TRANSFORMATION

PEOPLE

PLANNING

PROCESS

2018

ANNUAL REPORT

There is nothing small or big for us. We constantly improve the quality of our services; as we don't take our customers for granted.

CPL Group
is Papua New Guinea's
largest retailer
comprising of;

CITY PHARMACY
STOP & SHOP
HARDWARE HAUS
BON CAFÉ
JACK'S OF PNG
PROUDS OF PNG

At the end of 2018, the CPL Group had a combined retail operation of 62 stores nation-wide and employed over 3,000 staff, comprising Predomnantly of Papua New Guinea citizens.

The group's footprint spans accross health and beauty business, supermarket, hard-ware stores, coffee shops, apparels, luxury and branded goods and an online retail/ wholesale business.

CONTENTS


SINMAG

OUR **VISION**

HELPING THE PEOPLE OF
PAPUA NEW GUINEA LIVE
HEALTHIER AND BETTER LIVES

OUR **MISSION**

TO BE THE PREFERRED SHOPPING DESTINATION
BY DELIVERING OUTSTANDING VALUE,
EXCEPTIONAL CUSTOMER EXPERIENCE AND
MAXIMIZING SHAREHOLDER VALUE.

SECTOR and **MARKET**

Develop businesses to serve the sectors of Health, Food, Housing and Lifestyle needs of the people of Papua New Guinea. We call this CPL's Four Pillars. Develop as a well recognized household brand across PNG.

OUR PROMISE

BE CUSTOMER FOCUSED

The customer always comes first.

BE RESPONSIBLE

To our people, our community and our environment.

WIN TOGETHER

Working and winning as a team.

DELIVER ON COMMITMENTS

We do what we promise.

DELIVER QUALITY

We are committed to quality through continuous improvement.


City
Pharmacy
SelfCARE
GRILLE
ANTI-DANDRUFF
TREATMENT
City
Pharmacy

CHAIRMAN'S **STATEMENT**

I am very pleased to announce that the Group's financial position has materially improved over the last year and the Group has recorded a pre-tax profit of K8.8 million for the year.

There was a substantial improvement in trading during the second half of the year which recorded a profit of K7.9 million.

Included in the results are Insurance receipts of K21.8 million and a profit on the sale of properties of K1.1 million. One-off expenses of K10.9 million have been booked being restructuring costs recommended by the consultants, Azurium Group, impairment of leasehold assets and K2.6 million arising from lease rental adjustments.

During the year the raising of funds from Shareholders, receipt of insurance proceeds and sale of property enabled the normalization of trading terms as planned.

Mr. Graham John Dunlop

While our trading performance improved in the second half of the year as we adjusted our operations to cope with insufficient warehousing, these difficulties will continue until the rebuild of the upgraded Gerehu Distribution Centre, which is scheduled for completion in Q1 2020.

Stop N Shop and City Pharmacy were the Brands whose performance was most affected by insufficient warehousing. In spite of this both Brands showed an improved profitability over last year, attributed to higher rebate income as a result of prompt payments, rental and other operating costs savings.

The performance of Hardware Haus Limited has been pleasing with a profit recorded for the second half of the year, the first for a number of years.

Joint Venture Company, Jacks of PNG, has reported an increased profit for the year and has commenced its expansion program with the opening of a store in Mt. Hagen in December 2018 and a planned opening in Madang in Q2 2019.

Similarly, DFS (PNG) Limited which operated as Prouds has reported a solid profit in 2018. A 350 square meter store has opened within the Stop N Shop premises at Waigani in February 2019. The store offers a wide range of high quality, authentic, international brands of merchandise including perfumes and cosmetics, travel goods, jewelry, bags and selected clothing.

The Paradise Cinemas business was sold during the year and the company is in the last stages of identifying tenants for the premises in the Waigani Central compound.

The Australian based sourcing business, Pharmacy Wholesalers Ltd, continues to provide services to the Group and has contributed a steady profit.

A number of store upgrades and refurbishment projects commenced in 2018 and will be completed by December 2019. in addition to the new premises for Hardware Haus, Jacks and City Pharmacy in Madang, a new Pharmacy was opened in Mt. Hagen in October 2018 and a further five Pharmacies are planned to be opened in 2019.

In view of the challenging economic situation, and investments in store upgrades and the new distribution Centre re-build, the Directors will recommend to the Annual General meeting that no dividend be paid.

Graham John Dunlop

Chairman

THE CPL GROUP **BOARD**

John first came to Papua New Guinea when he joined Steamships Trading Company Limited in 1983 after a successful accounting career in New Zealand, Solomon Islands and Fiji. He worked for Steamships until 2013 in a variety of roles including Finance Director and Managing Director and continues his relationship as a Non Executive Director. Currently John also serves as a Director on the boards of Credit Corporation (PNG) and Mainland Holdings Limited.

Mr. Graham John Dunlop
Chairman

Mr. Mahesh Patel, OBE
Managing Director

Mahesh Patel is the co-founder of The CPL Group. He came to PNG in 1984 to work as a pharmacist. He set up the first City Pharmacy store in Port Moresby in 1987 with his wife, Usha Patel, and over time, transformed it into PNG's largest retailing group. Mahesh has affiliations with the PNG and Australian Institutes of Directors. Past directorship include the Chairman of the Board for Telikom PNG (2013-2017), volunteered as a Director of the Games Organising Committee for the 2015 Pacific Games and the Deputy Chairman for PNG Dataco Ltd, a telecommunications infrastructure company. He was awarded an Officer in the Order of the British Empire in 2012. He is also a Queen's Diamond Jubilee Awardee for his contribution to community service, healthcare and sports.

THE CPL GROUP **BOARD**

Peter joined Washington H Soul Pattinson and Company Limited (WHSP) in 1978, and was appointed to the mainboard in 1984. WHSP is one of Australia's oldest public companies, with interests in pharmaceuticals, building supplies, telecommunications, coal and copper mining, agriculture, property and corporate advisory. He was appointed Managing Director in 1993 and retired from the company in April 2015.

He is Chairman of TPI Enterprises Ltd (one of only eight global licensed manufacturers of licit drugs, which extracts and purifies narcotics for use in painkillers such amorphine and codeine), and former Chairman of Australian Pharmaceutical Industries Limited (one of Australia's largest pharmaceutical wholesalers and owner of the Priceline retail chain) and Clover Corporation Limited (a global leader in the delivery of stable Omega-3 and Omega-6 products into the infant nutrition and medical foods market).

Mr. Peter Robinson
Independent Director

Ms. Mary Johns
Independent Director

Mary Johns is a lawyer by profession and has been in legal practice for 22 years in PNG. She worked in private practice for 5 years and then joined Bank South Pacific as a legal officer in 2002. She was appointed as Company Secretary in 2005 and currently holds that role to date. She has served on the Port Moresby Chamber of Commerce and was a Board member of the 2015 Pacific Games Organising Committee Ltd.

She was an independent committee member on the People & Nominations Committee of Oil Search Limited for 2 years and is now serving as an independent committee member on the Audit & Financial Risk Committee of Oil Search Limited. She is the Chair of Leadership PNG, Secretary of the Capital Rugby Union, a Board Member of the Men's National Soccer League and Treasurer of the PNG Women Lawyers Association. In 2015 as part of the 40th Independence awards, Mary was awarded the Member of the Order of Logohu ("ML") for services to banking and the community.

THE CPL GROUP **BOARD**

Peter Aitsi is currently Group Chief Executive Officer of Credit Corporation Ltd. A senior PNG business leader with extensive private sector experience that is further enhanced by his long term involvement with important community organisations such as Transparency International PNG, Media Council of PNG, City Mission PNG, Badili Club and Leadership PNG. He currently serves as a director on the various subsidiaries of Credit Corporation, the Advisory Board of Coral Sea Hotels, media-company PNGFM Ltd, and the CPL Group.

Mr. Peter Aitsi
Independent Director

Mr. Stanley Thomas Joyce
Independent Director

Stan Joyce has over 30 years' experience in the Food, Beverage and Manufacturing Industry both in PNG and aboard. He has been the Managing Director for SP Brewery, a part of the Heineken Company since 2007.

Stan is actively involved in the PNG business and sports circle with directorships on the board of the 2015 Pacific Games Authority, PNG Business Council, PNG Manufacturer's Council, Mainland Holdings Limited, the Solomon Island Brewery Limited and the South Pacific Brewery Limited. Appointed the Honorary Consul, for The Kingdom of The Netherlands, September 2015. In 2011 he was awarded the PNG Independence Honors (Logohu), Award of the "Companion of the Order of the Star of Melanesia" (CSM). He has served as President of the PNG Chamber of Commerce and Industry and has been a member of various public and private sector boards.

Stan is a graduate member of the Australian Institute of Company Directors and a Fellow of the PNG Institute of Company Directors. Stan has travelled throughout PNG and the Pacific. During this time he has established an extensive network of business, professional, sporting and cultural connections. A major achievement has been the inclusion of the SP PNG Hunters in the Queensland Rugby League competition.

THE CPL GROUP **BOARD**

Ms. Mary Handen
Independent Director

Mary was the first Papua New Guinean female appointed as General Manager in Steamships Trading Company Limited. And won the 2009 Westpac Women in Business Award for the private sector category. A qualified accountant with over 30 years of experience in PNG and abroad, she held various senior management positions mostly in the private sector in the area of retailing and human resource. She is an associate member of the Certified Practicing Accountants of PNG. During her career years, she had previously served on the Board of Transparency International, Employers Federation and Committee member of PNG Business Council.

Mary retired from active employment since 2013 and currently owns a few Small and Medium Enterprise businesses in the Energy sector retailing and in Empowerment of women as a Life Coach. As a co-Founder of a mentoring & empowerment Agency, she helps women to transform, to live their dreams by travelling within PNG and abroad and to have control of their own destiny.

Mary has actively been involved since 2017 as a Coach and Mentor in promotion of women SME start-ups and providing support to women entrepreneurs through the PNG Women Resource Centre. As a member of Toast-masters International, her free coaching services in public speaking has extended to candidates of Miss PNG Pageant, PNG Team to the World school debate championships and other private schools within NCD.

OUR STORY AS PNG's LEADING RETAILER

1987
City Pharmacy founded by Mahesh and Usha Patel and Alan Jarvis at Garden City, Port Moresby with just four staff.

1992
City Pharmacy moves outside Port Moresby, opening five stores in regional PNG.

1998
City Pharmacy is the first business house to operate in Buka after the Bougainville Crisis.

2002
CPL Group lists on the Port Moresby Stock Exchange.

2003
City Pharmacy launches PNG's first customer loyalty program, Real Rewards.

2005
CPL Group acquires Stop & Shop supermarket chain from Steamships Trading Company.

2007
CPL Group partners with Post PNG to co-locate City Pharmacy retail outlets.

CPL Group launches the first womens empowerment program in PNG, the Pride of PNG Awards for Women, honouring ordinary Papua New Guinean women doing extraordinary things.

OUR STORY AS PNG's LEADING RETAILER

2008
CPL Group acquires Hardware Haus stores from Steamships Trading Company.

2011
CPL Group launches Bon Café coffee shops in Papua New Guinea.

2012
CPL Group named Private Sector Employer of the Year by the PNG Human Resources Institute.

2013
CPL named Innovative Company of the Year by the PNG Institute of Directors. CPL Group acquires Sydney, Australia-based pharmaceutical wholesaler Cost Save Pty Ltd.

2014
CPL opens new concept shopping complex, Waigani Central, in Port Moresby, featuring a do-it-yourself hardware concept store, our largest ever Stop N Shop supermarket.

OUR STORY AS PNG's LEADING RETAILER

2015

CPL opens two Prouds Duty Free stores at Jacksons International Airport.

CPL moves into fashion retailing, with the opening of two Jack's of PNG stores in Port Moresby.

A fire destroys flagshipStop & Shop store in Waigani Central.

2016

CPL opens two new flagship Stop & Shop supermarkets in Port Moresby,at Koki and Harbour City.

2017

In its 30th year, the company bounces back with the support of suppliers and the community after a major fire destroys its headoffice and main warehouse in Gerehu, Port Moresby.

A new rights issue raises K48 million, confirming continued market support for CPL.


BONCAFÉ
BONCAFÉ
GERI

OUR RETAIL
BRANDS

City Pharmacy

The success of the first pharmacy store led to its expansion to Anderson Foodland in Koki, Steamships Plaza in down town Port Moresby and the Burns Philp Shopping Centre in Boroko. From this humble beginning, the pharmacy business has grown from strength to strength and now includes 29 outlets across the country.

The key to City Pharmacy's success as a retail business has been a check store layout and merchandising concept never before tried in Papua New Guinea. City Pharmacy combined its central focus on healthcare, with additional health, beauty and convenience products in an exciting merchandise mix. With its attractive interior layout, one-stop convenience and customer focused culture, City Pharmacy is now firmly entrenched in the daily lives of Papua New Guineans.

Over more than 30 years, City Pharmacy has been responsible for many innovations and achievements.In the 1990s, it was first business to go to the island of Bougainville after the civil war and the ensuing crisis,opening a branch in Buka to cater for the much-needed basic healthcare needs of the people of Bougainville. It was also the first business house to declare its premises as MERI SEIF PLES (Safe Place for Women) to protectwomen against domestic violence.

Another recent innovation is the introduction of trained nurses in some of our larger outlets, who are able to provide advice and run health checks free of charge.

Stop & Shop

CPL acquired Stop N Shop supermarket business from Steamships Trading Company in 2005. The acquisition strengthened the retail network of CPL Group in Papua New Guinea immensely. CPL acquired Stop & Shop with a clear plan. It sought to add to its retail offering andachieving synergies across both businesses by introducing City Pharmacy outlets to the supermarket environment.

Stop & Shop is positioned as an affordable retail outlet for All Papua New Guineans.

With it's eight Supermarkets, Stop&Shop has the largest footprint of any organized Retailer in Port Moresby. It provides convenient locations and a merchandising mix that provides a large variety to its customers.

This includes the ever growing range of private labels, and locally sourced fruits and vegetables.

Hardware Haus

Housing needs in Papua New Guinea, especially for people working in urban centres, are truly critical.

In 2008, CPL saw a window of opportunity to acquire Steamships Hardware from Steamships Trading Company.

With this venture, CPL Group strengthened its position as PNG's biggest retailing network. Hardware Haus currently has 10 outlets nationwide serving customers with much needed building and home improvement materials.

Bon Café

Papua New Guinea is known worldwide for its quality, organically grown coffee but, ironically, there was almost now here in the country where Papua New Guinean consumers could savour its renowned flavour for themselves.

CPL Group sought to address this unsatisfied-demand by providing outlets where Port Moresby residents in particular could savour coffee prepared barista-style.

In 2011, CPL introduced the Bon Café coffee outlets and launched the brand at its Stop N Shop outlet in Port Moresby. CPL Group has so far employed around 40 young women, who have been especially trained Bon Café trainer in the art of coffee making. Papua New Guineans can now taste fine quality coffee in seven popular Bon Café outlets located around Port Moresby.

Jack's of PNG

Jack's of PNG is CPL's retail business in fashion retailing, which started in Port Moresby in April 2015 at the Waigani Central shopping complex. A second, smaller outlet was opened in December the same year at Vision City shopping mall, Port Moresby's largest retail destination.

Fashion retailing in PNG is still at an early stage of its development, and Papua New Guinean consumers, have had limited options, both in terms of quality and value for money. Jack's of PNG, a partnership with Jack's of Fiji, has raised the bar in this retail category,offering quality, well-designed clothing and accessories at affordable prices in an attractive, modern retail setting. Private label brands are presented in-store alongside leading consumer brands such as Rip Curl using a variety of the latest merchandising and display techniques.

Pharmacy Wholesalers Limited, Australia

The creation of PWL is part of an expansion strategy that encompasses not only Papua New Guinea but the Pacific region as a whole.

In 2013, CPL Group acquired Sydney based pharmaceutical and wholesale and distribution company Cost Save Pty Limited. Cost Save services Australian pharmacists, doctors and industrial institutions. At the same time, CPL established Pharmacy Wholesalers Limited (PWL) to cater to similar customers across the Pacific region.

This move not only gives CPL valuable exposure in a developed market; it also allows it to further strengthen its portfolio of private label products for its City Pharmacy outlets.

Prouds of PNG

In July 2015, CPL Group launched another retail business in a category new to PNG, Prouds Duty Free. Prouds is a further example of CPL's drive to bring the best retail experiences to Papua New Guineans.

In partnership with Fiji's Motibhai Group of Companies, which has been running duty freeshops in Fiji for more than 40 years, CPL Group won the bidding to operate duty free shops within the departure and arrival areas of the upgraded international terminal at Port Moresby's Jacksons International Airport.

There are currently two Prouds Duty Free stores –a 332-square metre store in the Departure lounge and a smaller, 90-square metre outlet in the Arrivals area. Prouds Duty Free brings an international standard duty free shopping experience to PNG, providing a wide range of high fashion and liquor brands in a spacious, interactive shopping environment. The goal is to make the shopping experience as pleasurable as possible.

Inside Stop & Shop WaiganiCentral The store is 380-square meter and is part of Prouds foray into the PNG domestic market.

OUR RETAIL STORES

City Pharmacy

Alotau
Boroko
Buka
Goroka
Kavieng
Kimbe
Kokopo
Lae
Lae Market
Lihir
Madang Beckslea Plaza
Madang Modilon
Manus
Maprik
Mt. Hagen Best Buy
Mt. Hagen Central
Mt. Hagen 2
Popondetta
Port Moresby
General Hospital
Stop & Shop Badili
Stop & Shop Express Airways
Stop & Shop Harbour City
Stop & Shop Koki
Stop & Shop North Waigani
Stop & Shop Rainbow
Stop & Shop Town
Stop & Shop Waigani Central
Stop & Shop Town (Port Moresby)
Vision City (Port Moresby)
Waigani Drive (Port Moresby)
Wewak
Vanimo

Stop & Shop

Badili
Boroko
Gerehu - Rainbow
Harbour City
Koki
North Waigani
Waigani Central
Town

Stop & Shop Express

Airways (Port Moresby)
Total Erima

BON CAFÉ

City Pharmacy Waigani Drive
Stop & Shop Harbour City
Stop & Shop Koki
Stop & Shop Town
Stop & Shop Waigani Central
Vision City

Hardware Haus

Goroka
Kavieng
Kimbe
Kokopo
Lae
Madang
Mt. Hagen
Mt. Hagen Mitre Hardware
Popondetta
Port Moresby (Waigani)
Wewak

jack's of PNG

Madang
Mt. Hagen
Waigani Central (Port Moresby)
Vision City (Port Moresby)

PROUDS

Jackson's Airport
Departure Area
& Arrival Area

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

Pride of PNG 2018 Winners with the Governor General, Grand Chief Sir Bob Dadae and Managing Director, CPL Group Mr. Mahesh Patel. OBE.

2018 Awards

City Pharmacy Pride of PNG Awards for Women was first incepted in 2007, as a Community Initiative of the CPL Group. This initiative has come a long way with 64 Winners in total, since 2007 to 2018.

The 11th Pride of PNG Awards for Women 2018 was launched on the 18th of June 2018, with the Awards presentation held on Thursday 18th October, 2018 at the National Parliament State Function room. During the nomination period, we received a total of 156 nominations. All nominations were screened and passed onto the Judges for selections.

The Judges for the year were: Lady Winifred Kamit (Dentons), Mrs. Emma Waiwai (PNG Olympic Committee), Mr. Charles Taylor (PNG FM), Ms. Avia Koisen (Koisen Lawyers), Dr. Pilly Mapira Pake (UPNG Taurama Campus), a pioneer of the Awards as the Education Role Model Winner 2007. Winners for this year were awarded with Medals and a Pledge from CPL to assist them continue withtheir work. This platform City Pharmacy provided empowers Women of all walks of life being awarded and recognized for their tireless efforts and the hard work they do in their respective communities.

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

SOPHIE MANGAI
BRAVERY & COURAGE

As a women advocate and the President of the East Sepik Council of Women, this woman was assaulted, swore at, punched, threatened, arrested and locked up simply for defending a young innocent 16 year old girl raped by 5 policeman during a raid of avillage in the East Sepik in 2014. She was discharged at a bail of K1000. She decided to protest against the five police officers asshe was also organising programmes in lead up to the Human Rights Day around the same time.

Despite this, **her bravery and courage caught international attention and she continued relentlessly to speak up and outuntil the Police establishment conducted an investigation withlitigation ensuing.** Her tireless efforts in fighting for justice finally did, when the five police officers were found guilty and jailed with sentences ranging over 20 years.

She actively promotes gender equality and empower women in East Sepik under her leadership as the President and is vocal inpromoting women's issues and her office is seen as the Crisis Centre with open doors to those who need help.

In a male dominated society, being brave in facing men who arenot only ordinary men but Police Officers entrusted to enforce the law was not an ordinary battle to be fought to seek justice for the young girl.

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

MARGARET BENNY
CARE & COMPASSION

Mrs. Margaret Benny started her career as a Volunteer with Mt. Sion Centre for Persons with Disability, Goroka since 2002 and to date she is a specialist Braille Transcriber. She undertook the challenging and time consuming task to transcribing many school text books / educational resources into braille for Blind Students. She is also engaged in the national examination papers for grades 8, 10 and 12 into braille. Braille literacy for children and adults who are blind, enables them to access a more extensive range of educational opportunities.

When required she conducts braille writing and reading workshops for teachers who have blind students in their class. She also conducts workshops in pre-braille skills training forparents who have a pre-school child who is blind. Such workshopsempower teachers, and parents to meet the special needs of these children.

Her compassion for others in need, her cheerful personalityand her positive attitude to life is an inspiration to hercolleagues, students and community members.

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

MAGDALENE PIGOLO
EDUCATION ROLE MODEL

This woman from Buka is someone who strived against the odds inthe middle of crises to ensure the local students' basic right to education was not jeopardized. Her story is one of a kind. A truewomen hero indeed.

She has practiced highest standards of professional, ethical andhuman behavioral abilities in trying times as evidenced by her story. Despite being a mother (getting pregnant in between) and having had to move in between schools with her kids, in the midst of ongoing crises, she didn't give up. She could have left for hersecond province (ESP) but she remained and suffered and survivedamong her own people. In addition, was her ability to ensurestudents from one high school (which was closed due to the crises) sat for their grade ten exams in another school?

Her story not only demonstrates high level of Motivation, Initiative, Integrity, Leadership skills and commitment but is atrue testament of how one can create an innovative, productive, purposeful learning environment in the midst of adversities.

She is one of a kind that was made for a country like PNG.Treasurers like her are rare. If there is a reason worth fighting for again in Bougainville, it would be to retain such a pride of theirs -a true unsung woman hero and a true role model for teachers throughout PNG.

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

ANNE LITAU
YOUNG PAPUA NEW GUINEAN

Ms. Anne Litau, a young volunteer missionary nurse at the Kambubu Clinic in East New Britain, has shown discipline, altruistic leadership and passion for what she does as not the ONLY nurse for Kambubu Adventist Secondary School but also for the Kambubu Youth, Ambassadors and Adventures (YAPA) club, music leader and rolemodel in all she does for the young people of Kambubu not tomention for the Lord.

Despite working in rural and often adverse conditions with the barebasics medical equipment, the young nurse was able to successfully deliver a baby in the middle of the night on a mountain where she had to wait for over six hours with a kit, a torch and very little assistance. She managed to save the life of the baby and stem the bleeding of a very distraught mother and was given the honour of naming the baby girl.

With whatever little resources she has, saving lives is what matters for this young nurse and continues to serve the school and the community at large. She consistently puts the needs of others before her own and she has demonstrated outstanding leadership by addressing the needs of young people in her community.

THE PRIDE OF PAPUA NEW GUINEA
EMPOWERMENT AWARDS FOR WOMEN

DEBORAH MUMIA
COMMUNITY SPIRIT

As a volunteer manager, Mrs. Deborah Mumia manages a membership of around 2000 with 13,000 loans annually. To have the passion to do this on a daily basis with no economic benefit is worth mentioning and honored to recommend for this award.

After 13 years of Home duties, Deborah decided to volunteer at the library, and she has continued to work tirelessly in her crucial role ensuring that the Library runs effectively and meets its objectives. The library has cemented a place in the community as a space to go to read, learn and grown and this woman takes the pride in promoting the service and the value of reading in the community. She also actively promotes education and personal growth for those who have had limited pathways in life and who may like to take the opportunity to self-educate.

While working without pay, Deborah is channeling all her energy towards improving literacy levels in Bougainville by providing a quality library service, mentoring other volunteers and engaging with the wider community to promote the abenefits of reading.

She also dedicates her time and energy to ensure that beyond being a community resource, the library is also somewhere safe and peaceful where people can read, learn and use the facility to educate and inspire others.

THE CPL FOUNDATION

THE CPL FOUNDATION
GIVING BACK TO OUR COMMUNITY

One of CPL Group's core values is that 'we care - for our community, customers and people.' By giving back to the community we serve. We demonstrate our commitment to this value. In 2014, CPL Group founded the CPL Foundation as the vehicle for our many corporate social responsibility activities.

FOUNDATION STRATEGIES:
- **Economic empowerment of women**
- **Education**
- **Health**
- **Sports**

In 2018, several partnerships with the Foundation were strengthened. Apart from responding to direct request from various community groups and sporting clubs, the focus was on supporting our approved partners' delivery of services in their respective projects.

THE CPL FOUNDATION
OUR PARTNERSHIP

Ginigoada Foundation: Financial Literacy Training

Ginigoada Foundation originated in 2002 to help disadvantaged young people and adolescents develop financial skills, to improve their chances of employment or run their own income generating activity.

Our partnership with Ginigoada Foundation in delivering the BUS 4 Financial Literacy Skills Program in Port Moresby and Lae continued with our support as the major sponsor.

The main topics the Training covers include: Basic Business Awareness, Cash Book, Income and Budgeting, Costing and Pricing, Business Plan Development, Health and Hygiene, First Aid, Conflict Resolution and Planning, Set Up and Operating a Community Enterprise Group (CEG).

Graduation at Lahara Park POM.
A total of 229 participants graduated.
Female 90 / Male 139

Twenty-three (23) sessions were held in various settlements and villages in and around Port Moresby in 2018, with 3,974 students enrolled and 2,602 participants graduated. Female 1,365 / Male 1,236 .

THE CPL FOUNDATION
OUR PARTNERSHIP

Program 5: Butibum Resource Centre, Ward 2 Ahi LLG, Lae. A total of 119 participants enrolled and 117 graduated. 52 Female and 65 Male.

Twenty-one (21) sessions were held in various communities in Lae with 3,006 participants enrolled and 2,673 graduated. Female 1,082 / Male 1,591.

THE CPL FOUNDATION
OUR PARTNERSHIP

Buk bilong Pikinini

Our financial sponsorship of the Buk bilong Pikinini (BbP) and Early Childhood Education Program on Tatana Island outside Port Moresby continued with the renewal of the sponsorship for another 5 years from 2018 to 2023. Seventy (70) children aged between 5 - 6 years were enrolled in the beginning of the year for the Early Childhood Education Program with 60 graduating at the end of the school year. Refer photo of performance by the students below.

Tatana community acknowledges the positive impact of the Early Childhood and Afternoon Support Program towards the education of their children. Tatana Primary School has also benefitted a lot from the BbP afternoon literacy support program for school-aged children as this has contributed to 36 students graduating from Tatana Primary School and going on to high schools unlike the past years.

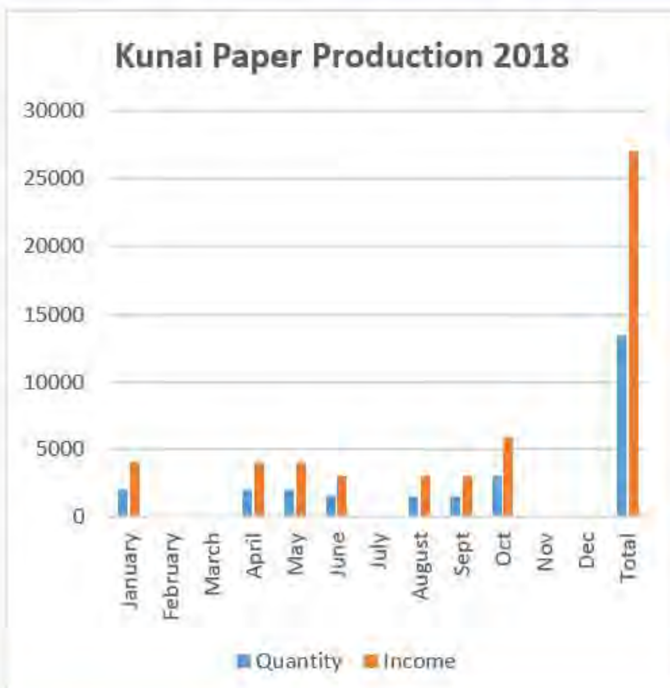
THE CPL FOUNDATION
CPL INITIATIVES

Apart from the partnered programs, the Foundation managed several of its programs during the year.

KUNAI PAPER PROJECT

Kunai paper project had a slow start with first order in January, and nil supply in February and March, refer production table below with chart. CPL Foundation in 2016 partnered with Keasu Community Settlement of Gerehu Stage 6, as part of our corporate social responsibility in giving back to the community. Paradise Foods was the only company ordering the Kunai made chocolate boxes for Queen Emma Chocolates. However, our partnership with Paradise Foods came to end in December 2018. All proceeds from the sale of the K2 per Kunai chocolate boxes was directed to Keasu Community Development Association to support them with their community projects etc. The main objective is to assist unemployed youths and adults to sustain a living with a positive lifestyle. In 2018, the Community made 13,560 boxes and received a total of K27,120.00 from the sales. Apart from the chocolates boxes, we did sell 100 coffee packages to a local coffee roaster during APEC.

KUNAI PAPER PRODUCTION 2018		
Month	**Quantity**	**Income**
January	2000	4000
February	0	0
March	0	0
April	2000	4000
May	2000	4000
June	1500	3000
July	0	0
August	1500	3000
Sept	1500	3000
Oct	3010	6020
Nov	0	0
Dec	50	100
Total	**13,560**	**27,120**



The roll out of the paper project to Keasu Settlement Community Development Association will take place in June 2019.

THE CPL FOUNDATION
CPL INITIATIVES

FARMERS FINANCIAL ASSISTANCE SCHEME

After completion of the loan made to Thaddeus Mana (Pawpaw Farmer) in July 2017, there was no further activity under this scheme.

CPL Foundation continues to support the work of the local farmers in and around Port Moresby and well as the Highlands Region by purchasing the locally grown vegetables for the Stop & Shop supermarkets throughout Port Moresby.

We also assisted the farmers obtain bank cards in partnership with BSP, to make banking easier and more convenient for them. Unlike in the past, where the farmer would use a relative or friends account.

SPORTS SPONSORSHIPS

•CITY PHARMACY PNG LEWAS CRICKET TEAM

City Pharmacy PNG Lewas had a very busy and successful period, after competing in the ICC WWT20 Qualifier in Netherlands from 3-14th July 2018. The Lewas had their best result in an ICC Global World Cup Qualifying event, finishing 4th place in the eight (8) team competition, even though they did not qualify for the 2018 ICC WWT20 in the West Indies later in the year.

City Pharmacy sponsored the PNG Lewas 2016 & 2017 and renewed the sponsorship for 2018/2019 season.

Rebels Netball Club & City Pharmacy
23 Years of Partnership

CPL's sponsorship started in 1995 and the person who was instrumental in orchestrating was Barbara Penrose Stubbing who was a dual PNG representative in both netball and tennis. The first lot of Executives of the club included Emily Taule, Barbara Penrose and Jenny Ramamurthy. Management was later strengthened by inclusion of Helen Edward's and Jan Waddy in the coaching area.

The partnership has spanned over 23 years which makes it unique from the point of view that not too many other sporting clubs especially in Netball who can boast of this kind of longevity in relationship. We involve ourselves in CPL's social development agenda when we are able including awareness and fund raising such issues as TB and gender related matters.

The partnership has shared a common objective of empowerment of women" especially youth. The club has not only been successfully running the Netball club but has tagged national netball stars in Barbara Penrose Stubbings, Dr. Veronica Weiang and Nancy Onno and more recently Lua Rikis and Winnie Mavara and Marinama Maha and Rapilla.

A good number of leading PNG women today who also contributed to the growth of the club include Helen Edward's now President of QLd/ PNG Netball Association, Barbara Stubbings – President PNG Tennis, Barbara Age - Secretary of Foreign Affairs, Auvita Rapilla - Secretary General PNG Olympic Committee, Sarah Bonser whose daughter Mary Ellen Bonser is in the current PNG Pepes squad, Jan Waddy former NZ and PNG rep, Dr. Veronica Weing.

Current Rebels players contesting for Pacific Games are Serena Ovia and Genevieve Ume. There have been others who also trialed in the Pepes Development squad including Kalyna Taule.The partnership has helped a lot in terms of the club with proper training equipment, player/club registration, venue hire, uniforms and also assisting pay levy fees for players representing the National Team (Pepes) etc.

CPL Rebels made a comeback in 2017 with the recruitment of Oti Lasagavibau (former Pepe and Basketball rep) as the head coach for the Senior Teams and Under 21 in Port Moresby Netball Competition. Under her leadership, we had a successful season with the Premier Division unbeaten in the round of games and won the Tier 2 Grand Final. And in 2018, our Premier team was the runner-up in the Premier Division Grand Final, and the U21 Team Winning the Grand Final and Senior team 2 finishing 3rd in Division 1 respectively, despite our Junior Teams.

City Pharmacy Rebels Netball Club registered 7 divisions (5 Junior teams and 2 Senior teams) in the Port Moresby Netball competition, with a total of 95 members.

We thank CPL Group for the continued partnership as we encourage and empower Women and Girls through

Netball.Emily Taule – President

UNDER 10 TEAM

UNDER 13 TEAM

UNDER 15 TEAM

UNDER 17 TEAM

UNDER 21 TEAM

SENIOR DEVISION TEAM 1

PREMIER TEAM

COMMUNITY SERVICE
PROJECT SUPPORT 2018

K68,517
Buk Bilong Pikinini

K135,390
Ginigoada POM & LAE BUS 4

K20,982
Community Projects

K43,170
Pride of PNG Winners Support

K15,515
CP Rebels Netball Club

K220,000
CP Cricket PNG Lewas

K2,020
Kunai Project

K505,595
Total

Our Mission Statement

The mission of the CPL Foundation is to help create positive change to improve the lives of the people in our community.

In recognition of the important role women play in the family, community and the Papua New Guinean nation we will achieve our mission by focusing on women's health, and on rural livelihoods with a strong focus on income generation for women.

We value community based approaches that reflect strong leadership, consensus and ownership of ideas, respect, good governance and a commitment to seeing tangible and sustainable results that will directly and positively affect the lives of individuals.

The Foundation draws on the strengths of the City Pharmacy Limited Group, which include delivering pharmaceuticals, hardware and groceries through effective logistical expertise and strong links to the PNG business community. Our staff have a shared passion for PNG's culture, physical beauty, and people and seek to individually and as a team to contribute to a prosperous future.

Our goals are to:

- Use the skills and expertise of CPL, both staff and business systems, to assist communities in the areas of: women's health; and rural livelihood, with a specific focus on income generation.
- Use CPL's logistical chain and other resourc es to ensure vital drugs and medical equi pment are delivered to health clinics throughout PNG that will help improve women's health.
- Use CPL's logistical chain, market access, and other resources to help set up agricultural cooperatives for rural communities, partic ularly for women, to grow and sell produce for income generation.
- Draw on CPL's reputation as a leader business in PNG and strong partnerships with others in the private sector to encouage philanthropic activity
- Agree on key areas of action (example community hygiene or percentage of women involved in activities) that will be reflected in a contract between CPL and its community partners.

FINANCIAL REPORT

Financial Report

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Notes to the Consolidated Financial Statements

Directors' Report

This report given by the Directors is in respect of the City Pharmacy Limited Group (the "Group" or "Consolidated Entity") consisting of City Pharmacy Limited (the "Company") and the entities it controlled at the end of, or during the financial year ended 31 December 2018.

The Directors

The persons who have been Directors of the Company at any time during or since the year end of the financial period and up to the date of this report are:

Graham John Dunlop	Non-Executive Chairman
Mahesh Patel	Managing Director (*from 01 March 2018*)
Peter John Aitsi	Non-Executive Director
Peter Robinson	Non-Executive Director
Joseph Barberis *(resigned 01 March 2018)*	Managing Director
Mary Handen *(appointed 21 March 2018)*	Non-Executive Director
Mary Ellen Johns *(appointed 21 March 2018)*	Non-Executive Director
Stanley Thomas Joyce *(appointed 21 March 2018)*	Non-Executive Director
Robert Baily (*resigned 02 May 2018*)	Non-Executive Director

Company secretary

Raman Kumar

Principal activities

City Pharmacy Limited operates primarily in Papua New Guinea with 57 stores and approximately 2,550 employees at year end. The principal activities of the Group during the year were:

- Wholesale and retail of supermarket goods, bakery and pharmaceutical products; and
- Wholesale and retail of hardware products.

The Group also participates in Joint Ventures whose principal activities comprise of:

- Retail clothing;
- Duty free products.

Consolidated results and review of operations

The net amount of consolidated profit/(loss) for the financial period after income tax expense attributable to members of the Company and its controlled entities was K6,633k (2017: (K31,912k)).

A review of the operations of the Group during the financial period and the results of those operations are set out in the Chairman's Report on page 1.

Dividends

The directors have decided that no dividend will be paid in 2018 (2017: Nil).

Significant changes in state of affairs

During the financial period there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Directors' Report

Directors' interest in shares
Particulars of the Directors' relevant interests in shares in the Company as at 31 December 2018 are disclosed in Note 22.

Meetings of directors
The table below sets out the number of Board meetings held during the financial period ended 31 December 2018 and the number of meetings attended by each Director.

There were seven meetings held during the year ended 31 December 2018.

Directors	Board Meetings attended
Graham John Dunlop	7
Mahesh Patel	6
Peter Robinson	5
Peter John Aitsi	4
Robert Baily	4
Mary Handen	4
Mary Ellen Johns	4
Stanley Thomas Joyce	4
Joe Barberis	1

Directors' remuneration
Disclosure has been made in Note 22.

Remuneration above K100,000 per annum
Disclosure has been made in Note 22.

For and on behalf of the Board of Directors

Director

Date: 03/04/2019

MPatel

Director

Date: 03/04/2019

Deloitte.

Deloitte Touche Tohmatsu

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Independent Auditor's Audit Report to the members of City Pharmacy Limited & its subsidiaries

Report on the Financial Report

Disclaimer of Opinion

We were engaged to audit the accompanying financial report of City Pharmacy Limited ("the Company") and its subsidiary companies ("the Group" or "the Consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report. Accordingly, we do not express an opinion as to whether the financial report of City Pharmacy Limited and its subsidiaries is in accordance with International Financial Reporting Standards and the Companies Act 1997, including giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period ended on that date.

Basis for Disclaimer of Opinion

In our disclaimer of opinion issued at the 31 December 2017 audit report, we stated that we were unable to form a conclusion on the balances disclosed in the consolidated statement of financial position as at 31 December 2017. Adjustments to the consolidated statement of financial performance, consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended 31 December 2018, may have been necessary, had we been able to satisfy ourselves as to the opening balances disclosed in the consolidated statement of financial position as at 31 December 2017. Whilst we have been able to obtain sufficient appropriate audit evidence in respect of the consolidated statement of financial position as at 31 December 2018,the impact of opening balances on the current period financial performance and cash flows prevents us from forming a conclusion on the financial statements taken as a whole.

In our Auditor's report on the financial report for the year ended 31 December 2017, we included a qualification in respect of insurance income receivable by the Group, which had been received by the Group between the period 31 March 2018 and 27 April 2018, and which should have been recorded as a receivable and as income in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income respectively as at and for the financial year ended 31 December 2017. Accordingly income of K14.516 million has been recorded under "Gerehu Fire Insurance" in the year ended 31 December 2018, relating to the insurance claim for plant and equipment and business interruption which should have been recorded as income in the year ended 31 December 2017.

Included in the Group's consolidated statement of financial position is property, plant and equipment which includes leasehold land carried at fair value of K10m (2017: K10m). The Group has received a valuation of the land from the Group's financiers, which was prepared for lending purposes, that values the land at K6.1m. In the absence of a current independent valuation, we have been unable to obtain sufficient

Deloitte

appropriate audit evidence to substantiate the carrying value of the leasehold land. As a result, we are unable to determine whether any adjustment might have been necessary in respect of the carrying value of the leasehold land.

Directors' Responsibility for the Financial Report

The Directors of the Group are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and the Companies Act 1997, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Company in accordance with the auditor independence requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on Other Legal and Regulatory Requirements

Due to the matters described in the Basis of Disclaimer of Opinion paragraph the Group has not maintained sufficient financial records in compliance with the Companies Act 1997.

During the year ended 31 December 2018 we did not provide any other services to City Pharmacy Limited and its subsidiaries.

Deloitte Touche Tohmatsu

Helen Hamilton-James

Registered under the Accountants Act 1996

Partner

3 April 2019

Directors' Declaration

The Directors' declare that:

a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) In the Directors' opinion, as a result of the fire which occurred in 2017, at the Group's head office location and destroyed many of the Group's accounting and statutory records, the attached Consolidated Financial Statements and notes thereto are not in full accordance with the Companies Act 1997 as the Group has not been able to maintain accurate books and records for the comparative financial year.

c) In the Directors' opinion, despite the limitations noted in b) above, the attached Consolidated Financial Statements and notes thereto are prepared in accordance with accounting standards and give a true and fair view of the financial position and performance of the Group.

Director

Date: 03/04/2019

Director

Date: 03/04/2019

Company Information

City Pharmacy Limited is a registered company under the Papua New Guinea Companies Act 1997 (Amended) and is incorporated and domiciled in Papua New Guinea.

Registered Office	**Allotment 33, Section 38** **Waigani Drive** **National Capital District** **Papua New Guinea** **Telephone +675 312 0000**
Directors	**Graham John Dunlop, Chairman** **Mahesh Patel, Managing Director** **Peter John Aitsi** **Peter Robinson** **Joe Barberis *(resigned 01 March 2018)*** **Mary Handen *(appointed 21 March 2018)*** **Mary Ellen Johns *(appointed 21 March 2018)*** **Stanley Thomas Joyce *(appointed 21 March 2018)*** **Robert Baily *(resigned 02 May 2018)***
Secretary	**Raman Kumar**
Auditors	**Deloitte Touche Tohmatsu** **Chartered Accountants** **PO Box 1275** **Port Moresby** **Papua New Guinea**
Bankers	**ANZ Banking Group Limited** **Bank of South Pacific Limited** **Westpac Bank PNG Limited**
Stock Exchange	**Port Moresby Stock Exchange (listing code: CPL)**
Brokers	**BSP Capital** **Kina Securities**
Share Register	**PNG Registries Limited**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		CONSOLIDATED		PARENT COMPANY	
	Notes	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Revenue	5	516,839	501,177	398,969	386,359
Cost of Sales		(353,680)	(348,158)	(267,527)	(263,942)
Gross Profit		**163,159**	**153,019**	**131,442**	**122,417**
Distribution Expenses		(8,978)	(8,642)	(5,002)	(4,625)
Marketing Expenses		(5,059)	(4,111)	(3,788)	(3,444)
Administration Expenses		(153,708)	(235,591)	(125,021)	(204,253)
Finance Costs	6	(2,567)	(6,863)	(1,816)	(5,473)
Other Income and Expenses	7	14,546	72,635	14,013	67,838
Profit from Joint Ventures	21	1,444	1,301	1,444	1,301
		(154,322)	**(181,271)**	**(120,170)**	**(148,656)**
Profit/(Loss) before Income Tax		**8,837**	**(28,252)**	**11,272**	**(26,239)**
Income Tax (Expense)/Benefit	13	(2,204)	(3,660)	(2,948)	644
Profit/(Loss) after Income Tax		**6,633**	**(31,912)**	**8,324**	**(25,595)**
Other Comprehensive Income					
Exchange differences on translating foreign operations		(341)	668	–	–
Gain on revaluation of Land & Buildings net of deferred tax		2,450	2,783	2,450	2,783
Total Comprehensive Income/(Deficit)		**8,742**	**(28,461)**	**10,774**	**(22,812)**
Profit/(Loss) for year is attributable to:					
Owners of the Parent		6,516	(32,060)	8,324	(25,595)
Non-Controlling Interest		117	148	–	–
		6,633	**(31,912)**	**8,324**	**(25,595)**
Total Comprehensive Income/(Deficit) for year is attributable to:					
Owners of the Parent		8,625	(28,742)	10,774	(22,812)
Non-Controlling Interest		117	281	–	–
		8,742	**(28,461)**	**10,774**	**(22,812)**
Earnings per share – basic and diluted (toea per share)		3.32	(22.26)		

Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 49 to 85.

Consolidated Statement of Financial Position

	Notes	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 (restated) Note 31 K'000	CONSOLIDATED 1 January 2017 K'000	PARENT COMPANY 2018 K'000	PARENT COMPANY 2017 (restated) Note 31 K'000	PARENT COMPANY 1 January 2017 K'000
ASSETS							
Cash and Cash Equivalents	24	32,667	13,866	7,606	26,942	11,565	5,683
Trade and Other Receivables	8	29,170	86,138	58,347	21,818	73,728	46,689
Inventories	9	84,235	67,938	97,751	50,695	42,317	67,554
Prepayments		5,914	7,357	7,973	5,003	6,201	5,970
Assets Held for Sale	12	–	27,872	–	–	19,872	–
Total Current Assets		**151,986**	**203,171**	**171,677**	**104,458**	**153,683**	**125,896**
Other Receivables	8	7,000	9,400	-	7,000	9,400	–
Related Party Receivables	10	87	753	640	28,872	13,259	5,309
Property, Plant and Equipment	11	69,030	56,845	122,947	56,900	53,219	108,767
Investments	21	4,788	3,689	5,992	22,689	5,794	29,497
Deferred Tax Assets	13	2,047	5,785	8,969	337	2,886	1,992
Income Tax Receivables		2,764	475	136	–	–	–
Goodwill	14	4,825	4,940	20,522	3,431	3,431	3,431
Total Non-Current Assets		**90,541**	**81,887**	**159,206**	**119,229**	**87,989**	**148,996**
TOTAL ASSETS		**242,527**	**285,058**	**330,883**	**223,687**	**241,672**	**274,892**
LIABILITIES							
Borrowings	15	4,123	64,186	23,558	4,123	58,562	15,353
Bank Overdraft	24	3,505	18,071	19,084	3,505	9,563	9,718
Trade and Other Payables	16	83,400	94,768	107,898	59,142	62,988	73,611
Related Party Payables		–	–	43	–	–	43
Lease Liabilities	18	–	1,564	2,023	–	433	1,228
Income Tax Liability		3,688	1,973	–	3,513	1,646	91
Employees Provisions	19	4,570	4,507	1,916	3,982	3,737	1,330
Total Current Liabilities		**99,286**	**185,069**	**154,522**	**74,265**	**136,929**	**101,374**
Borrowings		–	–	48,306	–	–	48,306
Related Party Payables	17	221	267	189	–	–	–
Other Payables	16	666	115	159	107	115	159
Deferred Tax Liabilities	13	3,835	6,442	10,145	3,123	5,792	9,292
Employee Provisions	19	5,469	5,853	5,497	4,701	5,115	4,833
Lease Liabilities		–	–	1,897	–	–	–
Total Non-Current Liabilities		**10,191**	**12,677**	**66,193**	**7,931**	**11,022**	**62,590**
TOTAL LIABILITIES		**109,477**	**197,746**	**220,715**	**82,196**	**147,951**	**163,964**
NET ASSETS		**133,050**	**87,312**	**110,168**	**141,491**	**93,721**	**110,928**
SHAREHOLDERS' EQUITY							
Issued Capital	23	70,867	33,871	21,897	70,867	33,871	21,897
Reserves	23	8,813	23,925	38,807	8,813	23,925	38,807
Share option reserve		–	–	1,327	–	–	1,327
Other Reserve	23	554	895	360	–	–	–
Retained Earnings	23	51,507	27,429	46,866	61,811	35,925	48,897
Equity attributable to Owners of the Parent		131,741	86,120	109,257	141,491	93,721	110,928
Non-Controlling Interest		1,309	1,192	911	–	–	–
TOTAL SHAREHOLDERS' EQUITY		**133,050**	**87,312**	**110,168**	**141,491**	**93,721**	**110,928**

Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 49 to 85.

Consolidated Statement of Changes in Equity

		Share Capital	Retained Earnings	Revaluation Reserve	Other Reserve	Share Option Reserve	Attributable to owners of the Parent	Non-Controlling Interest	Total
Group	**Notes**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
01 January 2017		21,897	46,866	38,807	360	1,327	109,257	911	110,168
Prior year adjustment (Note 31)		–	(5,042)	–	–	–	(5,042)	–	(5,042)
Movements 2017									
Issuance of Shares		10,647	–	–	–	–	10,647	–	10,647
Transfer of share option reserve	23	1,327	–	–	–	(1,327)	–	–	–
Transfer from revaluation reserve		–	17,665	(17,665)	–	–	–	–	–
Reversal of deferred tax liabilities		–	–	2,783	–	–	2,783	–	2,783
Other comprehensive income		–	–	–	535	–	535	133	668
Total comprehensive income for the year		–	(32,060)	–	–	–	(32,060)	148	(31,912)
31 December 2017		33,871	27,429	23,925	895	–	86,120	1,192	87,312
Movements 2018									
Issuance of Shares		36,996	–	–	–	–	36,996	–	36,996
Transfer from revaluation reserve		–	17,562	(17,562)	–	–	–	–	–
Reversal of deferred tax liabilities		–	–	2,450	–	–	2,450	–	2,450
Other comprehensive income		–	–	–	(341)	–	(341)	–	(341)
Total comprehensive income for the year		–	6,516	–	–	–	6,516	117	6,633
31 December 2018		70,867	51,507	8,813	554	–	131,741	1,309	133,050

Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 49 to 85.

Consolidated Statement of Changes in Equity (continued)

Parent Entity	Notes	Share Capital K'000	Retained Earnings K'000	Revaluation Reserve K'000	Share Option Reserve K'000	Total K'000
01 January 2017		21,897	48,897	38,807	1,327	110,928
Prior year adjustment (Note 31)		–	(5,042)	–	–	(5,042)
Movements 2017						
Issuance of Share		10,647	–	–	–	10,647
Transfer of share option reserve	23	1,327	–	–	(1,327)	–
Transfer from revaluation reserve		–	17,665	(17,665)	–	–
Reversal of deferred tax liabilities		–	–	2,783	–	2,783
Net income		–	(25,595)	–	–	(25,595)
31 December 2017		33,871	35,925	23,925	–	93,721
Movements 2018						
Issuance of Share		36,996	–	–	–	36,996
Transfer from revaluation reserve		–	17,562	(17,562)	–	–
Reversal of deferred tax liabilities		–	–	2,450	–	2,450
Net income		–	8,324	–	–	8,324
31 December 2018		70,867	61,811	8,813	–	141,491

Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 49 to 85.

Consolidated Statement of Cash Flows

		CONSOLIDATED		PARENT COMPANY	
	Notes	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Operating activities					
Cash receipts from customers		545,727	542,501	420,136	423,048
Cash paid to suppliers and employees		(549,596)	(590,598)	(413,510)	(469,403)
Cash generated from/(used in) operations		(3,869)	(48,097)	6,626	(46,355)
Interest received		146	6	288	2
Interest paid		(2,567)	(6,863)	(1,816)	(5,473)
Insurance claims received		61,920	68,323	61,125	67,414
Cash generated from operating activities	**24**	55,630	13,369	66,223	15,588
Investing activities					
Proceeds from sale of:					
Property, plant and equipment		22,533	–	21,064	–
Acquisition of:					
Property, Plant and equipment		(20,904)	(6,631)	(18,865)	(6,313)
Cash flows provided by/ (used in) investing activities		1,629	(6,631)	2,199	(6,313)
Financing activities					
Increase / (decrease) in:					
Lease liabilities		(1,564)	(2,355)	(433)	(794)
Borrowings		(60,064)	(7,678)	(54,439)	(5,097)
Related party loans		740	(79)	(29,111)	(7,994)
Share issuance		36,996	10,647	36,996	10,647
Cash flows from /(used in) financing activities		(23,892)	535	(46,987)	(3,238)
Net increase in cash and cash equivalents		33,367	7,273	21,435	6,037
Opening balance cash and cash equivalents		(4,205)	(11,478)	2,002	(4,035)
Closing balance cash and cash equivalents	**24**	29,162	(4,205)	23,437	2,002

Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 49 to 85.

Notes to the Consolidated Financial Statements

1. General Information

The Group is Papua New Guinea's largest retailing network. It has now established within the group and through joint ventures, six strong retail brands namely City Pharmacy, Stop N Shop, Boncafe, Hardware Haus, Jacks Retail and Prouds. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report.

The principal activities of the Company and its subsidiaries (the Group) are described in Note 4.

As at 31 December 2018, the Group has a combined retail operation of 57 stores nationwide and employs over 2,550 employees of which 95 percent are Papua New Guinean citizens.

2. Adoption of new and revised International Financial Reporting Standards(IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or before 1 January 2018. The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

2.1.1 IFRS 9 Financial Instruments

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Group has elected to restate comparatives in respect of the classification and measurement of financial instruments.
Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

Notes to the Consolidated Financial Statements (continued)

2.1.1 IFRS 9 Financial Instruments (Continued)

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically;

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- debt instrument that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI.
- all other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Directors of the Group reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has not had a significant impact on the financial position and/or financial performance of the Group.

Notes to the Consolidated Financial Statements (continued)

2.1.2 IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the government grant balances that are disclosed in note 59 and are not within the scope of IFRS 15.

The Group's accounting policies for its revenue streams are disclosed in detail. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture [2]

1. *Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted*
2. *Effective for annual periods beginning on or after a date to be determined*

2.2.1 IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.
The Group has chosen the full retrospective application of IFRS 16 in accordance with IFRS 16: C5(a). Consequently, the Group will restate the comparative information.

Notes to the Consolidated Financial Statements (continued)

2.2.1 IFRS 16 Leases (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Directors are still in the process of assessing the full impact of the application of IFRS 16 on the Group's consolidated financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. The Directors do not intend to early apply the standards and intend to use the full retrospective method upon adoption.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

2.2.2 Amendments to IFRS 10 and IAS 28 Sale or Contributions of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. Similarly, gains or losses resulting from the re-measurement of investment retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interest in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group do not anticipate that the application of these amendments will have an impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

3 Significant Accounting Policies

3.1 Statement of Compliance

The Consolidated Financial Statements of City Pharmacy Limited ('the Company'), its subsidiaries and joint ventures (together referred to as 'the Group') have been prepared in accordance with the accounting standards and the requirements of the Papua New Guinea Companies Act 1997 (Amended). The Financial Statements were authorised for issue by the Board of Directors on 14 March 2019.

3.2 Basis of preparation

The Consolidated Financial Statements are presented in Papua New Guinea Kina, and all values are rounded to the nearest thousand (K'000), except when otherwise indicated. The Consolidated Financial Statements have been prepared on the historical cost basis except for land and buildings that have been measured at fair value, as explained in the accounting policies.

The consolidated financial statements provide comparative information in respect of the previous period.

The accounting policies have been applied consistently to all periods presented in these Consolidated Financial statements, unless otherwise stated.

This section sets out the significant accounting policies upon which the Group's Financial Statements are prepared as a whole. Specific accounting policies are described in the respective notes to the Consolidated Financial Statements.

a) Foreign currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Papua New Guinea Kina ("PGK"), which is the Company's functional and presentation currency.

i) *Transactions and balances (entities with a functional currency of PGK)*

Foreign currency transactions are translated into PGK using the exchange rates at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to PGK at reporting date at the following rates:

Foreign currency amount	Applicable exchange rate
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities measured at historical costs	Date of transaction
Non-monetary assets and liabilities measured at fair value	Date fair value is determined

Foreign exchange differences arising on translation are recognised in profit or loss in the period in which they arise except items noted within paragraph (ii) below.

ii) Financial Statements of foreign operations (entities with a functional currency other than PGK)

The results and financial position of foreign operations are translated to PGK at the following exchange rates:

Foreign currency amount	Applicable exchange rate
Revenue and expenses of foreign operations	Average for the period
Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation	Reporting date
Equity items	Historical rates

The following exchange differences are recognised in other comprehensive income:

- Foreign currency exchange differences arising on translation of foreign operations; and
- Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

3.2 Basis of consolidation (continued)

b) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST, except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense or cost of the asset.

Receivables and payables are stated with the amount of GST included. The net amounts of GST recoverable from or payable to the taxation authorities are included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to taxation authorities are classified as operating cash flows.

The Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 31 December 2018.

Subsidiaries are all entities over which the Group has control.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Non-controlling interests in the equity are shown as a separate item in the Consolidated Financial Statements.

3.3 Going Concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to meet its liabilities and obligations as and when they fall due in the normal course of business for the foreseeable future.

At the date of this report the Directors are confident that the consolidated entity will be able to continue as a going concern given the following factors:

- Despite being in breach of certain covenants the Group continues to receive support from its two major banks.

- Despite a fall in sales arising from the difficult trading conditions in Papua New Guinea a realignment of pricing formulas in May 2018 has seen an improvement in gross profit margins throughout the business.

- The company had sold their three retail properties, the proceeds from which has reduced the bank debts.

- The rights issue raised additional capital of K36,996k. Funds were paid in by 16th February 2018 and shareholding on the Port Moresby Stock Exchange was updated on the same date.

- At the date of these financial statements the Company has received full payment for the inventory, Building, Plant and the Business Interruption claim to 31 May 2018. The Business Interruption policy provides cover till December 2018.

Notes to the Consolidated Financial Statements (continued)

3.4 Critical accounting estimates and judgements

In applying the Group's accounting policies, the Directors are required to make estimates, judgements and assumptions that affect the amounts recorded in these Financial Statements. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions and other factors that are believed to be reasonable under the circumstances and are reviewed on a regular basis. Actual results may differ from these estimates.

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following notes:

- Note 11 – Estimation of useful lives of assets;
- Note 14 – Impairment of non-financial assets;
- Note 9 – Inventories provisioning;
- Note 8 – Receivables loss allowance;

Group Performance

4. Segment Disclosures

Operating Segment Reporting

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance.

The Group has two reportable segments. These business units offer different products and services and are managed separately because they require different technology and marketing strategies. The Group's reportable segments are as follows:

	Total Assets	Total Liabilities	Turnover	Net Profit after tax
2018	**K'000**	**K'000**	**K'000**	**K'000**
Retail	232,403	109,418	520,540	1,285
Wholesale and tender	10,124	59	27,885	5,348
	242,527	**109,477**	**548,425**	**6,633**

	Total Assets	Total Liabilities	Turnover	Net (Loss)/Profit after tax
2017	**K'000**	**K'000**	**K'000**	**K'000**
Retail	266,889	196,931	546,283	(38,629)
Wholesale and tender	23,211	815	33,408	6,717
	290,100	**197,746**	**579,691**	**(31,912)**

Turnover includes revenue of K516,839k (2017: K501,177k), rental income of K4,638k (2017: K5,295k), other & rebate income of K5,051k (2017: K4,888k) and insurance claims K21,897k (2017: K68,499k).

Geographical information

The Group operates predominantly in Papua New Guinea.

Notes to the Consolidated Financial Statements (continued)

5. Revenue

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Retail and wholesale revenue	516,839	501,177	398,969	386,359

Significant Accounting Policies

Revenue is measured at the fair value of consideration received or receivable on the basis that it meets the recognition criteria, set out as follows:
Revenue from the sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

The Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points being obtained. Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value.

6. Finance Costs

Significant Accounting Policies

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

7. Other Income and Expenses

Operating profit for the year is stated after the following (income) / expense items.

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Auditors' remuneration	616	526	381	300
Depreciation (Note 11)	10,440	10,768	8,906	7,938
Increase / (Decrease) in provisions:				
Employee entitlements	(321)	(1,703)	(169)	(1,749)
Loss allowance	(4,126)	1,475	(66)	100
Inventory	(802)	(2,094)	(532)	(1,000)
Insurance recovery	(21,897)	(68,499)	(21,897)	(67,414)
(Profit) on disposal of fixed assets	(1,204)	(3)	(1,204)	(3)
Goodwill impairment *(Note 14)*	–	15,582	–	–
Impairment on Investment *(Note 21)*	–	2,557	–	21,979
Write off of Fixed Assets and Inventory	4,714	56,580	4,228	56,580
Rental income	(4,638)	(5,295)	(1,968)	(2,241)
Rebates from suppliers	(2,302)	(3,132)	(2,302)	(2,125)
Other Income	(2,749)	(1,756)	(2,103)	(1,345)
Foreign exchange gain	(3,778)	(4,510)	(2,714)	(4,099)

Notes to the Consolidated Financial Statements (continued)

7. *Other Income and Expenses (continued)*

Significant Accounting Policies

Depreciation – Refer to Note 11 for details on depreciation and amortisation respectively.
Employee entitlements - Refer to Note 19 for details on employee entitlements
Loss allowance - Refer to Note 8 for details on *loss allowance*.
Insurance income - Refer to Note 29 for details on insurance income.
Rental income - Rental income arising from operating leases on property and sub-leases to various tenants are accounted for on a straight-line basis over the lease terms.

Assets and Liabilities

8. *Trade and Other Receivables*

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Trade Receivables	17,446	40,379	10,295	26,303
Other Receivables (i)	19,810	60,371	18,633	57,001
Total Receivables	37,256	100,750	28,928	83,304
Less: Loss allowance	(1,086)	(5,212)	(110)	(176)
Net Receivables	36,170	95,538	28,818	83,128

i) A fire occurred at the Gerehu Head office on 18th June 2017. The insurance receivable disclosure is included in Note 29.

Aging analysis of trade receivables

The general credit period on sales of goods is 30 to 90 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

8. Trade and Other Receivables (continued)

CONSOLIDATED	Not past due	Past due not impaired	Impaired	Total
2018	**K'000**	**K'000**	**K'000**	**K'000**
Balance as at 31 December 2018	11,934	4,426	1,086	17,446
Loss allowance	-	-	(1,086)	(1,086)
Total Trade Receivables	**11,934**	**4,426**	-	**16,360**
2017	**K'000**	**K'000**	**K'000**	**K'000**
Balance as at 31 December 2017	19,166	16,001	5,212	40,379
Loss allowance	-	-	(5,212)	(5,212)
Total Trade Receivables	**19,166**	**16,001**	-	**35,167**

PARENT	Not past due	Past due not impaired	Impaired	Total
2018	**K'000**	**K'000**	**K'000**	**K'000**
Balance as at 31 December 2018	4,446	5,849	110	10,405
Loss allowance	-	-	(110)	(110)
Total Trade Receivables	**4,446**	**5,849**	-	**10,295**
2017	**K'000**	**K'000**	**K'000**	**K'000**
Balance as at 31 December 2017	11,797	14,506	176	26,479
Loss allowance	-	-	(176)	(176)
Total Trade Receivables	**11,797**	**14,506**	-	**26,303**

As at 31 December, movements for loss allowance:

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	**2017 K'000**	**2018 K'000**	**2017 K'000**
Balance at the beginning of the year	5,212	3,737	176	76
Impairment recognised on receivable	(4,126)	1,475	(66)	100
Balance at the end of the year	1,086	5,212	110	176

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

8. Trade and Other Receivables (continued)

Breakdown of other receivables is as follows:

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Medical claims	41	1,076	39	1,075
Insurance claims	528	40,160	528	39,366
Employee loans	36	28	35	21
GST receivable	4,589	1,719	4,491	1,354
Freight and duty advances	471	411	467	411
Landlord development costs	9,400	11,800	9,400	11,800
Other	4,745	5,177	3,673	2,974
Total Other Receivables	19,810	60,371	18,633	57,001

Landlord development costs pertains to redevelopment of the Harbour city and Koki supermarkets cost of structural nature which were incurred on behalf of the landlord. These cost will be recouped from lease payments due over the seven-year term of the lease.

Significant Accounting Policies

Trade and other receivables

Trade and other receivables are stated at cost less loss allowance. Trade and other receivables are non-interest bearing and are generally on credit terms of 30 to 90 days.

Loss allowance

The Group assesses, at each reporting date, whether there is objective evidence that trade and other receivables are impaired. Trade and other receivables are deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows that can be reliably estimated. Evidence of impairment may include indications that a company is experiencing significant financial difficulty or there is a probability that they will enter into bankruptcy

9. Inventories

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Inventory for resale	91,058	75,563	54,283	46,437
Provision for inventory shrinkage	(6,823)	(7,625)	(3,588)	(4,120)
	84,235	67,938	50,695	42,317

Significant Accounting Policies

Inventory for resale and consumable materials are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bringing them to their existing condition, and net realisable value. Costs of inventories are determined on a weighted average basis. Due to the nature of the business environment and operations, a provision for stock shrinkage has been made based on past experience.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

10. *Related Party Receivables*

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Pharmacy Wholesalers Pty Limited	–	–	579	579
Jacks Retail (PNG) Limited	68	88	68	88
Hardware Haus Limited	–	–	28,206	11,927
Paradise Cinemas (PNG) Limited	–	621	–	621
DFS (PNG) Limited	19	44	19	44
	87	753	28,872	13,259

Related Party Receivables bear no interest and have no fixed terms of repayment. These consist of ordinary advances made by the Company to these entities to conduct business.

11. *Property, Plant and Equipment*

Parent Company	Land and Buildings at Fair Value	Motor Vehicle	Office Equipment and Furniture and Fixture	Total
2018	K'000	K'000	K'000	K'000
Cost	10,000	11,377	66,378	87,755
Less: Accumulated depreciation / amortisation	-	(6,427)	(24,428)	(30,855)
Carrying amount at the end of the period	10,000	4,950	41,950	56,900
Movement:				
Carrying amount at start of period	21,227	2,639	34,395	58,261
Additions	-	3,953	14,912	18,865
Disposals	(3,100)	(237)	(7,983)	(11,320)
Depreciation / Amortisation	(344)	(1,405)	(7,157)	(8,906)
Transfers –(Reclassification)	(7,783)	-	7,783	-
Carrying amount at the end of the period	10,000	4,950	41,950	56,900

Parent Company	Land and Buildings at Fair Value	Motor Vehicle	Office Equipment and Furniture and Fixture	Total
2017	K'000	K'000	K'000	K'000
Cost	18,379	9,302	64,599	92,280
Less: Accumulated depreciation / amortisation	(614)	(6,663)	(31,784)	(39,061)
Carrying amount at the end of the period	17,765	2,639	32,815	53,219
31 December 2017	21,227	2,639	34,395	58,261
Prior period adjustments (Note 31)	(3,462)	-	(1,580)	(5,042)
As adjusted	17,765	2,639	32,815	53,219
Movement:				
Carrying amount at start of period	62,091	3,457	43,219	108,767
Additions	-	918	5,395	6,313
Disposals (i)	(43)	(37)	(76)	(156)
Depreciation / Amortisation	(1,144)	(981)	(5,813)	(7,938)
Prior period adjustments (Note 31)	(3,462)	-	(1,580)	(5,042)
Assets Written Off (i)	(19,805)	(718)	(8,330)	(28,853)
Transfer to Assets Held for Sale 12	(19,872)	-	-	(19,872)
Carrying amount at the end of the period restated	17,765	2,639	32,815	53,219

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

11. Property, Plant and Equipment (continued)

Group		Land and Buildings at Fair Value	Motor Vehicle	Office Equipment and Furniture and Fixture	Total
2018		K'000	K'000	K'000	K'000
Cost		18,000	18,515	80,438	116,953
Less: Accumulated depreciation / amortisation		-	(13,133)	(34,790)	(47,923)
Carrying amount at the end of the period		18,000	5,382	45,648	69,030
Movement:					
Carrying amount at start of period		22,450	3,410	36,027	61,887
Additions		-	4,070	17,532	21,602
Disposals		(3,339)	(237)	(8,443)	(12,019)
Depreciation / Amortisation		(344)	(1,861)	(8,235)	(10,440)
Transfer from Assets held for sale	12	8,000	-	-	8,000
Transfers –(Reclassification)		(8,767)	-	8,767	-
Carrying amount at the end of the period		18,000	5,382	45,648	69,030

Group		Land and Buildings at Fair Value	Motor Vehicle	Office Equipment and Furniture and Fixture	Total
2017		K'000	K'000	K'000	K'000
Cost		22,927	16,427	75,607	114,961
Less: Accumulated depreciation / amortisation		(3,939)	(13,017)	(41,160)	(58,116)
Carrying amount at the end of the period		18,988	3,410	34,447	56,845
31 December 2017		22,450	3,410	36,027	61,887
Prior period adjustments (Note 31)		(3,462)	-	(1,580)	(5,042)
As adjusted		18,988	3,410	34,447	56,845
Movement:					
Carrying amount at start of period		72,171	4,930	45,846	122,947
Additions		-	918	5,713	6,631
Disposals		(43)	(32)	(123)	(198)
Depreciation / Amortisation		(2,001)	(1,688)	(7,079)	(10,768)
Prior period adjustments (Note 31)		(3,462)	-	(1,580)	(5,042)
Assets Written Off (i)		(19,805)	(718)	(8,330)	(28,853)
Transfer of Assets held for sale	12	(27,872)	-	-	(27,872)
Carrying amount at the end of the period restated		18,988	3,410	34,447	56,845

i) Assets written off as a result of the Gerehu fire amount to K24,600k in the year 2017, details of which are in Note 29. The remaining balance relates to preoperative expenditures related to various projects.

The above assets are held as security for various loans with banks, refer to Note 15 for the details of these loans.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

11. Property, Plant and Equipment (continued)

Significant Accounting Policies

Leased assets

Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation (refer to Note 18).

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Property, Plant and Equipment

Carrying amount:

With the exception of land and buildings, property, plant and equipment are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Depreciation

Depreciation is calculated on a diminishing balance basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Office equipment	5 - 12 years
Motor vehicles	3 - 8 years
Fixtures, fittings and equipment	5 - 10 years

Revaluation of land and buildings

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Critical accounting estimates

Estimation of useful life of assets

Estimates of remaining useful lives require significant management judgement and are reviewed at least annually. Where useful lives are changed, the net written-down value of the asset is depreciated or amortised from the date of the change in accordance with the revised useful life. Depreciation recognised in prior financial years is not changed. Reasonably possible changes in estimated useful lives are unlikely to have a material impact as the change is assessed for specific assets.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

11. Property, Plant and Equipment (continued)

Significant Accounting Policies (continued)

Fair Value measurement of the Group's freehold land and buildings

The Group's freehold land and building are stated at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2016 were performed by GDA Pacific and Yagur Property Valuers, independent valuers are not related to the Group. The Valuers are member of the Institute of Valuers and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties/other methods. The fair value of the building was determined using capitalisation and direct comparison on a per square metre rate for the building area.

As at 31 December 2018, Land and Building are carried at revalued amount as at last valuation carried out in 2016 as management do not believe there has been a significant change in market conditions that would give rise to a material impact to the value.

Impairment

Property, plant and equipment

Property, plant and equipment is revalued when there is an indication that the asset may be impaired (assessed at each reporting date) or when there is an indication that a previously recognised impairment may have changed.

12. Assets Held for Sale

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Land and Buildings	-	27,872	-	19,872

The Company sold 3 properties in Boroko, Lae and Mount Hagen in July 2018 on a sale and lease back arrangement. No impairment loss was recognised on the land and buildings as at 31 December 2018 as the Directors of the Company expect that the fair value (estimated based on the recent market prices of similar properties in similar locations) less costs to sell is higher than the carrying amount. The Group does not intend to dispose of the Lae Distribution Property and reclassified the assets held for sale to property, plant and equipment.

Significant Accounting Policies

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture. After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

13. Taxation

Income tax recognised in the Statement of Profit or Loss and Other Comprehensive income

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Current tax	(107)	1,982	1,867	1,555
Deferred tax	2,311	1,678	1,081	(2,199)
Income tax expense / (benefit)	2,204	3,660	2,948	(644)

Reconciliation between tax expense and profit before income tax

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Profit /(Loss)before tax	8,837	(28,252)	11,272	(26,239)
Tax for the year at 30%	2,651	(8,476)	3,381	(7,872)
Income from associates	(575)	(390)	(575)	(390)
Future Income Tax benefit previously recognised now written off	–	6,619	–	–
Write off of preoperative expenses	–	373	–	373
Impairment of assets	–	4,709	–	6,420
Investment write off	142	767	142	767
Vehicles & forklifts burnt in the Gerehu fire which cannot be claimed under Insurance	–	(72)	–	(72)
Other Non-deductible expenses	(14)	130	–	130
Income tax expense / (benefit)	2,204	3,660	2,948	(644)

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

13. Taxation (continued)

Deferred tax balances recognised in the Statement of Financial Position

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Deferred tax assets				
Loss allowance	325	1,445	33	53
Provision for inventory losses	2,047	2,281	1,076	1,236
Provision for employee benefits	3,047	2,797	2,638	2,374
Others	(2,951)	(220)	(2,989)	(259)
Fixed assets	(421)	(518)	(421)	(518)
	2,047	5,785	337	2,886
Deferred tax liabilities				
Prepaid expenses	(2,743)	(2,239)	(2,031)	(1,590)
Lease liability	(1,377)	(1,269)	(1,377)	(1,268)
Unrealised foreign gain	55	90	55	90
Revaluation gain	230	(3,024)	230	(3,024)
	(3,835)	(6,442)	(3,123)	(5,792)
Net Deferred taxes	(1,788)	(657)	(2,786)	(2,906)

Significant Accounting Policies

Income tax in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period presented comprises current and deferred tax.

Current tax
Income tax payable represents the amount expected to be paid to taxation authorities on taxable income for the period, using tax rates enacted at the reporting date and any adjustment to tax payable in respect of the previous years.

Deferred tax
Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled or asset realised, based on tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on net basis.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

14. Goodwill

	CONSOLIDATED	PARENT COMPANY
	K'000	K'000
Net Carrying Value 31 December 2017	4,940	3,431
Other adjustments	(115)	–
Net Carrying value 31 December 2018	**4,825**	**3,431**

Significant Accounting Policies

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of non-financial assets:

The carrying amounts of the Group's goodwill is reviewed for impairment at least annually and when there is an indication that the asset may be impaired.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use ("VIU") and its fair value less costs to dispose ("FVLCTD").

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Impairment losses recognised in respect of the CGU will be allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis to their carrying amounts.

Key assumptions

Key assumptions used in determining the recoverable amount of assets include expected future cash flows, long-term growth rates (terminal value assumptions) and discount rates.

In assessing VIU, estimated future cash flows are based on the Group's latest internal forecasts reviewed by the Board covering a period not exceeding five years. Cash flows beyond the forecast period are extrapolated using estimated long-term growth rates.

In assessing FVLCTD, estimated future cash flows are based on the Group's latest Board approved strategic plan. Cash flow forecasts beyond the period covered by the strategic plan are based on estimated long-term growth rates.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

* City Pharmacy Limited
* Pharmacy Wholesalers Limited

City Pharmacy Limited

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of 15% per annum (2017: 18 to 24%).

Cash flow projections during the budget period are based on the same expected gross margin and inventories price inflation throughout the budget period. The cash flow beyond that five year period have been extrapolated using a steady 5% (2017: 6%) per annum growth rate which is the projected long-term average growth rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

14. Goodwill (continued)

Pharmacy Wholesalers Limited

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five year period, and a discount rate of 14% per annum.

Cash flow projections during the budget period are based on the same expected gross margin and inventories price inflation throughout the budget period. The cash flow beyond that five year period have been extrapolated using a steady 5% per annum growth rate which is the projected long-term average growth rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Recoverable amount calculations

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

15. Borrowings

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Current				
Fully drawn borrowings	4,123	64,186	4,123	58,562
Finance Lease Liabilities (Note 18)	–	1,564	–	433
Total current borrowings	4,123	65,750	4,123	58,995
Total borrowings	4,123	65,750	4,123	58,995

Bank facilities and security

- In 2011, the Company entered into a multi - option facility with Westpac Bank PNG Limited that includes loans, overdraft and assistance for documentary letters of credit to finance import payments into PNG.
  The loan is secured by the following:
  - Various Registered Mortgage Deeds
  - Fixed and floating charge over all Company assets and undertakings
  - Carrying value of motor vehicles as security over leases
  - Deed of Cross Guarantee
  - Master Lease Agreement

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

15. Borrowings (continued)

- As at 31 December 2018, the Company had an overdraft balance of K3,505k.
- In March 2014, the Company entered into a 7 year loan agreement with Westpac Bank PNG Limited for K14,000k. The Company has paid interest only for 2 years without repaying any principal amount. The Company commenced repayment of principal and interest in the third year. The interest rate is fixed. The loan is secured by a mortgage over all CPL properties. As at 31 December 2018, the carrying value of this loan amounted to KNil (2017: K10,690k).
- The Company also has a finance lease facility with Westpac Bank PNG Limited. The bank is first mortgagee to all Company assets and undertakings. The interest rate is fixed. As at 31 December 2018, the carrying value of the lease finance amounted to KNil (2017: K420k).
- In August 2015, the Company entered into a 5 years loan agreement with ANZ Banking Group Limited for K16,600k for the acquisition of Hardware Haus Limited. As per facility agreement dated 20 November 2017, the revised facility limit was set at K10,050k. The interest rate is fixed. As at 31 December 2018, the carrying value of the loan amounted to K4,123k (2017: K9,600k). This loan was repaid in January 2019.
- In October 2015, the Company entered into a 7 years loan agreement with Westpac Bank PNG Limited for K35,100k for capital expenditure and development of Harbour City and Koki supermarkets with an arrangement of interest only for one year. The loan was drawdown in 2016. The interest rate is fixed. As at 31 December 2018, the carrying value of the loan amounted to KNil (2017: K35,400k).
- In November 2016, the Company entered into a 5 years loan agreement with Westpac Bank PNG Limited for K3,000k for refinancing of Paradise Cinema's loan. The interest rate is fixed. As at 31 December 2018, the carrying value of the loan amounted to KNil (2017: K2,460k).
- As per the revised facility agreement with ANZ Banking Group Limited dated 20 November 2017, Hardware Haus Limited entered into an overdraft facility with ANZ Banking Group Limited, with facility limit of K10,000k. As at 31 December 2018, the overdraft balance was KNil (2017: K9,400k).
- Hardware Haus Limited also renewed facility agreement with ANZ Banking Group Limited on 20 November 2017, with regard to a fully drawn advance facility of K4,500k. As at 31 December 2018, the loan balance was KNil (2017: K4,460k).
- Hardware Haus Limited also renewed a lease asset finance facility with a limit of K1,200k. As at 31 December 2018, Hardware Haus Limited had a lease balance of KNil (2017: K1,130k).

The Group breached only one covenant for ANZ Banking Group Limited and Westpac Bank PNG Limited at the year end 31 December 2018 and is currently in negotiations with financiers. All bank borrowings have been classified as current as a result.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

16. Trade and Other Payables

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Trade Payables	67,100	74,804	48,595	51,280
Other Payables and accruals	16,300	19,964	10,547	11,708
Security Bond	666	115	107	115
	84,066	94,883	59,249	63,103
Current	83,400	94,768	59,142	62,988
Non – Current	666	115	107	115
	84,066	94,883	59,249	63,103

Breakdown of other payable is as follows:

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Advance payments received	4,774	6,015	251	1,120
Withholding Taxes	3,445	560	3,265	529
Accruals	6,469	11,702	5,660	8,793
Wages payable	–	184	–	–
Other	1,612	1,503	1,371	1,266
Total Other Payables	16,300	19,964	10,547	11,708

17. Related Party Payables

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Pharmacy Wholesalers Pty Limited	221	267	–	–

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

18. Finance Lease Liabilities

Refer to Note 11 for accounting policy on finance Leases.

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Minimum Lease Payments				
Within one year	–	1,636	–	463
	–	1,636	–	463
Less: Future Finance Charges	–	(72)	–	(30)
Present Value of Minimum Lease Payments	–	1,564	–	433
Present Value of Minimum Lease Payments				
Within one year	–	1,564	–	433
	–	1,564	–	433

19. Employee Provisions

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Current	4,570	4,507	3,982	3,737
Non-current	5,469	5,853	4,701	5,115
	10,039	10,360	8,683	8,852

Significant Accounting Policies

Employee Provisions

A Provision is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and leave fares when it is probable that settlement will be required and they are capable of being measured reliably. Provisions recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

20. Financial Instruments

Significant Accounting Policies

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Amortised cost and effective interest method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 7).

Refer to Note 7 and 8 for details.

Impairment of financial assets

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(ii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

Assets and Liabilities

20. Financial Instruments (continued)

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

As at 31 December 2018 the Groups' other financial liabilities were Trade and Other Payables, Related Party Payables, Bank Overdraft and Borrowings. Refer to Note 15, Note 16 and Note 17 for details

Group Structure, Capital Structure, Financing and Risk Management

21. Investments

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Subsidiaries – At cost	–	–	17,901	2,105
Joint Ventures – Equity method	4,788	3,689	4,788	3,689
	4,788	3,689	22,689	5,794

Subsidiaries				PARENT COMPANY	
	Country	% held 2018	% held 2017	2018 K'000	2017 K'000
Pharmacy Wholesalers Pty Limited	Australia	71%	80%	2,105	2,105
Hardware Haus Limited	PNG	100%	100%	15,796	–
				17,901	2,105

Joint Ventures					
	Country	% held 2018	% held 2017	2018 K'000	2017 K'000
Paradise Cinemas (PNG) Limited	PNG	46.2%	46.2%	-	474
Jacks Retail (PNG) Limited	PNG	50%	50%	3,276	2,014
DFS (PNG) Limited	PNG	50%	50%	1,512	1,201
				4,788	3,689

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

21. Investments (continued)

The following table illustrates the summarised financial information of the Group's investment in Joint Ventures.

	2018 K'000	2017 K'000
Total Assets	19,375	23,936
Total Liabilities	(9,413)	(12,284)
Net Assets	9,962	11,652
Total Revenue	31,783	32,293
Total Profit / (Loss) of the Joint Ventures	(1,876)	2,500
Group's share of Profit / (Loss) of Joint Ventures	1,444	1,301

Significant Accounting Policies

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

22. Related Party Disclosure

Related parties are considered to be enterprises or individuals with whom the Company and the Group is especially related because either they or the Company are in a position to significantly influence the outcome of transactions entered into with the company and the group, by virtue of being able to control, dominate or participate in a fiduciary capacity in decision making functions or processes. A number of transactions are entered into with these related parties in the normal course of business. These transactions are carried out on commercial terms and market rates.

Transactions with Subsidiaries and Joint Ventures

Transactions with Hardware Haus Limited, a wholly owned subsidiary are based on commercial arrangements. The Company's total sales to Hardware Haus Limited in 2018 were K419k (2017: K155k) while purchases were K824k (2017: K92k). As at 31 December 2018, the Company has a receivable from Hardware Haus Limited of K28,206k (2017: K11,927k).

The Company provides administration assistance to Pharmacy Wholesalers Pty. Limited, a subsidiary. The Company has a receivable from Pharmacy Wholesalers Pty. Limited of K579k (2017: K579k).

The Company provides administration assistance to Paradise Cinemas (PNG) Limited, a joint venture. As at 31 December 2018, the Company has a receivable from Paradise Cinemas (PNG) Limited of KNil (2017: K621k).

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

22. Related Party Disclosure (continued)

The Company provides administration assistance to DFS (PNG) Limited, a joint venture. As at 31 December 2018, the Company has a receivable from DFS (PNG) Limited of K19k (2017: receivable K44k).

The Company provides administration assistance to Jacks Retail (PNG) Limited, a joint venture. As at 31 December 2018, the Company has a receivable from Jacks Retail (PNG) Limited of K68k (2017: receivable K88k).

Director related entities

Mahesh Patel is a director of New World Limited, Fiji a supplier to the company. In 2018, City Pharmacy Limited's total stocks purchased from New World Limited, Fiji was K30k (2017: K Nil). The Company has a receivable amount of KNil (2017: K7k) at the year end.

Mahesh Patel is a related party of U.S. All American ENT.INC. USA a supplier to the company. In 2018, City Pharmacy Limited's total stocks purchased from U.S. All American ENT.INC USA was K3,316k (2017: K1,382k). The Company has payable amount of K319k (2017: K86k) at the year end.

Transactions with directors

Mahesh Patel is a shareholder and director of the Company and receives a remuneration, accommodation and use of a motor vehicle from the Company.

Due from / (to) key management personnel

During the year, the key management personnel who are non-Company directors received advances from the Company amounting to K154k (2017: K159k). As at 31 December 2018, the balance owed to the Company is K4k (2017: K8k) which is to be repaid in 2019.

Remuneration of the Directors and key management officers

The total remuneration paid to Directors and key management officers during the year was K8,091k and consisted of fixed directors' fees, salaries and fees and non-monetary benefits* as follows:

	2018 K'000	2017 K'000
Short-term employment benefits	8,091	9,486

In the current year, the Company does not have post-employment benefits, other long-term benefits and termination benefits for its directors and employees.

*Non-monetary benefits relate to provision of accommodation, motor vehicle, etc.

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

22. Related Party Disclosure (continued)

Remuneration by Director:

	2018 K'000	2017 K'000
Mahesh Patel	735	613
Peter John Aitsi	154	151
Graham John Dunlop	279	150
Anthony Smare (resigned Dec 2017)	-	151
Robert Baily (resigned 2 May 2018)	65	140
Joseph Barberis (resigned 1 March 2018)	520	1,151
Peter Robinson	154	150
Mary Handen (appointed 21 March 2018)	101	-
Mary Ellen Johns (appointed 21 March 2018)	101	-
Stanley Thomas Johns (appointed 21 March 2018)	101	-

In addition, Joseph Barberis was a full-time employee starting from 5 June 2017 and ending 1 March 2018 and received the benefit of fully provided vehicle, accommodation and air fares, the value of which is included above.

Mahesh Patel is a full-time employee starting from 1 March 2018 and received the benefit of fully provided vehicle, accommodation and air fares, the value of which is included above.

Remuneration of employees

	2018	2017
K80,001 - K100,000	3	23
K100,001 - K200,000	68	35
K200,001 - K300,000	13	11
K300,001 - K400,000	11	6
K400,001 - K500,000	3	3
K500,001 - K600,000	2	4
K600,001 - K700,000	1	1
K700,001 - K800,000	1	3
K800,001 - K900,000	5	2
K1,200,001 - K1,300,000	1	1
K1,300,001 - K1,400,000	1	–
K1,400,001 - K1,500,000	–	1
K1,700,001 - K1,800,000	–	1
	109	91

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

22. Related Party Disclosure (continued)

Interest Register

Name of Director	Interest / Position	Name of entity
Mahesh Patel	Director / Shareholder	Mainsbridge Pty. Limited, Australia
	Director	New World Limited , Fiji
	Shareholder	Manu Nominees Pty. Limited,Australia
	Director / Shareholder	Amar Business Holding Pte Limited, Singapore
	Related to Director	U.S. All American ENT.INC.USA
Peter John Aitsi	Director	PNG FM Limited
	Director / Shareholder	RBC Holdings Limited
	Director	Leadership PNG
	Director	Steamships Trading Company Limited
	Director	Newcrest PNG Limited
	Deputy Chairman	Kumul Consolidated Holdings
	Sr Vice President	PNG Chamber of Mines & Petroleum
	Director	PNG FM Limited
Graham John Dunlop	Director	Steamships Trading Company Limited
	Director	Mainland Holdings Limited
Robert Baily(Resigned 02 May 2018)	Director	7 - Eleven Stores Pty. Limited, Australia
		Starbucks Australia Advisory Board, Australia
Peter Robinson	Chairman	Australian Pharmaceuticals Industries Limited, Australia
	Chairman	Clover Corporation Limited, Australia
Mary Handen (appointed 21 March 2018)	Director / Shareholder	KBS Network Limited
	Director / Shareholder	Jedjays Limited
Mary Ellen Johns (appointed 21 March 2018)	Company Secretary	Bank of South Pacific Limited
	Committee member	Oil Search Limited
	Committee member	Men's National Soccer League
	Treasurer	PNG Women Lawyers Association Inc.
	Secretary	Capital Rugby Union
	Chairman	Leadership PNG Inc.
Stanley Thomas Johns (appointed 21 March 2018)	Director	South Pacific Brewery Limited
	Director	Solomon Islands Brewery
	Director	Mainland Holdings Limited
	Director	Westpac Bank PNG Limited

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

22. Related Party Disclosure (continued)

Shareholdings of Directors and Related Parties

Related party	Number of shares in the Company	% holding
Amar Business Holdings Pte Limited, Singapore	21,280,712	10.64%
New World Limited, Fiji	13,887,857	6.94%
Mainsbridge Pty. Limited, Australia	3,152,846	1.58%
Mahesh Patel	10,124,395	5.06%
Manu Nominees Pty. Limited, Australia	3,000,000	1.50%

23. Equity

Share capital

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Balance at beginning of year	33,871	21,897	33,871	21,897
New share issue:				
Various Shareholders	36,996	10,647	36,996	10,647
Employee share-option	-	1,327	-	1,327
Balance at end of year	70,867	33,871	70,867	33,871

In accordance with the provisions of the Companies Act 1997, the share capital does not have a par value. In accordance with the provisions of the constitution, the Board of directors of the Company may issue shares at its discretion.

Total number of shares on issue as at 31 December 2018: 199,972,219 (2017: 143,381,461)

Revaluation reserve

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Balance at beginning of year	23,925	38,807	23,925	38,807
Reversal of revaluation reserve on Gerehu property	(17,562)	(17,665)	(17,562)	(17,665)
Reversal of Deferred Tax Liabilities	2,450	2,783	2,450	2,783
Balance at end of year	**8,813**	**23,925**	**8,813**	**23,925**

The property revaluation reserve arises on the revaluation of land and buildings. When the revalued land and buildings are sold, the portion of the property revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the property revaluation reserve will not be reclassified subsequently to profit or loss.

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

23. Equity (continued)

Foreign currency translation reserve

	CONSOLIDATED	
	2018 K'000	2017 K'000
Balance at beginning of year	895	360
Exchange differences arising on translating the foreign operations	(341)	535
Balance at end of year	**554**	**895**

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (PNG Kina) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations) are reclassified.

Share option reserve

The group operated a share base payment scheme. The purpose of this scheme was to assist in the reward, retention and motivation of key management personnel and align the interest of management and shareholders.

There were no share options over shares in the company granted to employees in 2018 and no outstanding options which had not vested as at 31 December 2018.

Significant Accounting policies

Share-based payments

Senior executive employees are entitled to participate in a share ownership scheme. The fair value of share rights provided to senior executive employees as share-based payments is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and is recognised over the period the services are received being the expected vesting period during which the senior executive employees would become entitled to exercise their share rights.

Share option reserve comprises the fair value of the share-based payment scheme during the vesting period.

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

23. Equity (continued)

Retained earnings and dividends on equity instruments

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 (restated) Note 31 K'000	2018 K'000	2017 (restated) Note 31 K'000
Retained earnings	51,507	27,429	61,811	35,925
Balance at beginning of year	27,429	41,824	35,925	43,855
Movement during the period				
Profit attributable to owners of the Company	6,516	(32,060)	8,324	(25,595)
Reversal of revaluation reserve of properties	17,562	17,665	17,562	17,665
Balance at end of year	51,507	27,429	61,811	35,925

In view of the challenging economic situation, and investments in store upgrades and the new distribution centre re-build, the directors declared through a market announcement on 15 March 2019 that no dividend be paid.

24. Cash and Cash Equivalents

Reconciliation of Cash

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Cash at bank	11,960	13,866	6,474	11,565
Fixed Deposits	20,707	–	20,468	–
Bank overdraft	(3,505)	(18,071)	(3,505)	(9,563)
	29,162	**(4,205)**	**23,437**	**2,002**

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

24. *Cash and Cash Equivalents (continued)*

Reconciliation of operating profit/ (loss) after income tax to net cash provided by operating activities

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Operating profit/(loss) before tax	8,837	(28,252)	11,272	(26,239)
Adjustments for:				
(Gain) on disposal of fixed assets	(1,204)	–	(1,204)	–
(Profit) from Joint Ventures	(1,444)	(1,301)	(1,444)	(1,301)
Insurance claims	–	–	–	–
Interest expense	2,567	6,863	1,816	5,473
Depreciation	10,440	10,768	8,906	7,938
Inventory written off	–	27,726	–	27,727
Property, plant and equipment written off	4,714	28,853	4,228	28,853
Interest income	(146)	(6)	(288)	(2)
Impairment of goodwill & investment in HHL	–	15,582	–	36,982
Impairment of investment in related associate	–	2,557	–	2,557
Operating profit before changes in working capital	**23,764**	**62,790**	**23,285**	**81,988**
(Increase)/ Decrease in:				
Trade and Other Receivables	59,368	(37,530)	54,310	(36,439)
Inventories	(16,297)	2,286	(8,377)	(17,896)
Prepayments	1,443	613	1,197	(252)
(Decrease) / Increase in:				
Trade and Other Payables	(10,817)	(13,175)	(3,854)	(10,666)
Income Tax Liability	865	1,247	1,014	587
Employee Provisions	(321)	2,947	(169)	2,689
	34,241	(43,612)	44,121	(61,977)
Cash generated from / (used in) operations	**58,005**	**19,178**	**67,406**	**20,011**
Interest Received	146	6	288	2
Interest Paid	(2,866)	(6,863)	(1,816)	(5,473)
Insurance claims	–	–	–	–
Dividends received	345	1,048	345	1,048
	(2,375)	(5,809)	(1,183)	(4,423)
Net cash provided by operating activities	**55,630**	**13,369**	**66,223**	**15,588**

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

25. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in market prices and interest rates. The Group monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments to hedge these exposures.

Maximum credit risk and concentration of credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Cash at bank	32,667	13,866	26,942	11,565
Trade and Other Receivables	35,603	55,378	28,251	42,968
Insurance Receivable	567	40,160	567	40,160
Related Party Receivables	87	753	28,872	13,259
	68,924	**110,157**	**84,632**	**107,952**

Management does not expect any material counter party to fail to meet its obligations.

Foreign Exchange Risk
The Group's foreign currency risk arises on account of transactions with suppliers due to current BPNG regulations, management is unable to fully mitigate against foreign exchange fluctuations, and foreign currency is only available upon providing the appropriate documents to the bank.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financia l liabilities that are settled by delivering cash or another financial asset.

PARENT	At Call	0 – 3 Months	3 Months – 1 Year	Beyond 1 Year
2018	**K'000**	**K'000**	**K'000**	**K'000**
Assets				
Cash and Cash Equivalents	26,942	–	–	–
Trade and Other Receivables	–	14,000	7,818	7,000
Related Party Receivables	–	–	–	28,872
Total Undiscounted Cash Inflows	26,942	14,000	7,818	35,872
Liabilities				
Trade and Other Payables	–	54,717	4,425	107
Bank Overdraft	3,505	–	–	–
Borrowings	–	–	4,123	–
Total Undiscounted Cash Outflows	**3,505**	**54,717**	**8,548**	**107**

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

25. Financial Risk Management (continued)

GROUP 2018	At Call K'000	0 – 3 Months K'000	3 Months – 1 Year K'000	Beyond 1 Year K'000
Assets				
Cash and Cash Equivalents	32,667	–	–	–
Trade and Other Receivables	–	21,088	8,082	7,000
Related Party Receivables	–	–	87	–
Total Undiscounted Cash Inflows	**32,667**	**21,088**	**8,169**	7,000
Liabilities				
Trade and Other Payables	–	74,920	8,480	666
Bank Overdraft	3,505	–	–	–
Borrowings	–	–	4,123	–
Total undiscounted cash outflows	**3,505**	**74,920**	**12,603**	**666**

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group monitors the interest rate exposure on a regular basis. However, the Group is restricted in its ability to mitigate the risks associated with interest rate movements.

Sensitivity Analysis

As at 31 December 2018, through managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the long term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of net debt (borrowings as detailed in notes 15 and 24 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings and non-controlling interest as detailed in note 23).

As a result of the breaches to the Group's borrowings with its financiers, the Group is currently working with its Financiers to pay down its debt and finance operations and major expenditures are approved before-hand.

Notes to the Consolidated Financial Statements (continued)

Group Structure, Capital Structure, Financing and Risk Management

25. Financial Risk Management (continued)

Gearing ratio

The gearing ratio at end of the reporting period was as follows:

	CONSOLIDATED	
	2018 K'000	2017 K'000
	7,628	82,257
Cash and bank balances	(32,667)	(13,866)
Net debt	(25,039)	68,391
Equity (ii)	133,050	92,354
Net debt to equity ratio	**0%**	**74%**

(I) Debt is defined as long and short term borrowings, including bank overdraft.

(II) Equity includes all capital and reserves of the Group that are managed as capital

Other Risk Area

Bougainville Risk

The Group has a public liability risk in regards to its operation in Buka. The Group's public liability insurance policy specifically excludes this area.

26. Commitments for Expenditure

Future financial charges totalling KNil (2017: K72k) in relation to various financial leases of vehicles and equipment from Westpac Bank PNG Limited. Total monthly lease repayments are KNil (2017: K93k).

The Company has committed to lease various retail store outlets from which they are operating from lessors for up to 5 years at commercial rates and conditions.

Leasing arrangements
Operating leases relate to leases of land with lease terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

Payment recognized as an expense

	CONSOLIDATED		PARENT COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Minimum lease payments	1,564	1,973	433	1,646

Notes to the Consolidated Financial Statements (continued)

Other Risk Area

26. Commitments for Expenditure (continued)

Non-cancellable operating lease commitments

	CONSOLIDATED	PARENT COMPANY
	2018	2018
	K'000	K'000
Not later than 1 year	36,730	28,988
Later than 1 year and not later than 5 years	163,154	128,502
Later than 5 years	93,099	66,459
	292,983	223,949

Others

27. Contingencies

The Company has a credit facility of K19,750k (2017: K19,750k) for Multi - Option Facilities which includes documentary letters of credit from Westpac Bank PNG Limited. As at 31 December 2018, the Company had utilised letters of credit amounting to K2,774k (2017: K1,916k).

The Company has guaranteed the Hardware Haus Limited multi-option and fully drawn loan facilities from ANZ Banking Group Limited. The guarantee is supported by a mortgage of the Company property.

The Group has a contingent liability for long service leave for expatriate employees who have left the employment of the Group, however did not receive their long service leave entitlements upon leaving the employment of the Group. The directors are unable to accurately determine the amount that may be paid to the expatriate employees due to the significant amount of time since some employees left the Group.

28. Subsequent Events

No matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations or state of affairs of the company in the financial year subsequent to 31 December 2018.

29. Gerehu Fire Insurance

On the 18th June 2017, a fire destroyed the Group's head office and warehouse at Gerehu. The Company has appropriate insurance cover and the insurer, Pacific MMI, has accepted liability for the claim and has confirmed backing from its reinsurers.

During 2018, the Company has received K21.8 million against the balance of Building & PPE claims of K9.3 million and the Business Interruption claim of K12.5 million for the period of cover from December 2017 to May 2018. This was recognised as income in the 2018 financial statements.

The Company has further submitted the Business Interruption claim of K3.6 million for the period of cover from June 2018 to December 2018 which has yet to be finalised by the Loss Assessors.

International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets states that if any entity has a reimbursement, it must be recognised when it is virtually certain that the amount will be received. Disclosure can be provided of the Contingent Asset if the inflow of benefits is probable.

Notes to the Consolidated Financial Statements (continued)

Other Risk Areas

30. Mt Hagen Fire Incident

A fire occurred at the Tininga supermarket in Mt Hagen on Saturday 23rd September 2017 between 3am – 6am. The fire burned the City Pharmacy shop within the supermarket. The Company has appropriate insurance cover and the Insurer, Pacific MMI, has accepted liability for the claim and has confirmed backing from its reinsurers. The Company received the full payments in January 2019.

31. Correction of error

	CONSOLIDATED			PARENT COMPANY		
	1 January 2017 (As previously stated) K'000	1 January 2017 (restated) K'000	(Decrease) K'000	1 January 2017 (As previously stated) K'000	1 January 2017 (restated) K'000	(Decrease) K'000
Property, Plant & Equipment	61,887	56,845	(5,042)	58,261	53,219	(5,042)
Total Assets	**61,887**	**56,845**	**(5,042)**	**58,261**	**53,219**	**(5,042)**
Retained earnings	32,471	27,429	(5,042)	40,967	35,925	(5,042)
Total Retained earnings	**32,471**	**27,429**	**(5,042)**	**40,967**	**35,925**	**(5,042)**

The Directors of the Group identified that the pre-opening rental expense of K5,042k incurred between 2015 and 2016, in relation to the Koki and Harbour city supermarkets, were incorrectly capitalised in 2016 as pre-operative costs. This resulted in an overstatement of assets of K5,042k and an overstatement of retained earnings for the same amount as at 1 January 2017 and 31 December 2017.

Stock Exchange Information

City Pharmacy Limited listed on the Port Moresby Stock Exchange (POMSOX) in a compliance listing on 20 February 2002.

Top Shareholding

Shareholders	No. of Shares	%
National Superannuation Fund	34,579,566	17.29
Laxmi Investments Limited	27,209,368	13.61
Nambawan Super Limited	23,660,343	11.83
Amar Business Holdings Pte Limited	21,280,712	10.64
Almana Holdings Pte Limited	17,000,000	8.50
New World Limited	13,887,857	6.94
MRL Capital Limited	10,325,510	5.16
Mahesh Patel	10,124,395	5.06
Rolex Investments Limited	4,134,241	2.07
Mainsbridge Pty Limited	3,152,846	1.58
Manu Nominees Pty Limited	3,000,000	1.50
Real Genius Investments Limited	2,737,773	1.37
Even Stronger Investments Limited	2,700,269	1.35
Comrade Trustee Services Limited	2,576,921	1.29
Mineral Resources OK Tedi No 2 Limited	2,500,000	1.25
Mineral Resources Star Mountains Limited	2,500,000	1.25
Credit Corporation (PNG) Limited	1,953,544	0.98
Mineral Resources Development Company Limited	1,651,119	0.83
TNG Constructions Limited	1,500,000	0.75
Lokumal & Co. (Hong Kong) Limited	1,166,667	0.58
Others *	12,331,088	6.17
Total	**199,972,219**	**100.00**

*726 other shareholders hold less than 1,100,000 shares in total.

Shareholding Bands

Shareholders	No. of Shareholders	No. of shares
1 – 1,000	171	106,139
1,001 – 5,000	449	1,064,747
5,001 – 10, 000	35	231,758
10,001 – 100,000	43	1,401,252
100,001 and above	48	197,168,323
Total	**746**	**199,972,219**

Shareholding Bands

During the year, there were 35 transactions of shares traded with a volume of 129,196 shares for a value of K80,617.

Stock Exchange Information

Shareholding Bands

Amounts in K'000						
	2013	2014	2015 Restated	2016	2017	2018
Statement of Comprehensive Income						
Turnover	395,909	411,930	495,616	556,344	579,691	548,425
Operating profit/(loss) before tax	23,890	12,215	674	2,031	(28,252)	8,837
Operating profit/(loss) after tax attributable to the Group	16,390	6,913	(61)	1,373	(31,912)	6,633
Dividends proposed	8,728	3,740	3,740	-	-	-
Shares on issue (number)	124,679,532	124,679,532	124,679,532	124,679,532	143,381,461	199,972,219
Dividend proposed per share (Kina)	7 toea	3 toea	3 toea	0 toea	0 toea	0 toea

Amounts in K'000						
	2013	2014	2015 Restated	2016	2017 Restated	2018
Statement of Financial Position						
Shareholder's Funds	115,288	112,301	109,811	109,257	86,120	131,741
Inventories	53,187	66,418	90,845	97,751	67,938	84,235
Other Assets	133,181	139,736	195,569	233,132	217,120	158,292
Borrowings	11,753	25,096	82,611	94,868	82,257	7,628
Other Liabilities	59,327	67,806	92,965	125,847	115,489	101,849
Current Ratio	1.46	1.42	1.14	1.1	1.1	1.6
Debt to Net worth	10%	22%	72%	87%	96%	6%
Net Asset Backing per Share (Kina)	0.92	0.91	0.88	0.87	0.57	0.64
Net Profit Margin	4.14%	1.68%	-0.01%	0.25%	-6.37%	1.28%
Net Profit to Equity	14.22%	6.10%	-0.06%	1.26%	-37.05%	4.99%
Earnings Per Share (Toea)	13	6	0	1.1	(22.26)	3.32

Corporate Governance Statement

The Board of Directors conducts the affairs of the Company in accordance with best practices to achieve a high standard of governance. It sets the strategic direction of the Company and continually reviews management performance. Transparent reporting procedures are in place for all Company activities.

Composition of the Board

The Board is made up of 1 executive and 6 non-executive directors. One-third of the directors retire on a rotational basis in accordance with the Company's constitution (para. 38(4)). Retiring directors may be eligible for re-election by the shareholders at the Company's Annual General Meeting. The Chairman is responsible for reviewing the Board's membership following consultation with existing Board members.

Stock Exchange Information

Staff Appointments and remuneration

Officers and staff remuneration is now being handled by the Remuneration Committee, headed by Mr. Peter John Aitsi, and Mr. Peter Robinson. Company performance is assessed to determine the compensation of senior management staff and the directors themselves.

Risk Management

The Board approves an annual budget. Deviation from this budget may be permitted by the Board following detailed submissions from management.

Access to Professional Advice

Directors are entitled to seek independent legal advice on their duties at the Company's expense, provided that they seek the prior approval of the Chairman.

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