Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 31 March 2014	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2014	2013	2014	2013
Revenue	**468,672**	500,339	**468,672**	500,339
Cost of sales	**(386,860)**	(412,834)	**(386,860)**	(412,834)
Gross profit	**81,812**	87,505	**81,812**	87,505
Other income	**577**	876	**577**	876
Operating expenses	**(40,919)**	(47,674)	**(40,919)**	(47,674)
Finance costs	**(3,534)**	(4,019)	**(3,534)**	(4,019)
Interest income	**223**	236	**223**	236
Profit before taxation	**38,159**	36,924	**38,159**	36,924
Taxation	**(11,513)**	(11,771)	**(11,513)**	(11,771)
Profit for the period	**26,646**	25,153	**26,646**	25,153
Profit for the period attributable to:				
Owners of the parent	**26,217**	24,771	**26,217**	24,771
Non-controlling interests	**429**	382	**429**	382
Profit for the period	**26,646**	25,153	**26,646**	25,153
Earnings per share - sen				
Basic	**10.13**	9.57	**10.13**	9.57

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 INCOME STATEMENT (CONTINUED)

For the quarter ended 31 March 2014	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2014	2013	2014	2013
Profit for the period	**26,646**	25,153	**26,646**	25,153
Other comprehensive income, net of tax				
Foreign currency translation difference in respect of foreign operations	**2,959**	43	**2,959**	43
	2,959	**43**	**2,959**	**43**
Total comprehensive income for the period	**29,605**	**25,196**	**29,605**	**25,196**
Attributable to:				
Owners of the parent	**28,039**	24,795	**28,039**	24,795
Non-controlling interests	**1,566**	401	**1,566**	401
Total comprehensive income for the period	**29,605**	25,196	**29,605**	25,196

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

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014	As at 31 December 2013
(All figures are stated in RM'000)		
ASSETS		
Non-current assets		
Property, plant and equipment	367,213	353,368
Prepaid lease payments	1,062	1,075
Investment in an associate	19	19
Intangible assets	180,909	124,508
Deferred tax assets	6,227	6,625
	555,430	485,595
Current assets		
Inventories	405,381	410,531
Receivables	220,829	168,825
Tax recoverable	9,541	13,215
Deposits, cash and bank balances	29,692	32,900
	665,443	625,471
TOTAL ASSETS	1,220,873	1,111,066
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	129,441	129,441
Reserves	386,230	358,191
Shareholders' equity	515,671	487,632
Non-controlling interests	22,256	15,631
Total equity	537,927	503,263
Non-current liabilities		
Loans and borrowings	289	318
Deferred tax liabilities	12,434	12,834
Provision for defined benefit plan	5,375	4,789
	18,098	17,941
Current liabilities		
Payables	380,136	387,404
Amount due to immediate holding company	46	200
Current tax liabilities	4,219	2,696
Loans and borrowings	280,447	199,562
	664,848	589,862
Total liabilities	682,946	607,803
TOTAL EQUITY AND LIABILITIES	1,220,873	1,111,066

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						
For the period ended 31 March 2014	**Share Capital**	*** Share Premium**	*** Exchange Reserve**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
(All figures are stated in RM'000)							
At 1 January 2014	**129,441**	**11,751**	**(4,131)**	**350,571**	**487,632**	**15,631**	**503,263**
Total comprehensive income for the period	**-**	**-**	**1,822**	**26,217**	**28,039**	**1,566**	**29,605**
Transactions with owners							
Acquisition of a subsidiary	-	-	-	-	-	4,873	4,873
Issue of shares by a subsidiary	-	-	-		-	186	186
At 31 March 2014	**129,441**	**11,751**	**(2,309)**	**376,788**	**515,671**	**22,256**	**537,927**
At 1 January 2013	117,674	11,751	(1,058)	343,651	472,018	15,835	487,853
Total comprehensive income for the period	-	-	24	24,771	24,795	401	25,196
Transaction with owners							
Dividends	-	-	-	(11,767)	(11,767)	-	(11,767)
At 31 March 2013	117,674	11,751	(1,034)	356,655	485,046	16,236	501,282

* Denotes non distributable reserves

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

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 31 March 2014

(All figures are stated in RM'000)	**2014**	**2013**
Operating Activities		
Cash receipts from customers	**525,940**	482,884
Cash payments to suppliers and employees	**(522,028)**	(425,395)
Net cash generated from operations	**3,912**	57,489
Interest paid	**(4,789)**	(4,911)
Tax paid	**(6,718)**	(10,984)
Interest received	**236**	231
Net cash (used in)/generated from operating activities	**(7,359)**	41,825
Investing Activities		
Acquisition of a subsidiary	**(63,705)**	-
Issue of shares by a subsidiary	**186**	-
Settlement on novation consideration	**-**	(21,083)
Purchase of property, plant and equipment	**(7,149)**	(5,820)
Purchase of intangible assets	**(194)**	(968)
Proceeds from disposal of property, plant and equipment	**60**	49
Net cash used in investing activities	**(70,802)**	(27,822)
Financing Activities		
Dividend paid	**-**	(11,767)
Net drawdown/(repayment) of borrowings	**77,551**	(14,412)
Net cash generated from/(used in) financing activities	**77,551**	(26,179)
Net decrease in cash and cash equivalents	**(610)**	(12,176)
Effects of exchange rate changes	**(2,598)**	(18)
Cash and cash equivalent at beginning of year	**32,900**	34,553
Cash and cash equivalent at end of year	**29,692**	22,359
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	**29,692**	**22,359**

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

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

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the period ended 31 March 2014 have been prepared in accordance with MFRS134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following Amendments to Malaysian Financial Reporting Standards (MFRSs) which are applicable for the Group's financial period beginning 1 January 2014.

A2.1 Adoption of Amendments to MFRSs

On 1 January 2014, the Group adopted the following Amendments to MFRSs:-

Amendments to MFRS 10	Consolidated Financial Statements
Amendments to MFRS 12	Disclosure of Interests in Other Entities
Amendments to MFRS 127	Separate financial statements
Amendments to MFRS 132	Financial Instruments : Presentation
Amendments to MFRS 136	Impairment of Assets : Disclosures

Adoption of the above Amendments to MFRSs did not have any material effect on the financial performance, position or presentation of the Group.

A2.2 Amendments to MFRSs issued but not yet effective

At the date of authorisation of these interim financial statements, the following Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

a) Annual Improvements to MFRSs 2010 - 2012 Cycle

i) Amendments to MFRS 3 “Business Combinations” (effective from 1 July 2014) clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 "Financial Instruments: Presentation" and that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

ii) Amendments to MFRS 8 “Operating Segments” (effective from 1 July 2014) requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The Amendment clarifies that reconciliation of the total reportable segments’ assets to the entity’s assets is required if that amount is regularly provided to the chief operating decision maker.

iii) Amendments to MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangible Assets” (effective from 1 July 2014) clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation / amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

iv) Amendments to MFRS 124 “Related Party Disclosures” (effective from 1 July 2014) extends the definition of ‘related party’ to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A2. Significant Accounting Policies (Continued)

A2.2 Amendments to MFRSs issued but not yet effective (continued)

b) Annual Improvements to MFRSs 2011 - 2013 Cycle

i) Amendments to MFRS 3 “Business Combinations” (effective from 1 July 2014) clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 "Joint Arrangements") in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

ii) Amendments to MFRS 13 “Fair Value Measurement” (effective from 1 July 2014) clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 “Financial Instruments: Recognition and Measurement” or MFRS 9 “Financial Instruments”, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

c) Amendments to MFRS 119 “Defined Benefit Plans: Employee Contributions”

Amendments to MFRS 119 “Defined Benefit Plans: Employee Contributions” (effective from 1 July 2014) provide a practical expedient in accounting for contributions from employees or third parties to defined benefit plans. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan’s contribution formula or on a straight-line basis).

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

A3. Audit report in respect of the 2013 financial statements

The audit report on the Group’s financial statements for the financial year ended 31 December 2013 was not qualified.

A4. Seasonal or cyclical factors

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

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

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

A6. Change in Estimates

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

A7. Debt and equity securities

There were no 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 2 April 2014, the Company paid a fourth interim dividend of 6.20 sen (2012: 4.55 sen) per share in respect of the financial year ended 31 December 2013 amounting to RM16.0 million (2012: RM11.8 million).

For the first quarter, the Directors have declared a first interim dividend of 4.00 sen (2013: 3.41 sen) per share in respect of the year ending 31 December 2014. The dividend will be paid on 16 June 2014 to shareholders registered in the Register of Members at the close of business on 2 June 2014.

A9. Operating segments

Operating segment information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Eliminations	Total
2014				
Revenue				
External revenue	468,168	504	-	468,672
Inter-segment revenue	759	90,331	(91,090)	-
Total revenue	468,927	90,835	(91,090)	468,672
Results				
Segment results	17,675	25,868	(2,073)	41,470
Finance costs	(3,503)	(431)	400	(3,534)
Interest income	621	2	(400)	223
Profit before taxation	14,793	25,439	(2,073)	38,159
Taxation				(11,513)
Profit for the period				26,646
2013				
Revenue				
External revenue	500,105	234	-	500,339
Inter-segment revenue	1,339	66,532	(67,871)	-
Total revenue	501,444	66,766	(67,871)	500,339
Results				
Segment results	15,491	6,772	18,444	40,707
Finance costs	(3,964)	(889)	834	(4,019)
Interest income	1,067	3	(834)	236
Profit before taxation	12,594	5,886	18,444	36,924
Taxation				(11,771)
Profit for the period				25,153

A10. Carrying Amount of Revalued Assets

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

A11. Subsequent Event

There was no subsequent event as at 14 May 2014 that will materially affect the financial statements of the financial period under review.

A12. Changes in the Composition of the Group

There was no change in the composition of the Group for the current financial period ended 31 March 2014 other than the acquisition of 75% equity interest in PT Errita Pharma during the period.

A13. Contingent Liabilities

No contingent liability has arisen since the financial period end.

A14. Commitments

The Group has the following commitments as at 31 March 2014:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	8,947	37,715	46,662

A15. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for year ended 31 December 2013.

A16. Intangible Assets

RM'000	Goodwill	Software	Right to supply	Total
Cost				
At 1 January 2014	89,825	3,346	104,981	198,152
Additions	-	-	194	194
Acquisition of a subsidiary	60,395	-	-	60,395
Foreign exchange adjustments	-	894	-	894
At 31 March 2014	150,220	4,240	105,175	259,635
Accumulated amortisation				
At 1 January 2014	-	1,681	59,310	60,991
Amortisation charged	-	128	4,174	4,302
Foreign exchange adjustments	-	780	-	780
At 31 March 2014	-	2,589	63,484	66,073
Accumulated impairment				
At 1 January/31 March 2014	12,653	-	-	12,653
Net carrying value				
At 31 March 2014	137,567	1,651	41,691	180,909
At 31 December 2013	77,172	1,665	45,671	124,508

On 18 February 2014, the Group completed the acquisition of PT Errita Pharma ("PT Errita"). As of the date of this report, management has yet to finalise the purchase price allocation ("PPA") for the business combination, as required by MFRS 3 "Business Combination". The excess of cost of business over the Group's interest in the fair value of identifiable net assets acquired arising from the business combination has been derived only on a provisional basis.

Based on the preliminary assessment, the goodwill on acquisition is estimated at RM60.4 million. Management has 12 months from the date of completion of the acquisition to complete the PPA and the initial accounting for the transaction. The results of the PPA exercise will determine the final value of goodwill arising from the acquisition of PT Errita. Upon finalisation of the PPA, the Group will recognise any adjustments to the provisional values of the excess of the cost of business over the Group's interest in the fair value of identifiable net assets acquired from the business combination.

B17. Performance Review

1st Quarter 2014 versus 1st Quarter 2013
For the quarter under review, the Group recorded an improved profit before tax (PBT) of RM38.2 million, a 3.3% increase from RM36.9 million in the previous year's corresponding quarter. This was mainly a result of reduced operating expenses, including provision for doubtful debts.

The Group's unaudited revenue was RM468.7 million, a 6.3% drop compared with RM500.3 million in the corresponding period last year. This was largely due to reduced demand from both the concession and non-concession businesses.

The **Logistics and Distribution Division** delivered a higher PBT of RM14.8 million compared with RM12.6 million in the corresponding quarter for the previous year, primarily due to the lower provision for doubtful debts.

The **Manufacturing Division** posted a PBT of RM23.4 million, a slight dip compared with RM24.3 million in last year's corresponding quarter. This was attributable to lower off-take from Government hospitals in the quarter under review.

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

The Group reported a higher PBT of RM38.2 million for the quarter under review, representing a 15.6% increase from RM33.0 million in the preceding quarter. This was mainly a result of reduced operating expenses. The Group recorded lower revenue of RM468.7 million for the quarter, compared with RM567.9 million in the preceding quarter.

The Logistics and Distribution Division posted a higher PBT of RM14.8 million compared with the preceding quarter's RM10.7 million. This was achieved on the back of lower operating expenses, including reduced provision for doubtful debts and impairment of goodwill.

The Manufacturing Division registered a marginally higher PBT of RM23.4 million compared with RM22.3 million in the preceding quarter, as a result of cost containment measures.

B19. Prospects

The Group is positive on its outlook moving forward, as the global economy shows signs of a mild recovery and Malaysia's pharmaceutical sector is expected to experience healthy growth. The Group's Logistics and Distribution is set to generate a steady revenue stream while maintaining cost optimisation measures to sustain its earnings growth, though this may be moderated by the implementation of the Pharmacy Information System during the financial year ahead.

The Manufacturing Division remains steadfast in its research and development efforts, with a view to expanding its product portfolio. In order to maintain its competitive advantage, the Division will continue to implement ongoing manufacturing improvement processes at its plants.

Meanwhile, the Group's plans to enhance its international presence are on track. Via its European Union (EU) certified plant, the Group aims to seek out collaborations with multinational companies in the EU region for contract manufacturing projects. A recently acquired manufacturing plant in Indonesia is also expected to have a positive impact as the Group strives to expand its earnings base and pursue viable opportunities for growth.

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

For the quarter ended 31 March 2014	**Current Period**		**Cumulative Period**	
RM'000	**2014**	2013	**2014**	2013
Taxation based on profit for the period:				
- Current	**11,689**	9,965	**11,689**	9,965
- Deferred	**(14)**	(122)	**(14)**	(122)
	11,675	9,843	**11,675**	9,843
(Over)/underprovision of prior years:				
- Current	**(162)**	1,928	**(162)**	1,928
	11,513	11,771	**11,513**	11,771

The Group's effective tax rate for the current quarter ended 31 March 2014 are higher than the statutory tax rate of 25% principally due to certain expenses which were not deductible for tax purposes.

B22. Corporate Proposals

Proposed joint venture

On 20 May 2013, the Company has announced that a Joint Venture Agreement with Modern Healthcare Solutions Company Limited and Pharmaniaga Berhad ("Parties") to form and operate a joint venture limited liability company ("JV Company") in the Kingdom of Saudi Arabia. Upon the fulfillment of conditions precedent, the JV Company will be incorporated with each Party having a 50% equity interest in share capital of the JV Company.

On 17 February 2014, the Parties have agreed to extend the validity of the JV Agreement for another three (3) months until 17 May 2014 to finalise the fulfilment of the conditions precedent.

B23. Borrowings and Debt Securities - Unsecured

	31 March 2014 RM'000	31 December 2013 RM'000
Current:		
Bankers' acceptances	**61,574**	50,805
Revolving credits	**180,000**	105,000
Short term foreign time loan	**38,724**	43,596
Hire purchase	**149**	161
	280,447	199,562
Non-current:		
Hire purchase	**289**	318

Short term foreign time loan of RM38.7 million (2013: RM43.6 million) is denominated in Indonesian Rupiah (IDR) and is equivalent to IDR134,458 million (2013: IDR162,067 million).

B24. Realised and Unrealised Profits of the Group

The retained profits as at 31 March 2014 is analysed as follows:

	31 March 2014 RM'000	31 December 2013 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	**397,848**	373,704
- unrealised profits	**(6,076)**	(10,209)
	391,772	363,495
Less: Consolidation adjustments	**(14,984)**	(12,924)
Total Group retained profits as per consolidated accounts	**376,788**	350,571

B25. Additional Disclosures

For the quarter ended 31 March 2014	**Current Period**		**Cumulative Period**	
	2014 RM'000	2013 RM'000	**2014 RM'000**	2013 RM'000
Depreciation and amortisation	**12,006**	13,674	**12,006**	13,674
Provision for and write off of receivables	**1,156**	8,014	**1,156**	8,014
Provision for and write off of inventories	**714**	169	**714**	169
Foreign exchange gain	**(106)**	(5)	**(106)**	(5)

Other than the items mentioned above which have been included in the 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 current quarter ended 31 March 2014.

B26. Economic Profit Statement

	Quarter ended 31 March	
	2014 RM'000	**2013 RM'000**
Economic profit	15,327	9,443

B27. Profit Forecast

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

B28. Earnings Per Share ("EPS")

	Current Period		Cumulative Period	
	2014	**2013**	**2014**	**2013**
Profit attributable to shareholders of the Company (RM'000)	**26,217**	24,771	**26,217**	24,771
Weighted average number of ordinary shares in issue ('000)	**258,883**	258,883	**258,883**	258,883
Basic earnings per share (sen)	**10.13**	9.57	**10.13**	9.57

B29. 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 14 May 2014.

By Order of the Board

Kuala Lumpur
14 May 2014

TASNEEM MOHD DAHALAN (LS0006966)