical healthcare solutions. Pharmaniaga is well-poised to leverage on opportunities in Malaysia and overseas markets, to ensure the sustainable growth of the Group in the years ahead. This momentum is expected to continue over the next five years, although the COVID-19 pandemic and lockdowns may present some uncertainties in the near-term.

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Taxation based on profit for the period:				
- Current	1,300	2,703	9,518	8,824
- Deferred	397	633	6,496	6,129
	1,697	3,336	16,014	14,953
Under/(Over) provision in prior years:				
- Current	-	-	(184)	(341)
- Deferred	(3)	-	(960)	285
	(3)	-	(1,144)	(56)
	1,694	3,336	14,870	14,897

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

	30 September 2020 RM'000	30 September 2019 RM'000	31 December 2019 RM'000
Non-current:			
Hire purchase:			
- Denominated in Ringgit Malaysia	298	195	187
- Denominated in Indonesian Rupiah	63	179	129
	361	374	316
Current:			
Bankers' acceptances:			
- Denominated in Ringgit Malaysia	264,219	242,458	254,134
- Denominated in Indonesian Rupiah	144,628	185,487	158,679
Revolving credits	320,000	280,000	150,000
Hire purchase:			
- Denominated in Ringgit Malaysia	285	214	219
- Denominated in Indonesian Rupiah	95	142	146
Bank overdraft - denominated in Indonesian Rupiah	-	1,401	1,803
	729,227	709,702	564,981
The amount of borrowings denominated in Indonesian Rupiah	IDR'000	518,946,237	629,857,627
Exchange rate for Indonesian Rupiah	RM	0.0279	0.0295
			0.0295

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B23. Borrowings and Debt Securities - Unsecured (continued)**

As at 30 September 2020, the increased borrowings are primarily due to advance payment made to suppliers to purchase personal protective equipment during the COVID-19 pandemic coupled with reduced collections from customers.

As at 30 September 2020, the weighted average floating interest rate of borrowings is 4.2% (2019: 5.8%) 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 zakat and taxation is stated after charging/(crediting) the following:

	Current Period		Cumulative Period	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation and amortisation	7,237	16,185	23,281	47,640
Net impairment of and write off/(reversal of impairment) of receivables	13	475	779	(6,862)
Net provision for stock obsolescence and write off of inventories	3,034	895	9,805	6,031
Net foreign exchange (gains)/losses	(102)	46	147	181

Other than the items mentioned above which have been included in the consolidated statement of profit or loss 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 September 2020.

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	
	2020	2019	2020	2019
Profit attributable to owners of the Company (RM'000)	1,442	481	33,820	29,379
Average number of ordinary shares in issue ('000)	261,394	260,802	261,394	260,802
Basic earnings per share (sen)	0.55	0.18	12.94	11.26

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	1,442	481	33,820	29,379
Average number of ordinary shares in issue ('000)	261,394	260,802	261,394	260,802
Assumed shares issued under Long Term Incentive Plan ('000)	346	916	346	916
Weighted average number of ordinary shares in issue ('000)	261,740	261,718	261,740	261,718
Diluted earnings per share (sen)	0.55	0.18	12.92	11.23

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 19 November 2020.

By Order of the Board

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

Kuala Lumpur
19 November 2020