CPL GROUP ANNUAL REPORT 2015

Papua New Guinea's leading retailer

We are confident of our turnaround in 2016 … Our drive for efficiencies and cost reduction will continue and bear fruits … There are ongoing capital expenditures earmarked for store improvements and refurbishments as we continue to invest back into the company and our people.

Mahesh Patel, OBE
Chairman

CPL Group is Papua New Guinea's largest retailing network. It has now established seven retail brands:

- CITY PHARMACY
- STOP N SHOP
- HARDWARE HAUS
- BONCAFÉ
- PARADISE CINEMA
- JACK'S OF PNG
- PROUDS DUTY FREE

At the end of 2015, the CPL Group had a combined retail operation of 64 stores nationwide and employed over 3,700 staff, of which 97 per cent are Papua New Guinean citizens. Its retail network spans health and beauty chains, supermarkets, hardware stores, coffee shops, a multiplex cinema, a clothing company and duty free shops.

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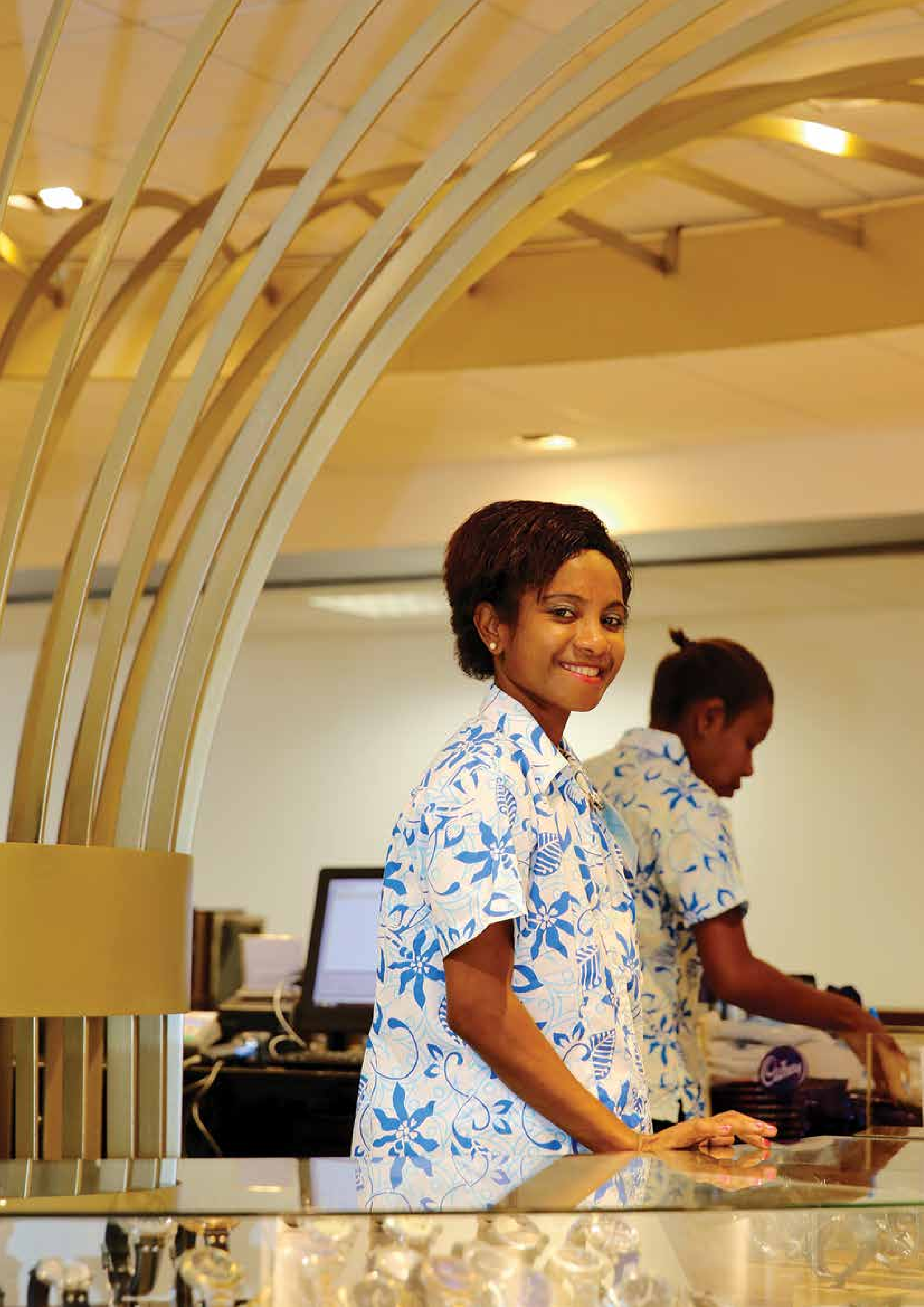

2015 has been another tough year for our company. Our revenue growth started well in the first half, but was stifled in the second half due to the fire at Waigani Central, our largest volume outlet. Our new growth plans, which incurred increased expenses, were severely impacted due to the reduced volume from Waigani, a serious market slow-down and reduced consumer spending in H2. The group turnover has increased due to consolidation of the Hardware Haus revenues for H2. Like-for-like sales increased by only five per cent, whilst our cost of doing business increased by 9.4 per cent, resulting in a negative impact on profitability.

HIGHLIGHTS OF 2015

- A third City Pharmacy outlet was opened in Mt.Hagen to cater for the large population base.
- Full acquisition of the Hardware Haus business as a 100% subsidiary of CPL.
- Our Jack's of PNG outlet opened in H1 and the Airport Duty Free Outlets opened in H2. We opened the second Jacks outlet in Q4.
- Our great team bounced back to open the old Waigani (temporary) outlet in Q3.
- The Kwik Built division of Hardware Haus was sold in Q4, and this will allow management to focus on our core competency of retail.

FINANCIAL RESULT

- Sales increased from K401.11 million to K462.08 million.
- Net Profit after tax for the parent company was K7.35 million (2014: K7.55 million), whilst the group net profit after tax was K6.56 million (2014: K6.91million)
- Group net assets increased from K113.25 million to K116.13 million due to consolidation of the Hardware Haus business
- The company has taken provisions for insurance claims receivable as a result of the fire at Stop N Shop Waigani Central. The provisions are prudent and in line with professional advice received. Our insurance company has yet to confirm the


CROWN
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We are confident of our turnaround in 2016, as our two new Stop N Shop outlets at Koki and Harbour City are scheduled to be opened. This will also add another 500 team members to our work force.

amounts payable as a result of these claims.

- The Company has a wholly owned subsidiary, City Foods Limited, which ceased to trade during the course of the year. The intercompany loan, between City Foods Limited and City Pharmacy Limited, eliminates on consolidation and is not, therefore, provided for.
- As a result of these two matters, our auditors have issued a qualified audit opinion.

DIVIDEND

A dividend of 3 toea per share has been proposed and, if this is approved at the Annual General Meeting on 11 May, will be paid in June. This maintains the practice of distributing approximately 50 per cent of after-tax profits to shareholders.

FUTURE

We are confident of our turnaround in 2016, as our two new Stop N Shop outlets at Koki and Harbour City are scheduled to be opened. This will also add another 500 team members to our work force.

Our drive for efficiencies and cost reduction will continue and bear fruits at year-end. Our Airport Duty Free has started a Fast Track service which is a 'pay at departures and pick up on arrivals' concept and has been taken up well by travellers.

Our expansions in Lae will see the opening of a second City Pharmacy outlet in Lae City, together with our third Jack's of PNG outlet. We will also open a new Prouds (duty paid) outlet in Lae City.

There are ongoing capital expenditures earmarked for store improvements and refurbishments as we, as a company, will continue to invest back into the company and our people.

I would like to thank all our team members across the nation for their continued hard work and dedicated efforts for the company.

Mahesh Patel, OBE
CHAIRMAN

2015 em i bin wanpela hatpela yia long bisnis bilong kampani. Ron bilong bisnis i bin i go daun long bigining blong yai na Kampani ino kamap gut tumas. Kampani kamap gut pastaim long namel blong yia, tasol bihain em i no kamap gut taim paia bin kukim daun stoa blong mipla long Waigani Central, dispela em bikpela stoa blong mipela. Niupela plen blong ronim bisnis na apim ol prais blong samting bin go daun taim mipela bungim hevi long Waigani long namel blong yia. Grup kamap orait gen taim Hardware Haus kam in na apim bisnis long namel blong yia na apim sales long 5% na hao long wokim bisnis em go antap long 9.4%, olsem na kampani ino wokim gutpela profit.

OL SAMPELA SAMTING KAMAP LONG YIA 2015

- Namba tri City Pharmacy stoa i op long Mt Hagen long halivim bikpela namba blong ol manmeri antap long Hagen.
- Hardware Haus i kam 100% aninit long CPL Kampani.
- Kampani blong mipela Jacks PNG i op long stat blong yia na Airport Duty Free em op long namel blong yia. Na mipla bai openim namba tu Jacks Kamapani blong mipela tu long en blong yia.
- Ol strongpela lain blong mipela bai opim gen olpela Waigani stoa long liklik taim tasol long namel blong yia.
- Kwik Built kampani blong Hardware Haus em mipela salim long en blong yia long wokim ol bosman blong kampani bai lukluk strong long ol narapela stoa.

RIPOT BILONG FAINENS

- Seils bilong kampani i bin stap long K401.11m em i go antap painim K462.08m.
- Net Profit (Rausim takis pinis na moni stap olsem kampani profit) i bin stap long K7.35m (2014: K7.55m), tasol nau i go daun long K6.56m (2014: K6.91m)
- Net asset blong kampani grup i bin stap long K113.25m i go antap painim K116.13m bikos long Hardware Haus bisnis i kam in.
- Kampani kisim provisen blong insurens klaim blong paia ibin kamap long Stop N Shop Waigani Central. Insurens kampani ino konfemim amas moni yet long yumi bai kisim.
- Kampani igat narapela kampani insait long em. City Foods Limited ino moa kamap gut long dispela yia na igat loan wantaim City Pharmacy Limited, tupela kampani ino wok bung wantaim.

- Ol Auditors blong Kampani i givim gutpela stori na ripot long tupela kampani olsem ol kamap orait.

DIVIDEN

- Toktok i kamap pinis olsem mak bilong dividen bai i stap olsem 3 toea antap long wanwan se. Long taim BOD is sindaun long namba 11 day long mun May. Sapos BOD i wanbel long dispela 3 toea dividen long wanwan se, em nau ol bai baim dividen long mun June. Bihain long baim takis, kampani bai tilim profit igo long se holda olsem 50% long dispela moni i stap bek olsem kampani profit.

LUKLUK LONG BIHAIN TAIM

Mi igat strongpela tingting tru long yia 2016 olsem bai igat bikpela senis. Klostu taim bai tupla niupela stoa blong mipela, Stop N Shop Koki na narapela long Harbour City bai open wantaim 500 moa wokman meri.

Lukluk blong kampani laik kontrolim na katim ol kos olsem blong kisim gutpela kaikai blong hatwok insait long kampani. Airport Duty Free bisnis blong kampani kamapim wanpela gutpla sevis long ol manmeri trevel go long narapela kantri. Long taim ol lusim ples balus ol ken peim ol duty fri samting na taim ol kambek ol ken kisim.

Kampani wok long kamapim moa bisnis insait long Papua New Guinea, planti niupela bisnis wok kamap, klostu taim yumi bai lukim na witnesim opening blong namba tu City Pharmacy, namba tri Jacks blong PNG wantaim niupela Prouds (duty paid) bisnis long Lae City insait long Morobe Provins.

Kampani i wokim bikpela senis na kamapim bek planti stoa insait long PNG so bisnis tu bai wok long grow i go yet. Olsem na ol BOD, menesment na ol wokman tu, imas noken lus tingting olsem yumi sanap long wanpela gutpela mak stret long wok bisnis insait long PNG, na yumi mas wokim gut wok bilong yumi long givim bek gutplela sevis na luksave igo bek long manmeri insait long PNG.

Mahesh Patel, OBE
CHAIRMAN

Mr Mahesh Patel, OBE

Chairman

Mahesh Patel is the co-founder of City Pharmacy Limited. He came to PNG in 1984 to work as a pharmacist. He set up the first City Pharmacy store with his wife Usha Patel in Port Moresby in 1987 and, over time, transformed it into PNG's largest retailing group. Mahesh has shown exceptional entrepreneurial skills and leadership qualities over the last 28 years, utilising his considerable business skills and vision.

Mahesh has affiliations with the PNG and Australian Institutes of Directors. He is currently the Chairman of the Board for Telikom PNG, and the Deputy Chairman for PNG Dataco Ltd, a telecommunications infrastructure company. He was made an Officer in the Order of the British Empire in 2012. He is also a Queen's Awardee for his contribution to community service, healthcare and sports.

Mahesh strongly believes that the essence of CPL's success lies in the community it serves. His personal goal is to make an impact and improve the lives of every person in Papua New Guinea through business enterprise and sincere community service.

Mr Peter Aitsi

Independent Director

Peter Aitsi currently holds the position of Country Manager PNG for Newcrest Mining Ltd, having joined the company in 2011.

He has extensive private sector experience at senior levels and these skills are further strengthened by his long-term and continuing involvement with important community organisations such as Transparency International PNG, Media Council of PNG, City Mission PNG, Badili Club, and Leadership PNG.

Peter serves as the resident director of various Newcrest PNG entities, is on the Board of Steamships Trading Ltd, PNGFM Ltd, is Deputy Chair of Kumul Consolidated Holdings and is the Senior Vice President of the PNG Chamber of Mines & Petroleum.

Mr Robert Baily

Independent Director

Bob Baily joined the Board of CPL in May 2015. He is also a Director of 7-Eleven Stores Pty Ltd and was appointed as Interim CEO of 7-Eleven Australia in October 2015.

Bob is also a member of Starbucks Australia Advisory Board and is a Founding Director and former CEO of Best Friends Stores Pty Ltd., and a Director of Muir Electrical Company Pty Ltd (The Good Guys).

Bob was formerly the Managing Director of the Swan Brewery Company Pty Ltd, Managing Director of the South Australian Brewery Company, Director of Sales and Marketing SPC Foods, Founding CEO of Ampol Road Pantry Pty Ltd and Chairman of the Australian Association of Convenience Stores and multi-site owner of SSW and IGA Supermarkets.

Mr Joseph Barberis

Independent Director

Joe Barberis has extensive experience in retail, having been Managing Director of Coles Express (petrol and convenience foods), Officeworks (business and IT products) and Harris Scarfe (apparel and general merchandise) in Australia. He was also part of Shell Australia's governance team, overseeing Shell's interests in the Pacific Islands, including PNG.

Joe has also been a non-executive director at John Danks (Home Hardware) and Commercial Director at Pepkor SEA (acquisitions and new market entry).

Joe has degrees in economics and law and has completed the AICD Directors program.

Joe is currently Business Development Director at Zoos Victoria, overseeing revenue generation to fund the operations of Melbourne Zoo, Healesville Sanctuary, Werribee Open Range Zoo as well as Zoos Victoria's conservation and endangered species programs.

Mr Graham John Dunlop
Independent Director

A chartered accountant by profession, John came into PNG in 1983 when he joined Steamships Trading Company after a successful career in New Zealand and the Pacific. His current directorships include Steamships Trading Company, John Swire and Sons (PNG) Ltd, Credit Corporation (PNG) Ltd and its subsidiaries, and Mainland Holdings Limited. He is also an associate of the New Zealand Institute of Chartered Accountants.

Mr Anthony Smare
Independent Director

Anthony Smare is the Chairman of Nambawan Super Limited, Papua New Guinea's largest superannuation fund, with 155,000 members and approximately K5 billion in assets. He is also a director of Paradise Foods Limited and Nationwide Microbank Limited. He is a former director of PNG Mineral Resources Authority, Telikom PNG Limited and a former Chairman of Bemobile Limited.

Anthony is the founder of the Kumul Foundation Inc, where he established a start-up entrepreneurship ecosystem in the Pacific Islands region through its flagship programme, Kumul GameChangers.

Anthony is a former partner of Australian law firm Allens Arthur Robinson, and has degrees in law and geology from Queensland University of Technology (QUT). QUT named Anthony Smare its most outstanding Young Alumnus in 2010.

Anthony was also named a Young Global Leader of the World Economic Forum in 2014, the first person from the Pacific islands region to be so honoured.

Mr Peter Robinson
Independent Director

Peter Robinson joined Washington H Soul Pattinson and Company Limited (WHSP) in 1978, and was appointed to the main board 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 currently Chairman of three companies: Australian Pharmaceutical Industries Limited (one of Australia's largest pharmaceutical wholesalers and owner of the Priceline retail chain), 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) and TPI Enterprises Ltd (one of only eight global licensed manufacturers of licit drugs, which extracts and purifies narcotics for use in painkillers such as morphine and codeine).

Mr Ravi Singh
Chief Executive Officer

Ravi Singh joined CPL Group in 2003, having prior experience in the retail industry in India. He has held several roles at CPL Group and is well established in the company's affairs and operations. He joined as Strategic Planning Manager and then worked through the ranks, holding various management positions including Senior Category Manager and General Management Buying before becoming Acting CEO in July 2008.

Ravi was appointed Chief Executive Officer of CPL Group on 1st January 2009.

He is also on the board of Hardware Haus Limited and Paradise Cinema Limited.

Ravi holds a post graduate degree in marketing and retail management and completed the General Management Program at INSEAD, Fontainebleau, France in 2012.

SENIOR MANAGEMENT TEAM

Mahesh Patel, OBE
Chairman

Ravi Kant Singh
Chief Executive Officer

Lee Green
General Manager—Warehouse and Logistics

Shane Byrne
General Manager—Human Resources

Raman Kumar
General Manager—Finance and Administration

Peter Moore
General Manager—Supermarket

Omprakash Seshadri
General Manager – Commercial

Owen O'Shea
General Manager—Information Technology

SUBSIDIARIES

Mark Curtis
General Manager—Hardware Haus Ltd.

Esther Gegelagi
Senior Manager—Paradise Cinema

Ratnesh Mishra
General Manager—Pharmacy Wholesalers Pty Ltd (Australia)

Yogesh Samy
Retail Manager—Jack's of PNG

Kiran Rathod
Retail Manager—Prouds Duty Free

1987 **City Pharmacy** founded by Mahesh Patel at Garden City, Port Moresby with just four staff.

1992 **City Pharmacy** moves beyond 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 N Shop** supermarket chain from Steamships Trading Company.

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

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

2009 **CPL Group** acquires **Hardware Haus** stores from Steamships Trading Company.

2010 Mahesh Patel named Director of the Year by the PNG Institute of Directors.

2011 **CPL Group** launches **Boncafé** coffee shops in Papua New Guinea.

2012 **CPL Group** opens **Paradise Cinema** in Port Moresby, PNG's first multiplex cinema.

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

2013 **CPL Group** acquires Sydney, Australia-based pharmaceutical wholesaler **Cost Save Pty Ltd**.

CPL named Innovative Company of the Year by the PNG Institute of Directors.

Left: Prouds Duty Free. One of two new stores at Jacksons International Airport.

Below: CPL moves into fashion with the opening of two new Jack's of PNG stores in Port Moresby.

Bottom left: The new IGA Airport Express at Jacksons International Airport.

Bottom right: The blessing of PNG's 30th City Pharmacy – opened at Mt Hagen.

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

2015 CPL moves into fashion retailing, with the opening of two **Jack's of PNG** stores in Port Moresby.

CPL opens two **Prouds Duty Free** stores and an **IGA Airport Express** outlet at Jacksons International Airport.

CPL opens its third **City Pharmacy** store in Mt Hagen—the 30th **City Pharmacy** store overall.

City Pharmacy Limited, commonly known as CPL, is Papua New Guinea's leading retailer.

Over the past decade especially, Papua New Guinea has been one of the fastest-growing economies in the Asia-Pacific region.

CPL has not only mirrored that growth, but has moved ahead of the competition to energetically address the needs and desires of a new generation of PNG consumer.

PNG's consumers want, expect and deserve more than ever before from their retailers. Our commitment to strong customer service, professionalism and value for money has been the key to acquiring customer loyalty.

While the City Pharmacy chain remains a keystone of the business, in recent years we have unleashed several strong retail brands on the PNG market across several categories: Stop N Shop (supermarkets), Hardware Haus (hardware), Bon Café (coffee outlets), Paradise Cinema, Jack's of PNG (fashion), IGA Airport Express (convenience) and Prouds (duty free).

Overall, the CPL Group operates retail operations in 64 stores nationwide, and employs over 3700 staff, 97 per cent of whom are Papua New Guineans.

Through an ongoing program of opening new stores, revitalising existing outlets and introducing new merchandising concepts, the CPL Group will continue to make shopping an exciting experience for our customers.

OUR MISSION

- To be the Number One Retailer in PNG

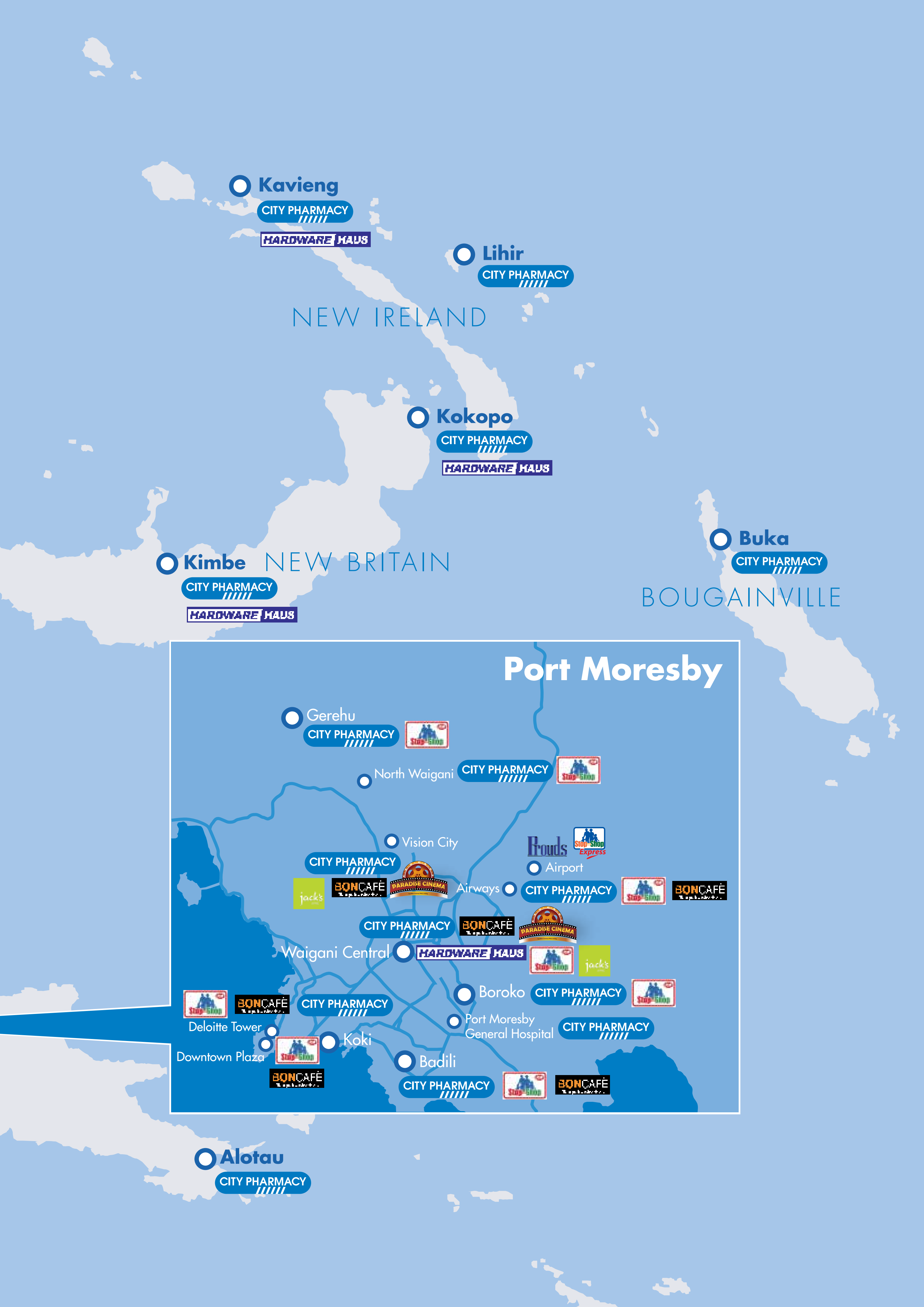
OUR VISION

- To be PNG's biggest and best retailer and the Customers' most trusted brand in Health, Food, Hardware and Clothing
- To deliver value for money Products and Services in areas that are essential to the people of PNG
- To contribute to PNG's prosperity and security by providing opportunities and education for CPL people
- To make our Company 'a great place to work'
- To deliver value to the shareholders who invest in CPL

OUR VALUES

- We are Passionate about the success of this business
- We value Honesty
- We act with Integrity
- We treat everyone with Respect
- We encourage Creativity
- We Care—for our Community, Customers and People


NATIONWIDE LOCATIONS
CPL GROUP
Manus
CITY PHARMACY
Vanimo
CITY PHARMACY
Wewak
CITY PHARMACY
HARDWARE HAUS
Maprik
CITY PHARMACY
Madang
CITY PHARMACY
HARDWARE HAUS
Mt Hagen
CITY PHARMACY
HARDWARE HAUS
Goroka
CITY PHARMACY
HARDWARE HAUS
PAPUA NEW GUINEA
Lae
CITY PHARMACY
HARDWARE HAUS
Popondetta
CITY PHARMACY
HARDWARE HAUS
Port Moresby
(Sydney)
PWL
AUSTRALIA



Kavieng
CITY PHARMACY
HARDWARE HAUS
Lihir
CITY PHARMACY
NEW IRELAND
Kokopo
CITY PHARMACY
HARDWARE HAUS
Buka
CITY PHARMACY
Kimbe
NEW BRITAIN
CITY PHARMACY
HARDWARE HAUS
BOUGAINVILLE
Port Moresby
Gerehu
CITY PHARMACY
North Waigani
CITY PHARMACY
Vision City
CITY PHARMACY
BONCAFÉ
PARADISE CINEMA
Prouds
Stop Shop Express
Airport
Airways
CITY PHARMACY
BONCAFÉ
CITY PHARMACY
BONCAFÉ
PARADISE CINEMA
Waigani Central
HARDWARE HAUS
Boroko
CITY PHARMACY
BONCAFÉ
CITY PHARMACY
Port Moresby
General Hospital
CITY PHARMACY
Deloitte Tower
Koki
Downtown Plaza
BONCAFÉ
Badili
CITY PHARMACY
BONCAFÉ
Alotau
CITY PHARMACY

CITY PHARMACY

Alotau
Boroko
Buka
Goroka
Kavieng
Kimbe
Kokopo—Vunapope
Kokopo—Kwila Haus
Lae
Lihir
Madang—Best Buy
Madang—Bescksleia Plaza
Manus
Maprik
Mt. Hagen—Best Buy
Mt. Hagen—CPL Second Street
Mt. Hagen—Tininga Dobel
Popondetta
Port Moresby General Hospital
Port Moresby Downtown Plaza—2nd Floor
Stop N Shop Badili
Stop N Shop Gerehu
Stop N Shop North Waigani
Stop N Shop Town—Ground Floor
Stop N Shop Waigani Central
Stop N Shop Express—Airways
Stop N Shop Express—Deloitte Tower
Vision City
Waigani Drive
Wewak

STOP N SHOP SUPERMARKET

Badili
Boroko
Gerehu
North Waigani
Waigani Central
Town

STOP N SHOP EXPRESS

Airways
Deloitte Tower

HARDWARE HAUS

Goroka
Kavieng
Kimbe
Kokopo
Lae
Madang
Mt Hagen
Mt Hagen Mitre Hardware
Popondetta
Waigani Central
Wewak

BONCAFÉ

Deloitte Tower
Stop N Shop Downtown Plaza
Vision City
Paradise Cinema—Vision City
Stop N Shop Express—Airways
City Pharmacy Waigani Drive
Stop N Shop Waigani Central

PARADISE CINEMA

Vision City
Waigani Central

PHARMACY WHOLESALERS

Sydney, Australia

JACK'S OF PNG

Waigani Central
Vision City

PROUDS DUTY FREE

Jackson's Airport—Departure Area
Jackson's Airport—Arrival Area

IGA EXPRESS

Jackson's Airport—Departure Area

OUR RETAIL BRANDS

CITY PHARMACY

Your Family Health and Beauty Specialist

City Pharmacy was founded by Mahesh Patel with his wife Usha Patel in 1987 at Garden City, Port Moresby, with just four staff. The success of the first pharmacy store led to its expansion to Anderson Foodland in Koki and the Burns Philp Shopping Centre in Boroko.

From this humble beginning, the pharmacy business has grown from strength to strength and now includes 30 outlets across the country.

The key to City Pharmacy's success as a retail business has been a store layout and merchandising concept never before tried in Papua New Guinea.

City Pharmacy combined a 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 28 years, City Pharmacy has been responsible for many innovations and achievements. In the 1990s, it was the 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 protect women against domestic violence.

It has also initiated a local PNG paper production using kunai grass—an eco-friendly local grass. This is now used by Paradise Foods as packaging for their niche chocolates.

IGA Stop and Shop

CPL acquired the 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 N Shop with a clear plan. It sought to add to its retail offering and achieve synergies across both businesses by introducing City Pharmacy outlets to the supermarket environment.

Stop N Shop is positioned as an affordable retail outlet for ordinary Papua New Guineans. CPL reviewed its merchandise mix and adopted a catch-phrase 'Cheap Prices Everyday' to target shoppers.

Fresh fruit and vegetables—airlifted daily from the Highlands—groceries, bakery goods, butchery products, kitchen and household appliances, health and beauty products became a part of this merchandise mix.

Apart from creating a new look and feel to its stores, Stop N Shop also introduced new private label items as well as innovative and new product ranges. Currently, Stop N Shop operates six outlets in Port Moresby, including a superstore in Waigani, which is set to re-open in 2016.

More recently, the chain has launched two smaller Stop N Shop Express convenience outlets in Port Moresby.

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

In 2008, CPL saw a window of opportunity and entered into a joint venture with Fiji's largest hardware chain, Vinod Patel Group, to acquire Steamships Hardware from Steamships Trading Company.

The acquired business consisted of a chain of 10 stores nationwide and the Kwik Built Kit homes business in Lae.

With this venture, CPL Group strengthened its position as PNG's biggest retailing network.

Hardware Haus currently has 11 outlets nationwide serving customers with much needed building materials.

In July 2015, CPL Group acquired the remaining shareholding in Hardware Haus Limited from its joint venture partner, Vinod Patel Group, and assumed 100% ownership.

Papua New Guinea is known worldwide for its quality, organically grown coffee but, ironically, until 2011 there was almost nowhere inside 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 acquired the Boncafe coffee chain franchise from Australia and launched the Boncafe brand at its Stop N Shop outlet in downtown Port Moresby.

CPL Group has so far employed around 40 young women, who have been especially trained by an Australian Boncafe trainer in the art of coffee making.

Papua New Guineans can now taste fine quality coffee in seven popular Boncafe outlets located around Port Moresby.

Paradise Cinema is another fine example of the way CPL Group brings international best practice to its consumer offerings, in the process pioneering new markets and uncovering unmet demand.

By 2012, there had been no commercial cinemas in Port Moresby for many years, following the closure of Wards Cinema and Skyline Drive-in. Even if they wanted to go to the movies, Papua New Guineans had nowhere to go.

Then, CPL Group launched Paradise Cinema, PNG's first multiplex cinema, in collaboration with PNG FM and Fiji's Damodar Group (cinema operators for over 50 years).

The first Paradise Cinema is a world class entertainment facility in Waigani's Vision City shopping complex.

The three-screen cinema complex features stunning interiors and state-of-the-art audio and visual technology.

Port Moresby residents now enjoy international film releases, including 3D films, at the same time they are released in neighbouring markets and in an environment that breaks new ground for comfort.

As well as a standard cinema experience, Paradise has also introduced a popular premium-level cinema, with reclining seats and a licensed lounge.

Papua New Guineans have flocked to Paradise since its opening, encouraging CPL and its partners to open a second Paradise multiplex at Waigani Central in late 2014.

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 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.

The acquisition of Cost Save also provides opportunities for CPL to enhance its training and development capabilities.

PWL recently launched www.healthybargains.com.au, an online e-commerce platform to supply directly to consumers in Australia and New Zealand.

Jack's of PNG is a new retail business for CPL Group, marking its entry into fashion retailing.

Fashion retailing in PNG is still at an early stage of its development, and Papua New Guinean consumers, until now, have had limited options, both in terms of quality and value for money .

Jack's of PNG 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.

CPL, in partnership with Jack's of Fiji opened the first Jack's of PNG store, covering 800 square metres of floor space, was opened in April 2015 at the Waigani Central shopping complex in Port Moresby. A second, smaller outlet was opened in December 2015 at Vision City shopping mall, Port Moresby's largest retail destination.

CPL Group intends to open additional Jack's of PNG outlets as appropriate locations become available.

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 free shops 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 features a long list of impressive international brands including Chanel, Christian Dior, Rolex, Omega, Swarovski, Pandora, Tag Heuer, Gucci, Lancome, Estee Lauder, YSL, Ferrero Rocher, Toblerone, Lindt and an extensive range of international liquor brands. Also front and centre is PNG-made produce, such as coffee, liquor and luxury crocodile-skin accessories.

2015 THE YEAR IN REVIEW

Women in Leadership program

As CPL moves toward our vision of doubling our business by 2020, management feels that enabling the economic empowerment of women will undoubtedly be an important contributor in our success.

On International Women's Day 2015, CPL Group launched its Women In Leadership program. The objective of this program is to develop aspiring female employees from all CPL business units to be future leaders in the organisation.

CPL recognises the capacity that it has as a PNG's biggest retailer to effect real change, and is bringing together a range of female leaders from various business units to strengthen the impact of the Women In Leadership program.

Launch of Jack's of PNG retail business

In April 2015, CPL Group launched its first Jack's of PNG fashion store at Waigani Central. A partnership with Jack's of Fiji, the Jack's retail brand is aimed at fashion-consciousness shoppers with an eye for value.

A second Jack's of PNG store was opened at Vision City shopping mall in Waigani just before Christmas 2015, whilst a third is planned for Lae in 2016.

Launching of Prouds duty free

The opening of two Prouds duty free stores at Jacksons International Airport's expanded international terminal in July 2015 marked a new era in retail in PNG.

Opened in time for the 2015 Pacific Games, Prouds' two sites—a 332 square metre area in the departure lounge and 90 square metres in the

Above: PNG's Prime Minister, the Hon. Peter O'Neill, cuts the ribbon at the opening of Prouds at Jackson's International Airport.

Right: Jack's of PNG is now open for business at two locations, with a third planned for Lae in 2016.


FITTING ROOMS
RIP CURL
jack's

CPL's staff worked quickly and diligently to minimise the disruption for our retail customers. Less than two months after the fire, our original Stop N Shop store, located nearby, had been refurbished, re-stocked and was open for business

arrivals area—gave PNG consumers access to an extensive range of high-profile international brands for the first time.

These brands include Chanel, Christian Dior, Rolex, Omega, Swarovski, Pandora, Tag Heuer, Gucci, Lancome, Estee Lauder, YSL, Ferrero Rocher, Toblerone and Lindt, as well as an extensive range of international liquor brands.

A joint venture with Fiji's Motibhai Group of Companies, Prouds offers an interactive customer experience, combined with an international standard of merchandising and store layout.

'This new business venture proves yet again CPL's commitment to the PNG market and our mission to serve and inspire our various customers by bringing them the very best of retail,' noted CPL Group Chairman Mahesh Patel at the time.

Full acquisition of Hardware Haus

As of 1 July 2015, CPL acquired the remaining 50 per cent of Hardware Haus from Vinod Patel Ltd, thereby making Hardware Haus a 100 per cent owned subsidiary of CPL.

Subsequently, CPL took steps to reorganise and refocus the business, selling its Kwik Built kit home division in the last quarter of 2015, and absorbing the Haus Depot concept store at Waigani Central into the overall Hardware Haus chain.

Waigani Central fire

In July 2015, a moment of adversity became a symbol of CPL's teamwork and commitment to customer service.

Our flagship Stop N Shop store at Waigani Central was severely damaged by fire and was forced to close. The store, a major drawcard for the shopping complex, had been open for just over a year.

CPL's staff worked quickly and diligently to minimise the disruption for our retail customers. Less than two months after the fire, our original Stop N Shop store, located nearby, had been refurbished, re-stocked and was open for business.

'Service to long-time customers and the welfare of our staff have been the drivers behind the investment to reopen this original store,' said CPL Group CEO Ravi Singh at the time.

CPL Group is committed to rebuilding and re-opening the fire-damaged Shop N Shop in the future.

Third City Pharmacy outlet for Mt Hagen

CPL Group opened its 32nd City Pharmacy store in Mount Hagen in September 2015. Located inside the Tininga Dobel supermarket, the 135-square-metre outlet is CPL's third site in the Western Highlands provincial capital.

The new branch combines drug and medical equipment supplies with over-the-counter medicines, personal care items, novelty items and snacks.

'Paramount to our City Pharmacy business is to be rooted in health care,' noted CPL Group CEO Ravi Singh.

'We continue to innovate around how to increase the role of the community pharmacy, become a destination, and help with health care in the communities. We have a dedicated nursing station in this outlet to assist these people.'

THE CPL FOUNDATION GIVING BACK TO OUR COMMUNITY

One of CPL Group's core values is: '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.

The Foundation has four major areas of interest:

- the economic empowerment of women
- education
- income generation for women and youth
- health.

In 2015, several partnerships with the Foundation were strengthened. Apart from responding to direct requests from various community groups and schools, the focus was on supporting our approved partners' delivery of services in their respective projects.

OUR PARTNERSHIPS

Ginigoada Foundation: financial literacy training

The 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.

In 2015, the Ginigoada Financial Literacy Skills Program extended its training program to Lae. The CPL Foundation provided strong support by becoming its major sponsor. The sponsorship of its Port Moresby program was also continued.

Twenty-two training sessions were held in various settlements and villages around Port Moresby in 2015; 2984 students enrolled and 1964—or just under 66 per cent of participants—graduated.

The Lae program began in March 2015 and, during the year, 13 sessions were completed. Lae boasted a higher completion rate than Port Moresby, with over 83 per cent of participants graduating. The program in Lae's Buimo Prison had a 100 per cent completion rate—a first for the program.

Post-training services

Also in 2015, Ginigoada commenced offering Advanced Business Skills training

Pride of Papua New Guinea Awards for Women

Winners and Judges with CPL Chairman Mahesh Patel and Lynda Babao O'Neill

For the past nine years, CPL Group has supported the Pride of Papua New Guinea Awards for Women.

The 2015 Awards were presented at a gala event held on 19 November at the National Parliament State Function Room.

There were six winners:

Bravery and courage

Josephine Durua

Josephine is one of only 100 women serving as a Court Magistrate in Papua New Guinea. Her story is an astounding one of adversity and courage. At her village in Morata, Port Moresby, Josephine provides counselling services to women who suffer physical, sexual and emotional abuse at the hands of their partners. She offers encouragement and support, guiding victims through the court process and bringing perpetrators to justice.

Threats of violence against her by family members of the victims she assists often mar her courageous work. In 2001, she was accused of practising sorcery by a female pastor in her village. This resulted in several incidents in which she was physically assaulted by her own husband and family members. Josephine remained resilient and, in 2010, successfully sued the pastor to clear her name. She also took her husband and relatives to court, where they received a caution and were ordered to refrain from any further assault or threat.

Despite these challenges, Josephine continues to serve her community as the Morata Village Court Magistrate. She is a shining example of bravery and courage.

Care and compassion

Delmay Lopang

After receiving her Diploma in Primary Teaching at the Bismarck Institute of Teaching and Training in Kokopo in 2011, Delmay went back to her roots in Kavieng, New Ireland, to focus on educating her own people. This remarkable young woman spends her days tirelessly teaching children and adults in her community. Delmay receives no salary for her work and says that her biggest reward is the knowledge that she is contributing to the education of the next generation.

for 'Bus 4' graduates. The sessions were held in their training rooms in Badili and participants paid a nominal fee of K50 to enrol.

A total of 229 graduates of the Business Program registered for Business and other short-term vocation courses. Upon completion of the course, 142 were placed at various organisations for practical vocational training.

Other graduates have been placed with Black Swan Security Services for security training. At least eight have completed the course and are now permanently employed by Black Swan.

A concerted effort to assemble more accurate statistics on how the training has affected all graduates from the start of the 'Bus 4' Program was initiated in 2015, and will continue in 2016.

Buk bilong Pikinini

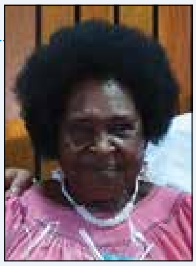
Our financial sponsorship of the Buk bilong Pikinini (BbP) Library and Early Childhood Education Program on Tatana Island outside Port Moresby continued in 2015. Research was undertaken across the BbP libraries and the findings for Tatana have been positive.

For instance, children's literacy between February and October 2015 improved by an above-average 39.2 per cent. While there is certainly room for further improvement, the statistics show that the library and program are definitely improving reading and writing skills. Tatana Library also achieved an even split of girls and boys among the (on average) 300 beneficiaries per week.

In addition to sponsoring the Tatana Library, CPL Foundation teamed up with BbP to distribute books to the Babaka Primary School in Rigo District in Central Province. CPL was able to supply books

Community spirit

Olivia Aripa Bunari



Olivia, affectionately known as 'Mama Olivia,' is a nursing graduate, turned human rights advocate. Hailing from Popondetta, she is a respected leader in her community and is the person behind many initiatives currently running throughout Oro Province. When Cyclone Guba devastated the province in 2007, Mama Olivia coordinated the setting up of several community programs, including the creation of Chrispin's Kindergarten—the first Early Learning Centre for children in Oro Province. To raise money for classrooms, she initiated the selling of seeds to grow climate-resistant flowers and food, and also raised poultry to sell. In August 2015, Mama Olivia's tireless efforts attracted the interest of an Australian NGO specialising in early childhood education. The NGO came to her aid and donated classroom equipment and learning material.

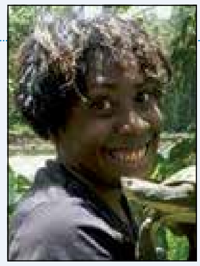
Education/role model

Kori Maraga

Kori Maraga was born to teach. She began this noble profession at the tender age of just 19 and has never looked back. She is proud to say that she has taught some of Papua New Guinea's most recognised people, including Bank of PNG Governor Loi M Bakani, Dr Mathias Sapuri, Minister Mark Maipakai and current opposition leader Belden Namah, to name a few. She is a woman of strong faith and family ties. She credits her continued success to her family (including 23 grandchildren!). Kori has no plans to retire and believes that education is the key to ensuring stability and success for generations to come.

Environment

Yolarnie Amepou



With a Master's degree in Applied Ecology from the University of Canberra, this incredible 27-year-old is breaking boundaries one pig-nosed turtle at a time. Combining her passions for animal welfare, science and environmental issues, Yolarnie is assisting The Piku Project, currently underway in Kikori, Gulf Province.

Yolarnie spends six months of the year in Kikori, painstakingly researching this little known freshwater turtle whose numbers have sadly declined to the point of threat of extinction. She aims to educate the people of Kikori about the consequences of overharvesting, which has placed the turtle on the CITES Threatened Species list.

Young PNG

Delisha Koime

'Your attitude is the smallest thing you can change that will make the biggest difference,' is how this Bougainvillian radio personality ends her shows. She is the only female radio announcer at FM100. Delisha immediately gained the respect of her co-workers. The veteran, and well respected, announcer Roger Hau'ofa was greatly impressed by her broadcasting style and extensive musical knowledge. Delisha is looking forward to a long career in the media industry and thanks CPL for recognising and rewarding the dreams and aspirations of women throughout Papua New Guinea.

Pride of PNG Alumnae

Over 20 of the past Pride of PNG winners have received support ongoing support form the CPL Foundation. In 2016, the first-ever Past Winners Workshop will be held to celebrate the 10th year of the Awards. A concerted effort to reconnect with the past winners is under way and we hope to have all the winners attending.

for the five-to-eight age group and BbP topped up the donation for books that are aimed at the eight-to-16 age group from their book surplus.

BbP are keen to continue to partner with the Foundation when book requests are received, especially for older-aged books. Their programs mostly cater for pre-school ages.

Towards the end of 2015, the CPL Foundation further assisted BbP with their fundraising drives by setting up space at the car park at Waigani Central for book sales. This drew in a multitude of shoppers. BbP was able to achieve all its fundraising targets by offering a wide range of second hand books at affordable prices to the public.

Women in Business

While we do not have a formal agreement with Women In Business PNG, the Foundation has assisted this organisation throughout the year by assisting their members with access-to-market opportunities.

During the build up to Independence Day 2015, and again towards Christmas, we hosted a craft market for them, coordinated by the team at Stop N Shop Waigani Central. Vendors were able to set up their craft stalls at no cost, generating much-needed sales for members. This association is likely to continue in 2016.

In September 2015, Lynda Babao, the wife of the Prime Minister and a friend of the CPL Foundation, opened the first partnered craft market. The event was included in the official Spouse's Program of the Pacific Islands Forum Meeting. Vendors were fortunate to have this support and the ensuing business.

CPL INITIATIVES

In addition to our partnerships, the CPL Foundation managed several of its own programs during the year.

Kunai paper project

Our Kunai Paper Project, which uses local kunai grass to make handmade paper, grew significantly during the year, as demand for Queen Emma Chocolate packaging—which uses the paper—increased. However, because the project team has been solely focused on the production of the chocolate packaging, there has been little time for experimenting with new products.

In December, we met with the community leaders of the Keasu Community Development Association, a registered Gerehu-based community group that helps 'create opportunities to give its members a second chance, and a hope to explore their potential'. An agreement is currently being drawn up to outsource the chocolate packaging production to the Association. On-the-job training and outsourcing was set to commence in February 2016.

This will allow the CPL-based Kunai project team to concentrate on the production of paper and new product development, which we will then train Keasu and other community groups to produce.

CPL communities initiative

This initiative is aimed at involving the branches operating outside Port Moresby in the Foundation's work, across all our retail brands. Specific programs, Branching Out and Charity Begins at Home, offer the opportunity for staff and management of the various branches to get involved in the communities they serve and to find projects and events to support.

While incoming requests have been slow to arrive, branch managers are being encouraged to find projects and submit them for processing. Funds will be distributed in the 2016 financial year.

Farmers financial assistance scheme

Thaddeus Mana, a pawpaw farmer and the first recipient to successfully repay his initial interest-free loan, was granted further assistance to purchase and install an irrigation system. This was a timely project because the El Nino drought greatly affected his crop just as the seeds of the last financing were starting to bear fruit.

The necessity of having an irrigation system in the drought was the primary factor in facilitating the soft loan—Thaddeus had practically lost his entire crop.

The equipment has since been installed and is now repairing the damage that the drought caused. He is hopeful that the farm will be fully restored and back to pre-drought production levels by March 2016.

ONE-OFF DONATIONS

CPL Foundation's one-off donations in 2015 included:

- Drought relief to the Governor and people of West New Britain
- Disaster relief for the Nepali Earthquake Appeal
- Contributions to various community sporting bodies for uniforms and first aid kits
- Contributions to various schools for books and prizes for annual prize-giving ceremonies, and refreshments for sports and community clean-up days
- Contributions to various community groups for a range of products to support community events

Flood victims

A donation of K125,000 was given to assist the flood victims of West New Britain. Rain and wind had devastated the region, damaging houses and destroying food gardens. CPL's City Pharmacy business donated more than 5,000 packs of oral rehydration salts and zinc to ward off the effects of poor drinking water and food hygiene. The Stop N Shop supermarket business gave assorted food items and Hardware Haus donated 200 tarpaulins, 100 Jerry cans and 200 anti-mosquito items.

CITY PHARMACY LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

For the year ended 31 December 2015

This report given by the Directors 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 period ended 31 December 2015.

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:

Mahesh Patel, OBE	Executive Director / Chairman
Peter John Aitsi	Non-Executive Director
Robert Baily (Appointed May 2015)	Non-Executive Director
Joseph Barberis (Appointed May 2015)	Non-Executive Director
Graham John Dunlop	Non-Executive Director
Peter Robinson (Appointed May 2015)	Non-Executive Director
Anthony Smare	Non-Executive Director
Bruce David Dahlenburg (Resigned May 2015)	Non-Executive Director
Sudhir Guru (Resigned May 2015)	Non-Executive Director
Dame Carol Kidu (Resigned May 2015)	Non-Executive Director

Company secretary

Colin Young (Appointed May 2015)

Raman Kumar (Resigned May 2015)

Principal activities

City Pharmacy Limited operates primarily in Papua New Guinea with 64 stores and approximately 3700 employees at year end. The principle 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; and
- Multiplex cinemas.

Consolidated results and review of operations

The net amount of consolidated profit for the financial period after income tax expense attributable to members of the Company and its controlled entities was K6,558,696 (2014:K6,913,444).

A review of the operations of the Consolidated Entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report on page 6.

Dividends

A dividend of 3 toea was declared in April 2015 amounting to K3,740,389 (2014: K8,727,567) which was fully paid in May and August 2015.

Significant changes in state of affairs

During the financial year 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.

Matters subsequent to the end of the financial period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' interest in shares

Particulars of the Directors' relevant interests in shares in the Company as at 31 December 2015 are disclosed in note 20.

Meetings of directors

The table below sets out the number of meeting of the Directors held during the financial period ended 31 December 2015 and the number of meetings attended by each Director.

There were five meetings held during the year ended 31 December 2015.

Directors	Board Meetings attended
Mahesh Patel, OBE	5
Peter John Aitsi	3
Robert Baily	4
Joseph Barberis	3
Graham John Dunlop	5
Peter Robinson	4
Anthony Smare	1

Directors remuneration

Disclosure has been made at note 20.

Remuneration above K100,000 per annum

Disclosure has been made at note 20.

For and on behalf of the Board of Directors

Director:

Date: 23·03·16

Director:

Date: 23.03.16

CITY PHARMACY LIMITED AND SUBSIDIARIES
STOCK EXCHANGE INFORMATION

For the year ended 31 December 2015

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	27.73
Nambawan Super Limited	23,660,343	18.98
Amar Business Holdings Pte Ltd	14,187,142	11.38
New World Limited	9,681,228	7.76
Mainsbridge Pty Ltd	6,305,692	5.06
Mahesh Patel	6,227,597	4.99
Mineral Resources OK Tedi No.2 Ltd	3,000,000	2.41
Mineral Resources Star Mountain Ltd	3,000,000	2.41
Comrade Trustee Services Ltd	2,576,921	2.07
Manu Nominees Pty Ltd	2,000,000	1.60
Credit Corporation (PNG) Ltd	1,953,544	1.57
Real Genius Investments Ltd	1,825,000	1.46
Even Stronger Investments Ltd	1,800,000	1.44
Mineral Resources Development Company Ltd	1,651,119	1.32
Society of the Divine Word	1,085,463	0.87
Triglobal Management Ltd	840,000	0.67
Capital Nominees Ltd	800,544	0.64
Capital Life Insurance Company Ltd	750,000	0.60
Kina Asset Management No.1 Ltd	701,191	0.56
Ravi Kant Singh	429,019	0.34
Others *	7,625,163	6.12
Total	124,679,532	100.00

*772 other shareholders hold less than 429,000 shares.

Shareholding Bands

Shareholders	No. of Shareholders	No. of shares
1 –1,000	179	112,836
1,001 – 10,000	521	1,395,645
10,001 – 100,000	49	1,475,239
100,001 and above	43	121,695,812
Total	792	124,679,532

Shareholding Bands

During the year, there were 136 transactions of shares traded with a volume of 629,456 shares for a value of K879,740.

Shareholding Bands

	Amounts in K'000's				
	2011	2012	2013	2014	2015
Statement of Comprehensive Income					
Turnover	326,426	363,603	395,909	411,930	497,616
Operating profit before tax	24,245	27,258	23,890	12,215	10,027
Operating profit after tax					
attributable to the Group	19,126	19,354	16,390	6,913	6,559
Earnings retained	15,116	19,354	16,390	6,913	6,559
Dividends proposed	8,635	8,681	8,728	3,740	3,279
Shares on issue (number)	123,359,532	124,019,532	124,679,532	124,679,532	124,679,532
Dividend proposed per share (Kina)	7 toea	7 toea	7 toea	3 toea	3 toea

	Amounts in K'000's				
	2011	2012	2013	2014	2015
Statement of Financial Position					
Shareholder's Funds	85,785	98,204	115,288	112,301	115,102
Inventories	41,101	50,410	53,187	66,418	93,235
Other Assets	106,691	113,355	133,181	139,736	199,337
Borrowings	9,614	9,053	11,753	25,096	82,611
Other Liabilities	52,393	56,508	59,327	67,806	93,831
Current Ratio	1.34	1.43	1.46	1.42	1.14
Debt to Net worth	11%	9%	10%	22%	72%
Net Asset Backing per Share (Kina)	0.70	0.79	0.92	0.91	0.92
Net Profit Margin	5.86%	5.32%	4.14%	1.68%	1.32%
Net Profit to Equity	22.30%	19.71%	14.22%	6.10%	5.70%
Earnings Per Share (Toea)	16	16	13	6	5

* There was 3:1 Share Split in 2007 and 2011
# There was land and building revaluation in 2013

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.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITY PHARMACY LIMITED

Deloitte.

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We have audited the accompanying financial report of City Pharmacy Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2015, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Financial Report

The Directors of City Pharmacy Limited and its subsidiaries are responsible for the preparation and fair presentation of the consolidated financial statements 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 of the consolidated financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the group's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Insurance claim receivables

Included in other receivables in the consolidated statement of financial position is an amount for an insurance claim receivable. The insurance claim has not been confirmed by the insurer as at 31 December 2015. Due to this the amount of the insurance claim receivable does not meet the recognition criteria of an asset in terms of International Financial Reporting Standards.

Recoverability of intercompany loans

Reported in the statement of financial position of City Pharmacy Limited (parent entity) is an amount of K3,391,885 being the total balance owing by City Foods Limited (wholly owned subsidiary). During the current financial year this entity ceased operations and does not have sufficient assets to cover the outstanding debt to City Pharmacy Limited. No provision against this outstanding debt has been recognised as at 31 December 2015. This matter does not impact the consolidated financial statements.

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial report of City Pharmacy Limited and subsidiaries presents fairly the financial position of City Pharmacy Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

The financial report of City Pharmacy Limited and its subsidiaries is in accordance with the *Companies Act 1997* and proper accounting records have been kept by the Company. During the year ended 31 December 2015 we did not provide any other services to City Pharmacy Limited and its subsidiaries.

DELOITTE TOUCHE TOHMATSU

Suzaan Theron
Registered under the Accountants Act 1996
Partner
Dated this day 23rd March 2016

CITY PHARMACY LIMITED AND SUBSIDIARIES
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CITY PHARMACY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

NOTES	Notes	CONSOLIDATED		PARENT COMPANY	
		2015 K	2014 K	2015 K	2014 K
Revenue	4	462,075,306	401,114,929	379,969,285	384,508,821
Cost of Sales		(323,931,881)	(280,977,795)	(263,408,754)	(268,070,380)
		138,143,425	120,137,134	116,560,531	116,438,441
Gross Profit					
Distribution Expenses		(6,859,098)	(4,068,989)	(4,322,176)	(3,075,832)
Marketing Expenses		(6,809,173)	(5,248,387)	(6,076,728)	(5,052,347)
Administration Expenses		(136,138,575)	(95,648,847)	(117,194,038)	(92,095,633)
Finance Costs	5	(3,513,718)	(1,774,188)	(2,543,643)	(1,774,188)
Other Income and Expenses	6	27,218,418	2,945,946	26,986,754	2,263,251
Profit from Joint Ventures	19	(2,013,919)	(4,127,782)	(2,013,919)	(4,127,782)
		(128,116,065)	(107,922,247)	(105,163,750)	(103,862,531)
Profit before Income Tax		**10,027,360**	**12,214,887**	**11,396,781**	**12,575,910**
Income Tax Expense	11	(3,468,664)	(5,301,443)	(4,049,862)	(5,024,014)
Profit after Income Tax		**6,558,696**	**6,913,444**	**7,346,919**	**7,551,896**
Other Comprehensive Income Exchange differences on translating foreign operation		200,560	(222,053)	–	–
Total Comprehensive Income		**6,759,256**	**6,691,391**	**7,346,919**	**7,551,896**
Profit for year is attributable to:					
Owners of the parent		6,423,615	6,783,977	7,346,919	7,551,896
Non-Controlling Interest		135,081	129,467	–	–
		6,558,696	6,913,444	7,346,919	7,551,896
Total Comprehensive Income for year is attributable to:					
Owners of the parent		6,584,063	6,719,784	7,346,919	7,551,896
Non-Controlling Interest		175,193	(28,393)	–	–
		6,759,256	6,691,391	7,346,919	7,551,896
Earnings per share – basic and diluted (toea per share)		**5.04**	**5.54**		

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 45 to 66.

CITY PHARMACY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2015

	NOTES	CONSOLIDATED		PARENT COMPANY	
		2015 K	2014 K	2015 K	2014 K
ASSETS					
Cash and Cash Equivalents	22	5,751,634	4,845,652	2,060,597	4,209,251
Trade and Other Receivables	7	50,193,539	20,115,940	37,555,337	16,720,061
Inventories	8	93,234,869	66,418,009	61,125,283	64,507,941
Prepayments		3,314,425	3,502,703	3,136,178	3,253,296
Total Current Assets		**152,494,467**	**94,882,304**	**103,877,395**	**88,690,549**
Related Party Receivables	9	240,429	1,744,010	13,711,287	6,104,662
Property, Plant and Equipment	10	107,971,444	95,067,910	90,390,197	93,351,911
Investments	19	2,929,261	7,492,765	16,281,904	9,647,482
Deferred Tax Assets	11	8,414,076	2,142,434	2,980,416	2,021,523
Goodwill	12	20,522,140	4,824,927	3,430,720	3,430,720
Total Non Current Assets		**140,077,350**	**111,272,046**	**126,794,524**	**114,556,298**
TOTAL ASSETS		**292,571,817**	**206,154,350**	**230,671,919**	**203,246,847**
LIABILITIES					
Borrowings	13	11,229,179	1,364,510	5,613,179	1,364,510
Bank Overdraft	22	33,138,501	4,731,194	24,291,839	4,731,194
Trade and Other Payables	14	72,748,272	46,841,271	39,122,304	44,940,771
Related Party Payables	15	–	–	–	2,306
Lease Liabilities	16	5,145,979	1,463,339	1,657,972	1,463,339
Income Tax Liability		7,168,085	8,181,795	6,943,061	7,945,392
Employee Provisions	17	2,449,417	2,983,185	2,039,091	2,731,711
Total Current Liabilities		**131,879,433**	**65,565,294**	**79,667,446**	**63,179,223**
Borrowings	13	30,749,508	15,787,390	23,224,694	15,787,390
Related Party Payables	15	154,634	132,781	–	–
Other Payables	14	161,317	158,304	161,317	158,304
Deferred Tax Liabilities	11	8,949,436	8,117,322	8,405,515	8,117,322
Employee provisions	17	2,199,638	1,391,804	1,629,341	1,391,804
Lease Liabilities	16	2,347,855	1,749,467	1,113,739	1,749,467
Total Non Current Liabilities		**44,562,388**	**27,337,068**	**34,534,606**	**27,204,287**
TOTAL LIABILITIES		**176,441,821**	**92,902,362**	**114,202,052**	**90,383,510**
NET ASSETS		**116,129,996**	**113,251,988**	**116,469,867**	**112,863,337**
SHAREHOLDERS' EQUITY					
Issued Capital	21	21,896,529	21,896,529	21,896,529	21,896,529
Reserves		37,152,378	37,152,378	37,152,378	37,152,378
Foreign Currency Translation Reserve		55,783	(104,665)	–	–
Retained Earnings		55,997,805	53,356,659	57,420,960	53,814,430
Equity attributable to owners of the Company		115,102,495	112,300,901	116,469,867	112,863,337
Non-Controlling Interest		1,027,501	951,087	–	–
TOTAL SHAREHOLDERS' EQUITY		**116,129,996**	**113,251,988**	**116,469,867**	**112,863,337**

For and on behalf of the Board of Directors:

Director: .... Date: 23·03·16 Director: .... Date: 23·03·16

Consolidated Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 45 to 66.

CITY PHARMACY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share Capital	Retained Earnings	Revaluation Reserve	Foreign Currency Translation Reserve	Attributable to owners of the parent	Non-Controlling Interest	Total
Group	K	K	K		K	K	K
1 January 2014	21,896,529	55,300,249	37,152,378	(40,472)	114,308,684	979,480	115,288,164
Movements 2014							
Dividends declared	–	(8,727,567)	–		(8,727,567)	–	(8,727,567)
Other comprehensive income	–	–	–	(64,193)	(64,193)	(157,860)	(222,053)
Total Comprehensive Income for the year	–	6,783,977	–		6,783,977	129,467	6,913,444
31 December 2014	21,896,529	53,356,659	37,152,378	(104,665)	112,300,901	951,087	113,251,988
Movements 2015							
Dividends declared	–	(3,740,389)	–	–	(3,740,389)	–	(3,740,389)
Other comprehensive income	–	–	–	160,448	160,448	40,112	200,560
Prior year adjustment	–	(42,080)	–	–	(42,080)	(98,779)	(140,859)
Total Comprehensive income for the year	–	6,423,615	–	–	6,423,615	135,081	6,558,696
31 December 2015	21,896,529	55,997,805	37,152,378	55,783	115,102,495	1,027,501	116,129,996

	Share Capital	Retained Earnings	Revaluation Reserve	Total	Non-Controlling Interest	Total Equity
Parent Entity	K	K	K	K	K	K
1 January 2014	21,896,529	54,993,609	37,152,378	114,042,516	–	114,042,516
Movements 2014						
Dividends declared	–	(8,727,567)	–	(8,727,567)	–	(8,727,567)
Exchange difference	–	–	–	–	–	–
Prior year adjustment	–	(3,508)	–	(3,508)	–	(3,508)
Total Comprehensive Income for the year	–	7,551,896	–	7,551,896	–	7,551,896
31 December 2014	21,896,529	53,814,430	37,152,378	112,863,337	–	112,863,337
Movements 2015						
Dividends declared	–	(3,740,389)	–	(3,740,389)	–	(3,740,389)
Exchange differences	–	–	–	–	–	–
Total Comprehensive income for the year	–	7,346,919	–	7,346,919	–	7,346,919
31 December 2015	21,896,529	57,420,960	37,152,378	116,469,867	–	116,469,867

Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 45 to 66.

CITY PHARMACY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

NOTES	Notes	CONSOLIDATED		PARENT COMPANY	
		2015 K	2014 K	2015 K	2014 K
Operating activities					
Cash receipts from customers		449,226,885	395,198,318	380,193,876	379,359,239
Cash paid to suppliers and employees		(456,450,192)	(376,545,873)	(377,924,436)	(360,126,474)
Cash generated from operations		(7,223,307)	18,652,445	2,269,440	19,232,765
Interest received		–	2,182	–	2,182
Interest paid		(3,513,718)	(1,595,889)	(2,543,643)	(1,595,889)
Insurance claims received		6,511,340	–	6,511,340	–
Income tax paid		(5,722,894)	(9,974,515)	(5,722,893)	(10,030,325)
Cash flow from operating activities	22	(9,948,579)	7,084,223	513,244	7,608,733
Investing activities					
Proceeds from sales of:					
Property, plant and equipment		–	192,653	–	192,653
Acquisitions of:					
Property, Plant and equipment		(9,306,444)	(12,716,263)	(13,911,855)	(12,552,879)
Investments		(6,853,341)	(2,000,000)	(6,853,341)	(2,000,000)
Cash flows from investing activities		(16,159,785)	(14,523,610)	(20,765,196)	(14,360,226)
Financing activities					
Increase / (decrease) in:					
Borrowings		2,861,762	7,480,797	11,685,973	7,480,796
Related party loans		(514,332)	245,681	(9,403,931)	(421,173)
Non-Controlling interest		–	(606,318)	–	–
Dividend payments		(3,740,389)	(8,727,567)	(3,740,389)	(8,727,567)
Cash flows from financing activities		(1,392,959)	(1,607,407)	(1,458,347)	(1,667,944)
Net decrease in cash and cash equivalents		(27,501,325)	(9,046,794)	(21,709,299)	(8,419,437)
Opening balance cash and cash equivalents		114,458	9,161,252	(521,943)	7,897,494
Closing balance cash and cash equivalents	22	(27,386,867)	114,458	(22,231,242)	(521,943)

Consolidated Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 45 to 66.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

BASIS OF PREPARATION

The Group is Papua New Guinea's largest retailing network. It has now established within the group and through joint ventures, eight strong retail brands namely City Pharmacy, Stop N Shop, Boncafe, Homemaker, Hardware Haus, Paradise Cinema, Jack's Retail and Prouds. As at 31 December 2015, the Group has a combined retail operation of 64 stores nationwide and employs over 3700 staff of which 97 percent are Papua New Guinean citizens.

Statement of Compliance

The Consolidated Financial Statements of City Pharmacy Limited ('the Company'), its subsidiaries and joint ventures (together with the Company referred to as 'the Group') have been prepared in accordance with the accounting standards as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997 (Amended). The ASB has adopted International Financial Reporting Standards (IFRS) and Interpretations issued by the Standards Interpretations Committee as the applicable reporting framework. The Financial Statements were authorised for issue by the Board of Directors on 23 March 2016.

Basis of preparation

The Consolidated Financial Statements are presented in Papua New Guinea Kina. 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 accounting policies have been applied consistently to all periods presented in these Consolidated Financial statements, unless otherwise stated.

1. Significant Accounting Policies

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. Basis of consolidation

The Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 31 December 2015.

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.

b. 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.

c. 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.

d. New and amended standards 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 9	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 16	Leases[4]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations1
Amendments to IAS 1	Disclosure Initiative1
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation1
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture1
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]
Amendments to IAS 27	Equity method in separate Financial Statements[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for unrealised losses[2]
Amendments to IAS 7	Disclosure Initiative[2]

1. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2. Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
4. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

2. 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 this Financial Report. 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 10 – Estimation of useful lives of assets;
- Note 10 – Impairment of non-financial assets;

GROUP PERFORMANCE

3. 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 three 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
2015	K	K	K	K
Retail	230,928,381	175,010,410	470,021,214	3,828,414
Wholesale and tender	11,900,607	345,072	27,390,551	2,646,232
Properties	49,742,829	1,086,339	204,525	84,050
	292,571,817	176,441,821	497,616,290	6,558,696

	Total Assets	Total Liabilities	Turnover	Net Profit after tax
2014	K	K	K	K
Retail	142,676,759	91,045,433	377,943,654	1,752,528
Wholesale and tender	12,735,719	1,204,666	33,669,278	4,991,846
Properties	50,741,872	652,263	317,218	169,070
	206,154,350	92,902,362	411,930,150	6,913,444

Geographical information

The Group operates predominantly in Papua New Guinea.

4. Revenue

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Retail and wholesale revenue	462,075,306	401,114,929	379,969,285	384,508,821

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.

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. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Revenue recognition – Points for loyalty programme

The Group estimates the fair value of points awarded under the Points programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences, such estimates are subject to significant uncertainty.

5. Finance costs

Significant Accounting Policies

Borrowing 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.

6. Other Income and Expenses

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

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Auditors remuneration	376,473	376,473	293,200	293,200
Depreciation	8,399,419	6,893,336	8,192,242	6,562,680
Increase / (Decrease) in provision				
Employee entitlements	274,066	(222,099)	(455,083)	(316,973)
Doubtful debts	25,000	(9,839)	25,000	(9,839)
Insurance claims	(21,816,518)	(443,640)	(21,816,518)	(443,640)
(Profit) / loss on disposal of fixed assets	(1,018,863)	(55,503)	(1,018,863)	(55,503)
Rental income	(2,673,709)	(885,112)	(2,409,284)	(885,112)
Rebates from suppliers	(3,578,585)	(4,065,431)	(3,578,585)	(4,065,431)
Foreign exchange gain	(2,134,534)	(3,524,339)	(2,134,534)	(3,524,340)

Significant Accounting Policies

Depreciation – Refer to note 10 for details on depreciation.

Employee entitlements - Refer to note 17 for details on employee entitlements

Doubtful debts - Refer to note 7 for details on doubtful debts.

Insurance income - Refer to note 7 for details on insurance income.

Rental income - Rental income arising from operating leases on properties and sub-leases from Stop N Shop Supermarkets is accounted for on a straight-line basis over the lease terms.

ASSETS AND LIABILITIES

7. Trade and Other Receivables

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Trade Receivables	25,106,870	12,453,685	15,854,214	12,453,685
Other Receivables (i)	26,640,189	7,720,376	21,784,244	4,324,497
Total Receivables	51,747,059	20,174,061	37,638,458	16,778,182
Less: Provision for doubtful debts	(1,553,520)	(58,121)	(83,121)	(58,121)
Net Receivables	50,193,539	20,115,940	37,555,337	16,720,061

As at 31 December, the aging analysis of trade receivables is as follows:

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Not past due (current to 60 days)	12,037,478	8,526,323	8,526,323	8,526,323
Past due but not impaired (exceeding 60 days)	11,515,872	3,869,241	7,244,770	3,869,241
	23,553,350	12,395,564	15,771,093	12,395,564
Add: Provision for doubtful debts	1,553,520	58,121	83,121	58,121
Total Trade receivables	25,106,870	12,453,685	15,854,214	12,453,685

A fire occurred at Stop N Shop Waigani Central on Monday 13 July 2015. The fire destroyed the back receiving area and the administration office. Due to the severe damage caused to the whole store, it has not been reopened to date. The Company have lodged insurance claims for fixed assets (K10,352,666) inventory (K5,250,000), working capital (K500,000), wages (K750,000) and business interruption (K4,952,512). To date the Company has received full payment for the claims lodged for inventory and working capital. All other claims have been included as other receivables.

As at 31 December, movements of provision for doubtful debts:

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Balance beginning of the year	58,121	67,960	58,121	67,960
Transfer from business combination	1,470,399	–	–	–
Impairment recognised on receivable	25,000	–	25,000	–
Accounts written off	–	(9,839)	–	(9,839)
Balance at the end of the year	1,553,520	58,121	83,121	58,121

Breakdown of other receivables is as follows:

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Medical claims	846,006	432,823	373,084	432,823
Insurance claims	15,305,178	–	15,305,178	–
Employee loans	630,423	563,500	563,500	563,500
GST receivable	1,405,632	–	1,405,632	–
Income tax receivable	1,055,783	–	–	–
Freight and duty advances	1,673,796	265,793	1,316,943	265,793
Other	5,723,371	6,458,260	2,819,907	3,062,381
Total Other Receivables	**26,640,189**	**7,720,376**	**21,784,244**	**4,324,497**

Significant Accounting Policies

Trade and other receivables

Trade and other receivables are stated at their cost less provision for doubtful debts. Trade and other receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Provision for doubtful debts

The Group assesses, at each reporting date, whether there is objective evidence that trade and other receivables is 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 receivable is experiencing significant financial difficulty or there is a probability that they will enter bankruptcy.

8. Inventories

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Inventory for resale	93,234,869	66,418,009	61,125,283	64,507,941

Total inventory written off during the year as a result of the incident as described in note 7 was K6,122,742.

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.

9. Related Party Receivables

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
International Distribution and Marketing Ltd	–	–	720	(2,306)
Pharmacy Wholesalers Pty Ltd	–	3,527	579,001	579,001
City Foods Ltd	–	–	3,391,855	3,784,417
Hardware Haus Ltd	–	1,000,000	9,500,000	1,000,000
Paradise Cinema (PNG) Ltd	240,429	740,483	239,711	743,550
	240,429	1,744,010	13,711,287	6,104,662

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.

10. Property, plant and equipment

Parent Company	Land and buildings	Motor vehicle	Office equipment and furniture and fixture	Total
2015	K	K	K	K
Cost	51,771,411	11,011,477	64,621,218	127,404,106
Less: Accumulated depreciation / amortisation	(2,028,583)	(6,315,356)	(28,669,970)	(37,013,909)
Carrying amount at the end of the period	49,742,828	4,696,121	35,951,248	90,390,197
Movement:				
Carrying amount at start of period	50,741,873	4,806,582	37,803,456	93,351,911
Additions	–	1,744,762	12,744,506	14,489,268
Disposals (i)	–	(141,551)	(9,117,189)	(9,258,740)
Depreciation / Amortisation	(999,045)	(1,713,672)	(5,479,525)	(8,192,242)
Transfers and other	–		–	–
Carrying amount at the end of the period	49,742,828	4,696,121	35,951,248	90,390,197

Parent Company	Land and buildings	Motor vehicle	Office equipment and furniture and fixture	Total
2014	K	K	K	K
Cost	51,771,411	10,180,761	63,294,603	125,246,775
Less: Accumulated depreciation / amortisation	(1,029,538)	(5,374,179)	(25,491,147)	(31,894,864)
Carrying amount at the end of the period	50,741,873	4,806,582	37,803,456	93,351,911
Movement:				
Carrying amount at start of period	51,771,410	3,922,586	32,029,709	87,723,705
Additions	–	2,664,744	11,019,478	13,684,222
Disposals	–	(141,856)	(314,722)	(456,578)
Depreciation / Amortisation	(1,029,537)	(1,638,892)	(4,931,009)	(7,599,438)
Transfers and other	–	–	–	–
Carrying amount at the end of the period	50,741,873	4,806,582	37,803,456	93,351,911

Group	Land and buildings	Motor vehicle	Office equipment and furniture and fixture	Total
2015	K	K	K	K
Cost	56,152,385	18,933,614	84,383,056	159,469,055
Less: Accumulated depreciation / amortisation	(3,686,090)	(11,680,180)	(36,131,341)	(51,497,611)
Carrying amount at the end of the period	52,466,295	7,253,434	48,251,715	107,971,444
Movement:				
Carrying amount at start of period	50,741,873	5,143,304	39,182,733	95,067,910
Additions	–	1,775,491	12,830,846	14,606,337
Disposals (i)	–	(483,353)	(9,090,093)	(9,573,446)
Depreciation / Amortisation	(999,045)	(1,713,672)	(5,686,702)	(8,399,419)
Transfers from business combination	2,723,467	2,531,664	11,014,931	16,270,062
Carrying amount at the end of the period	52,466,295	7,253,434	48,251,715	107,971,444

Group	Land and buildings	Motor vehicle	Office equipment and furniture and fixture	Total
2014	K	K	K	K
Cost	51,771,411	10,706,955	65,046,548	127,524,914
Less: Accumulated depreciation / amortisation	(1,029,538)	(5,563,651)	(25,863,815)	(32,457,004)
Carrying amount at the end of the period	50,741,873	5,143,304	39,182,733	95,067,910
Movement:				
Carrying amount at start of period	51,771,411	4,403,617	33,101,293	89,276,321
Additions	–	2,664,744	11,492,413	14,157,157
Disposals	–	(141,856)	(314,722)	(456,578)
Depreciation / Amortisation	(1,029,538)	(1,783,201)	(5,117,457)	(7,930,196)
Transfers and other	–	–	21,206	21,206
Carrying amount at the end of the period	50,741,873	5,143,304	39,182,733	95,067,910

i. Included in disposals for the current year is the write off of fixed assets due to the incident as described in note 7.

The above assets are held as security for various loans with banks refer to note 13 for details of these loans.

The Directors revalued land and building at September 2013 after considering the independent valuations from the Professional Valuers of PNG Limited undertaken in September 2013.

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 16).

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 is 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.

Proceeds from sale of assets:

The gross proceeds from asset sales are recognised at the date that an unconditional contract of sale is exchanged with the purchaser. The net gain / loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Impairment of non-financial assets:

The carrying amounts of the Group's property, plant and equipment and goodwill (refer to note 12) are reviewed for impairment as follows:

Property, plant and equipment	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.
Goodwill	At least annually and when there is an indication that the asset may be impaired.

Calculation of recoverable amount

In assessing the impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of an asset is the greater of its value in use ("VIU") and its fair value less costs to dispose ("FVLCTD"). For an asset that does not generate largely independent cash flows, recoverable amount is assessed at the cash generating unit ("CGU") level, which is the smallest group of assets generating cash inflows independent of other CGUs that benefit from the use of the respective asset. Goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments and grouped at the lowest levels for which goodwill is monitored for internal management purposes.

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.

For both VIU and FVLCTD models, long-term growth rates are based on past experience, expectations of external market operating conditions, and other assumptions which take account of the specific features of each business unit. Terminal value growth is based on an estimated long-term growth rate of generally 1%, and does not exceed industry growth rates for the business in which the CGU operates. In this regard, the cash flow projections are based on assumptions that would be considered typical for a market participant.

Estimated future cash flows in VIU models are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The pre-tax discount rate used in the VIU model was 18.9%. Estimated future cash flows in FVLCTD models are discounted to present value using a post-tax weighted average cost of capital.

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.

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.

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.

11. Taxation

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

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Current tax	5,010,021	5,514,066	4,720,561	5,218,521
Deferred tax	(1,541,357)	(212,623)	(670,699)	(194,507)
Income tax expense	3,468,664	5,301,443	4,049,862	5,024,014

Reconciliation between tax expense and profit before income tax

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Profit before tax	10,027,360	12,214,887	11,396,781	12,575,910
Tax for the year at 30%	3,008,208	3,664,466	3,419,034	3,772,773
Unrecognised Deferred tax recognised	–	385,735	–	–
Share in Joint Venture profits	604,176	1,238,334	604,176	1,238,334
Non-deductible expenses	(143,720)	12,908	26,652	12,907
Income tax expense	3,468,664	5,301,443	4,049,862	5,024,014

Deferred tax balances recognised in the Statement of Financial Position

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Deferred tax assets				
Provision for doubtful debts	466,056	17,436	24,936	17,436
Provision for inventory losses	824,762	–	–	–
Provision for employee benefits	1,454,904	1,357,967	1,100,531	1,237,056
Carry forward losses	3,813,404	–	–	–
Fixed assets	1,854,949	767,031	1,854,949	767,031
	8,414,076	2,142,434	2,980,416	2,021,523
Deferred tax liabilities				
Prepaid expenses	(1,484,774)	(975,988)	(940,853)	(975,988)
Lease liability	(579,089)	(255,761)	(579,091)	(255,761)
Unrealised foreign gain	(107,237)	(107,237)	(107,237)	(107,237)
Revaluation gain	(6,778,336)	(6,778,336)	(6,778,336)	(6,778,336)
	(8,949,436)	(8,117,322)	(8,405,517)	(8,117,322)
Net Deferred taxes	(535,369)	(5,974,888)	(5,425,101)	(6,095,800)

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.

12. Goodwill

	CONSOLIDATED	PARENT COMPANY
	K	K
Net Carrying value		
Opening balance 1 January 2015	4,824,927	3,430,720
Additions (Refer to note 19)	15,697,213	–
Net Carrying value 31 December 2015	20,522,140	3,430,720

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.

Refer to note 10 for further details of the accounting treatment of goodwill.

13. Borrowings

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Non-Current				
Fully drawn borrowings	30,749,508	15,787,390	23,224,694	15,787,390
Lease Liabilities (note 16)	2,347,855	1,749,467	1,113,739	1,749,467
Total non-current borrowings	33,097,363	17,536,857	24,338,433	17,536,857
Repayment schedule				
Between one and two years	14,251,732	3,113,978	6,726,918	3,113,978
Between two and five years	18,845,631	14,422,879	17,611,515	14,422,879
Total	33,097,363	17,536,857	24,338,433	17,536,857
Current				
Fully drawn borrowings	11,229,179	1,364,510	5,613,179	1,364,510
Lease Liabilities (note 16)	5,145,979	1,463,339	1,657,972	1,463,339
Total current borrowings	16,375,158	2,827,849	7,271,151	2,827,849
Total borrowings	49,472,521	20,364,706	31,609,584	20,364,706

Bank facilities and security

A. 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
- Unlimited interlinking guarantee and indemnity from its subsidiary company, International Distribution and Marketing Ltd
- Deed of Cross Guarantee
- Master Lease Agreement

B. In June 2011, the Company entered into a 5-year loan agreement with Westpac Bank (PNG) Limited for K6.20 million. The interest rate is fixed for first three years. The loan is secured by a mortgage over the Gerehu property. The loan matures in August 2016.

C. In March 2014, the Company entered into a 7-year loan agreement with Westpac Bank (PNG) Limited for K14 million. During the first two years of the loan the Company is only liable to repay interest on the loan. From the third year the Company is liable to repay both principal and interest on the loan. The interest rate is variable. The loan is secured by a mortgage over all CPL properties.

D. The Company also has a finance lease facility with Westpac Bank PNG Limited. The bank is first mortgagee to all Company assets and undertakings.

E. The Company also has a finance lease facility with ANZ Bank. The bank is second mortgagee to all Company assets and undertakings.

F. In September 2014, the Company entered into additional multi option facility (MOF) with Westpac Bank (PNG) Limited for K4 million which increase the facility to K16 million.

G. In August 2015, the Company entered into a five year loan agreement with ANZ Bank for K16.6 million for acquisition of Hardware Haus business.

H. In October 2015, the Company entered into a seven year loan agreement with Westpac Bank (PNG) Limited for K35.1 million for capital expenditure and development of Harbour City and Koki supermarkets.

The Company has fully utilised all available facilities except for the multi option facility and lease finance.

14. Trade and Other Payables

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Trade Payables	53,866,127	39,973,621	29,893,546	37,935,658
Other Payables and accruals	23,398,183	6,867,650	9,228,758	7,005,113
Security Bonds	161,317	158,304	161,317	158,304
	77,425,627	46,999,575	39,283,621	45,099,075
Current	77,748,272	46,841,271	39,122,304	44,940,771
Non - Current	161,317	158,304	161,317	158,304
	77,909,589	46,999,575	39,283,621	45,099,075

Breakdown of other payable is as follows:

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Advance payments received	10,047,938	1,276,877	1,289,634	1,276,877
Withholding Taxes	857,630	571,046	857,630	571,046
Accruals	6,088,609	1,604,399	6,088,609	1,604,399
Wages payable	564,070	753,782	564,070	753,782
Other	5,839,936	2,661,546	428,815	2,799,009
Total Other Payables	23,398,183	6,867,650	9,228,758	7,005,113

15. Related Party Payables

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Pharmacy Wholesalers Pty Ltd.	154,634	132,781	-	-

16. Lease Liabilities

Refer to note 10 for accounting policy on finance Leases.

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Minimum Lease Payments				
Within one year	5,302,038	1,609,110	1,779,914	1,609,110
Between one and five years	2,358,401	1,825,024	1,158,402	1,825,024
	7,660,439	3,434,134	2,938,316	3,434,134
Less: Future Finance Charges	(166,605)	(221,328)	(166,605)	(221,328)
Present Value of Minimum Lease Payments	7,493,834	3,212,806	2,771,711	3,212,806
Present Value of Minimum Lease Payments				
Within one year	5,145,979	1,463,339	1,657,972	1,463,339
Between one and five years	2,347,855	1,749,467	1,113,739	1,749,467
	7,493,834	3,212,806	2,771,711	3,212,806
Current	5,145,979	1,463,339	1,657,972	1,463,339
Non Current	2,347,855	1,749,467	1,113,739	1,749,467
	7,493,834	3,212,806	2,771,711	3,212,806

17. Employee Provisions

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Current portion:				
Employee provisions	2,449,417	2,983,185	2,039,091	2,731,711
Non-current portion:				
Employee provisions	2,199,638	1,391,804	1,629,341	1,391,804
	4,649,055	4,374,989	3,668,432	4,123,515

Significant Accounting Policies

Employee Benefits

A liability 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. Liabilities 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. Liabilities 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.

18. Financial Instruments

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

The Group classifies its financial assets into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS), held-to-maturity investments and 'loans and receivables'. Management determines the appropriate classification of its investments at the time of the purchase.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, related party receivables and bank balances) are measured at amortised costs using the effective interest method, less any impairment.

As at 31 December 2015 the Groups' only financial assets were Trade and Other Receivables and Related Party Receivables. Refer to note 7 and note 9 for details.

Financial Liabilities

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

As at 31 December 2015 the Groups' other financial liabilities were Trade and Other Payables, Related Party Payables, Bank Overdraft and Borrowings. Refer to note 13, note 14, and note 15 for details.

GROUP STRUCTURE, CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

19. Investments

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Subsidiaries – At cost	–	–	13,352,643	2,154,717
Joint Ventures – Equity method	2,929,261	7,492,765	2,929,261	7,492,765
	2,929,261	7,492,765	16,281,904	9,647,482

	SUBSIDIARIES		PARENT COMPANY	
	Country	% held	2015 K	2014 K
International Distribution and Marketing Ltd	PNG	100%	50,000	50,000
Pharmacy Wholesalers Pty Ltd	Australia	80%	2,104,617	2,104,617
City Foods Ltd	PNG	100%	100	100
Hardware Haus Ltd (i)	PNG	100%	11,197,926	–
			13,352,643	2,154,717

JOINT VENTURES	Country	% held	2015 K	2014 K
Paradise Cinemas (PNG) Ltd	PNG	44%	1,456,490	688,342
Jacks Retail (PNG) Ltd	PNG	50%	860,974	500,000
DFS (PNG) Ltd	PNG	50%	611,797	–
Hardware Haus Ltd (i)	PNG	50%	–	6,304,423
			2,929,261	7,492,765

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

	2015 K	2014 K
Total Assets	23,567,970	102,743,706
Total Liabilities	(18,239,512)	(86,126,062)
Net Assets	5,328,458	16,617,644
Group's share of net assets of Joint Ventures		
Total Revenue	17,278,879	144,057,371
Total Profit / (Loss) of the Joint Ventures	(1,413,566)	(8,685,056)
Group's share of Profit / (Loss) of Joint Ventures	(2,013,919)	(4,127,782)
Carrying amount of Joint Venture Investments	2,929,261	7,492,765

(1) During the current financial year the Group purchased the remaining 50% of Hardware Haus Ltd from Vinod Patel Ltd. Therefore for the current year Hardware Haus Ltd has been consolidated from date of acquisition (1 July 2015).

On 1 July 2015, the Parent Company acquired the remaining 50% shares in Hardware Haus Ltd (HHL).

The fair values of the net assets of HHL including its wholly owned subsidiary, Hardware Haus Properties Ltd, as of acquisition date, are as follows:

	K
Current assets	44,618,727
Non-Current assets	22,622,835
Total Assets	67,241,562
Current liabilities	(47,099,617)
Non-Current liabilities	(24,641,231)
Total liabilities	(71,740,848)
Total	(4,499,287)
Consideration paid	
Cash paid	5,853,341
Investment balance at 1 July 2015	5,344,585
Total consideration paid	11,197,926
Goodwill arising on acquisition	(15,697,213)

Impact of acquisitions on the results of acquisition

Included in the profit for the year is K809,407 net loss attributable to the operations of Hardware Haus Ltd. Revenue for the year includes K 65,153,064 in respect of Hardware Haus Ltd.

Significant Accounting Policies

Business Combinations

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances are measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Joint ventures and joint operations

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.

Based on IFRS 10 an entity should consolidate an investment once the investor controls an investee, when it is exposed, or has right to variable returns from the involvement with the investee and its application is material. The Group does not have control over the investment and accordingly the investment is accounted for using equity method of accounting. The Group has determined, based on the above that the treatment for investments in joint ventures has been correctly classified.

The Group has a 44% interest in Paradise Cinemas (PNG) Limited, which owns the only cinema entertainment complex in Papua New Guinea. Paradise Cinemas (PNG) Limited is a private entity that is not listed on any public exchange. In 2015, the Group has invested K1.7 million for the equivalent of 10% additional shareholding in Paradise Cinemas (PNG) Limited. The Group does not have control over the investment and accordingly the investment is accounted for using the equity method of accounting

The Group has a 50% interest in Jacks Retail (PNG) Limited, which is a clothing retail store. Jacks Retail (PNG) Limited is a private entity that is not listed on any public exchange. In 2014, the Group invested K500,000 in this joint venture. The Group does not have control over the investment and accordingly the investment is accounted for using the equity method of accounting.

The Group has a 50% interest in DFS (PNG) Ltd, which is the only duty free store at the international airport in Port Moresby. DFS (PNG) Ltd is a private entity that is not listed on any public exchange. In 2015, the Group invested K500,000 in this joint venture. The Group does not have control over the investment and accordingly the investment is accounted for using the equity method of accounting.

20. Related Party Disclosure

Related party transactions are carried out on commercial terms and market rates, except for loans to subsidiaries and joint ventures which do not incur any interest and has no fixed terms of repayment.

Transactions with Subsidiaries and Joint Ventures

The Company provides administration assistance to a subsidiary company, International Distribution & Marketing Ltd (IDM). In 2015, IDM owed K720 (2014: K2,306). The movement of K3,026 relates to administration expenses of IDM being paid for by the Company during the year.

Transactions with Hardware Haus Ltd 'HHL', a wholly owned subsidiary from 1 July 2015, are based on commercial arrangements. The Company's total sales to HHL in 2015 were K1,570,331(2014: K653,327) while purchases were K525,755 (2014: K843,359). As at 31 December 2015, the Company has a loan receivable from HHL of K9,500,000 (2014: K1,000,000). The Company also has trade receivables outstanding for the amount of K4,269,530 (2014: K389,459).

The Company also provides administration assistance to Paradise Cinemas (PNG) Ltd, a joint venture. As at 31 December 2015, the Company has a receivable from Paradise Cinema of K239,711 (2014 :K743,550).

Mahesh Patel is a director of New World Limited , Fiji , a supplier to the company. In 2015 City Pharmacy Limited purchased stocks of K64,927 which were fully paid. The Company has an outstanding amount of KNil (2014: K3,407).

Mahesh Patel is a related party of US All American ENT.INC.USA, a supplier to the company. In 2015, City Pharmacy Limited's total stocks purchased from US All American was K1,816,466 which were fully paid. The has an outstanding amount of KNil (2014:K139,802) at the year end.

Due from / (to) key management personnel (non-Company directors)

During the year, the key management personnel who are non-Company directors received advances from the Company amounting to K448,683. As at 2015 year end , the balance owed to the Company is K51,354 (2014 :K217,115).

Mahesh Patel, OBE is a shareholder and director of the Company and receives a bonus, which includes a motor vehicle provided to him by the Company.

Remuneration of the Directors and key management officers

The total remuneration paid to Directors and key management officers during the year was K10.91 million and consisted of fixed directors' fees, salaries and fees and non-monetary benefits* as follows:

	2015 K	2014 K
Short-term employment benefits	10,611,873	6,440,291
Bonuses	300,821	610,744
Total	10,912,694	7,051,035

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.

Remuneration by Director:

	2015 K	2014 K
Mahesh Patel, OBE	631,151	645,474
Peter John Aitsi	128,644	63,000
Graham John Dunlop	128,266	66,150
Bruce David Dalhenburg (Resigned May 2015)	42,405	63,000
Dame Carol Kidu (Resigned May 2015)	61,038	63,000
Anthony Smare	128,644	63,000
Robert Baily (Appointed May 2015)	97,504	–
Joseph Barberis (Appointed May 2015)	102,467	–
Peter Robinson (Appointed May 2015)	95,990	–

In addition, Mahesh Patel is a full-time employee and received benefits of fully provided vehicles, accommodation and air fares, the value of which is included in the above. Mahesh Patel further received a bonus based on 3% pre-tax profit in 2015 of K300,821 (2014: K334,434).

Remuneration of employees

	2015	2014
K80,001–K100,000	5	12
K100,001–K200,000	18	22
K200,001–K300,000	9	6
K300,001–K400,000	3	3
K400,001–K500,000	5	2
K500,001–K600,000	1	–
K600,001–K700,000	–	–
K700,001–K800,000	1	–
K800,001–K900,000	–	1
K900,001–K1,000,000	1	1
K1,000,001–K1,100,000	–	–
K1,100,001–K1,200,000	1	–
	44	47

Interest Register

Name of Director	Interest / Position	Name of entity
Mahesh Patel, OBE	Chairman / Shareholder	City Pharmacy Ltd, Mainsbridge Pty Ltd Australia, Amar Business Holding Pte Ltd
	Chairman	Telikom PNG Ltd
	Director	Hardware Haus Ltd, New World Limited Fiji, IDM Ltd
Peter John Aitsi	Director / Shareholder	RBC Holdings Ltd
	Deputy Chairman	Kumul Consolidated Holdings
	Sr Vice President	PNG Chamber of Mines and Petroleum
	Director	City Pharmacy Ltd, PNG FM Ltd, Leadership PNG, Steamships Trading Company Ltd, Newcrest PNG Ltd
Graham John Dunlop	Director/ Chairman	Hardware Haus Ltd, Mainland Holdings Ltd
	Director	City Pharmacy Ltd, Steamships Trading Company Ltd, Credit Corporation (PNG) Ltd
Robert Baily	Director	City Pharmacy Ltd, 7-Eleven Stores Pty Ltd
	Member	Starbucks Australia Advisory Board
Anthony Smare	Director / Chairman	Nambawan Super Ltd
	Director	City Pharmacy Ltd , Paradise Foods Ltd, Nationwide Microbank Ltd
Peter Robinson	Director / Chairman	Australian Pharmaceuticals Industries Ltd, Clover Corporation Ltd, TPI Enterprises Ltd
	Director	City Pharmacy Ltd
Joseph Barberis	Director	City Pharmacy Ltd, Zoos Victoria

Shareholdings of Directors and Related Parties

Related party	Number of shares in the Group	% holding
Amar Business Holdings Pte Ltd	14,187,142	11.38%
New World Ltd, Fiji	9,681,228	7.76%
Mainsbridge Pty Ltd	6,305,692	5.06%
Mahesh Patel, OBE	6,227,597	4.99%
Manu Nominees Pty Ltd	2,000,000	1.60%
Anthony Smare and Emma Smare	90,000	0.07%

21. Issued Capital

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.

22. Cash and Cash Equivalents

Reconciliation of Cash

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Cash at bank	5,751,634	4,845,652	2,060,597	4,209,251
Bank overdraft	(33,138,501)	(4,731,194)	(24,291,839)	(4,731,194)
	(27,386,867)	114,458	(22,231,242)	(521,943)

Reconciliation of operating profit after income tax to net cash provided by operating activities

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
Operating profit before tax	10,027,360	12,124,887	11,396,781	12,575,910
Adjustments for:				
(Gain)/ Loss on disposal of fixed assets	(1,018,863)	263,925	(1,018,863)	263,925
Provision for bad debts	1,495,399	(9,839)	25,000	(9,839)
Loss from Joint Ventures	2,013,919	4,127,782	2,013,919	4,127,782
Insurance claims	(21,816,518)	–	(21,816,518)	–
Interest expense	3,513,718	1,595,889	2,543,643	1,595,889
Depreciation	8,399,419	7,930,196	8,192,242	7,599,408
Inventory written off	6,122,742	–	6,122,742	–
Property, plant and equipment written off	9,258,740	–	9,258,740	–
Interest income	–	(2,182)	–	(2,182)
Operating profit before changes in working capital	17,995,916	26,030,658	16,717,686	26,150,893

	CONSOLIDATED		PARENT COMPANY	
	2015 K	2014 K	2015 K	2014 K
(Increase)/ Decrease in:				
Trade and Other Receivables	(20,537,350)	(6,149,570)	(5,555,098)	(5,141,757)
Inventories	(32,939,602)	(13,228,499)	(2,740,083)	(13,657,564)
Prepayments	188,283	(945,524)	117,116	(1,064,867)
(Decrease) / Increase in:				
Trade and Other Payables	27,795,382	13,167,479	(5,815,456)	13,263,034
Income Tax Liability	–	–	–	–
Employee Provisions	274,066	(222,099)	(455,083)	(316,974)
	(25,219,221)	(7,378,213)	(14,448,604)	(6,918,128)
Cash generated from / (used in) operations	(7,223,307)	18,652,445	2,269,441	19,232,763
Interest Received	–	2,182	–	2,182
Interest Paid	(3,513,721)	(1,595,889)	(2,543,643)	(1,595,889)
Insurance claims	6,511,340	–	6,511,340	–
Income Tax Paid	(5,722,894)	(9,974,515)	(5,722,894)	(10,030,323)
	(21,045,541)	(17,348,806)	849,471	(16,467,210)
Net cash provided by operating activities	(9,948,579)	7,084,223	514,244	7,608,733

23. 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 minimise 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	
	2015 K	2014 K	2015 K	2014 K
Cash at bank	5,751,634	4,845,652	2,060,597	4,209,251
Trade and Other Receivables	54,463,069	20,115,940	37,555,337	16,720,061
Related Party Receivables	485,195	1,744,010	13,711,287	6,104,662
	60,699,898	26,705,602	53,327,221	27,033,974

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

Foreign Exchange Risk

The Group's foreign currency risk arises from transactions with suppliers and investments in foreign associates. Management usually manages the risk by taking out foreign cover in the event of anticipated large movements in exchange rates.

Liquidity Risk

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

PARENT	At Call	0 – 3 Months	3 Months – 1 Year	Beyond 1 Year
2015	K	K	K	K
Assets				
Cash and Cash Equivalents	2,060,597	–	–	–
Trade and Other Receivables	–	34,832,761	–	–
Related Party Receivables	13,711,287	–	–	–
Total Undiscounted Cash Inflows	15,771,884	34,832,761	–	–
Liabilities				
Trade and Other Payables	–	31,611,995	–	–
Bank Overdraft	24,291,839	–	–	–
Borrowings	–	–	5,613,179	23,224,694
Finance Leases	–	–	1,657,972	1,113,739
Total undiscounted cash outflows	24,291,839	31,611,995	7,271,151	24,338,433

GROUP	At Call	0 – 3 Months	3 Months – 1 Year	Beyond 1 Year
2015	K	K	K	K
Assets				
Cash and Cash Equivalents	5,751,634	–	–	–
Trade and Other Receivables	–	44,597,907	–	–
Related Party Receivables	485,195	–	–	–
Total Undiscounted Cash Inflows	6,236,829	44,597,907	–	–
Liabilities				
Trade and Other Payables	–	69,754,001	–	–
Bank Overdraft	33,138,501	–	–	–
Borrowings	–	–	11,229,179	30,749,508
Finance Leases	–	–	5,145,979	2,347,855
Total undiscounted cash outflows	33,138,501	69,754,001	16,375,158	33,097,363

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 2015, a general increase of one percentage point in interest rates or one percentage point in the value of the Kina against other foreign currencies will not have a significant impact on the Group's profit.

24. 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.

25. Commitments for Expenditure

The Company had forward exchange contracts commitments as at 31 December 2015 of KNil (2014:KNil). Further, future financial charges totalling K166,605 (2014: K227,765) in relation to various financial leases of vehicles and equipment from Westpac Bank PNG Limited. Total monthly lease repayments are K175,226 (2014: K188,224).

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.

OTHER

26. Contingencies

The Company has a credit facility of K16 million (2014: K16 million) for Multi - Option Facilities which includes documentary letters of credit from Westpac Bank PNG Limited. As at 31 December 2015, the Company had utilised letters of credit amounting to K930,107 (2014: K1,575,593).

The Company has guaranteed up to K5 million of the Hardware Haus Limited multi-option and fully drawn loan facilities from ANZ Bank. The guarantee is supported by a mortgage of the Company properties in Mount Hagen as first mortgage, and second mortgage for the properties in Lae, Boroko and Gerehu.

The Company has also provided guarantees to Paradise Cinemas (PNG) Limited for lease finance and loan facilities from Westpac Bank PNG Limited to set up the Cinema projects at Vision City and Waigani Central for K 3.93million.

27. Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations or state of affairs of the company in the financial year subsequent to 31 December 2015.

Directors' Declaration

The Directors' declare that:

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

b. In the Directors' opinion, the attached Consolidated Financial Statements and notes thereto are in accordance with the Companies Act 1997 (Amended), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Director: .... Director: ....

Date: 23.03.16 Date: 23.3.16

COMPANY DIRECTORY

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.

Chairman
Mahesh Patel, OBE

Directors
Peter John Aitsi
Robert Baily
Joseph Barberis
Graham John Dunlop
Peter Robinson
Anthony Smare

Secretary
Colin Young

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Deloitte Touche Tohmatsu

Bankers
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Bank of South Pacific Limited
Wespac Bank PNG Limited

Stock exchange
Port Moresby Stock Exchange (listing code: CPL)

Brokers
BSP Capital
Kina Securities

Share Register
PNG Registries Limited

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