

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2019**

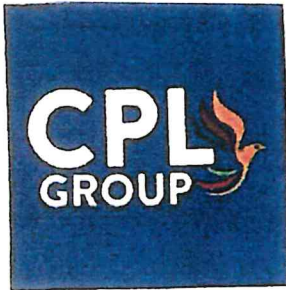
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**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
COMPANY INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2019**

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

| | |
|--------------------------|---|
| Registered Office | Allotment 33, Section 38 Waigani Drive National Capital District Papua New Guinea Telephone: +675 312 0000 |
| Directors | Stanley Thomas Joyce, Chairman Mahesh Patel, OBE, Managing Director Graham John Dunlop Peter Robinson Mary Handen Mary Ellen Johns |
| Secretary | Raman Kumar |
| Auditors | Ernst & Young Level 4, Credit House Cuthbertson St. PO Box 1380, Port Moresby 121 NCD, Papua New Guinea |
| Bankers | Westpac Bank PNG Limited Bank of South Pacific Limited ANZ Banking Group Limited |
| Stock Exchange | PNGX Markets Limited (listing code: CPL) |
| Brokers | BSP Capital Kina Securities |
| Share Register | PNG Registries Limited |



CPL Chairman's Statement for Six Months to June 2019

The PNG Economy faced strong headwinds in the 1st six months of 2019 due to lower commodity prices. The business climate remains challenging as we manage limited foreign exchange availability, tight Public Sector Cash flow and increasing competition from unregulated operators.

Despite these difficulties CPL Consolidated Revenue was K270.9 million a growth of 9.6% on the same period last year.

Profit before tax for the period ending June 30th was K4.9 million (excluding an Impact of IFRS 16, leases of K3.0 million) in line with expectations.

The company has now achieved and in some cases exceeded the milestones set out in the AZURIUM report which had been a mandated blue print to recovery from the fires that nearly destroyed the business in 2015 and 2017.

Key highlights of the business performance in the first 6 month include

1. The successful opening of 4 new pharmacy stores.
2. A turnaround in sales and return to profitability for Hardware Haus.
3. Growth in all Stop and Shop Stores lead by the flagship Waigani Complex.

During the reporting period the company was able to significantly reduce overdue creditors and fully paid out the loan to ANZ Bank for Hardware Haus.

Pre works have started on the Gerehu Distribution centre which will be a foundation stone of a drive to reduce operating costs and improve efficiencies in the business.

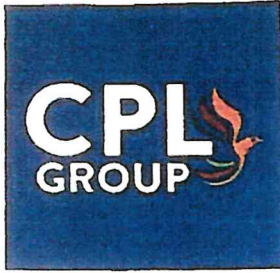
We have made a number of important middle management recruitment decisions and on boarding of talent to improve the quality and presentation of our goods and services in the business. Training and development of our staff remains a key focus of the business and will greatly assist in the differentiation of our business through excellent customer service.

Improved cash flows have also enable much needed capital expenditure on store refurbishment programs including refrigeration which will provide much improved customer experiences throughout our retail network.

The company maintains an ongoing cost reduction program across the business and continues to tap into opportunities to collaborate with suppliers to drive profitability and increased volumes.

P.O. Box 1663, Port Moresby
NCD, Papua New Guinea
Telephone: (675) 3120000
Website: www.cpl.com.pg





CPL will also continue to develop its own private labels (Self-care, Healthy choice, iSolar & iBuild) across all divisions in line with retail best practice and global trends.

Investment has also been made in a digital strategy to stay connected with increasingly a more discerning customer base that will grow substantially when connectivity improves with the new cable.

Outlook for the remainder of the year and beyond remains cautiously optimistic. Improved business climate as we move towards the Papua LNG project and improved cash flows from Government should provide more favourable trading conditions.

A handwritten signature in black ink, appearing to read 'Stanley Thomas Joyce', written over a horizontal line.

Stanley Thomas Joyce
Chairman



Ernst & Young
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Cuthbertson Street
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National Capital District Papua
New Guinea

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To the members of City Pharmacy Limited and its Subsidiaries

Report on the Half-Year Financial Report

Qualified Conclusion

We have reviewed the accompanying half-year financial report of City Pharmacy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statements of financial position as at 30 June 2019, the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matters described in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the half-year financial report of the Group does not present fairly, in all material respects, the financial position of the Company and Group as at 30 June 2019 and their financial performance and their cash flows for the half-year ended on that date, in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*.

Basis for Qualified Conclusion

Comparative Information

We were appointed the auditors of the Company and Group on 24 April 2019. The financial reports for the Group for the years ended 31 December 2017 and 31 December 2018 were issued with disclaimer of opinion audit reports. In addition, the Group's predecessor auditor observed qualification in respect of:

- The timing of the Group's recognition of its insurance fire receivable and associated income in respect of its Gerehu Fire, incorrectly recorded in the year ended 31 December 2018 as opposed to the year ended 31 December 2017; and
- The absence of an independent valuation to support the carrying amount of the Group's leasehold land of K10.0 million at 31 December 2017 and 31 December 2018, carried at fair value.

With the exception of the carrying amount of the Group's leasehold land of K10.0 million at 31 December 2018, the predecessor auditor was able to obtain sufficient appropriate audit evidence in respect of the Group and Company's statements of financial position as at 31 December 2018 but because of the impact of the above matters on the opening balances used the determination of financial performance and cash flows for the year ended 31 December 2018, the predecessor auditor was unable to form an opinion on the 31 December 2018 financial report taken as a whole.

As part of our procedures for the half-year ended 30 June 2019, we have been able to satisfy ourselves as to the carrying amount of the Group's leasehold land of K10.0 million at 31 December 2018 at 30 June 2019.

Our conclusion on the current half-year financial report is modified because of the qualification on Group and Company's financial performance and cash flows for the prior year, being the year ended 31 December 2018 (financial information for half-year ended 30 June 2018 is disclosed in this half-year financial report for comparative purposes) and the possible effects of these matters on the comparability of the current year's figures with the comparative information.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

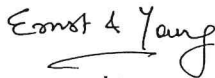
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with International Accounting Standards including: giving a true and fair view of the Company and Group's financial position as at 30 June 2019 and their financial performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting*. As the auditor of the Group, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the auditor independence requirements and the ethical requirements of the *International Federation of Accountants Code of Ethics for Professional Accountants* (the Code) that are relevant to our review of the half-year financial report in Papua New Guinea. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Ernst & Young



Madhu Nair
Partner
Registered under the Accountants Act 1996
Port Moresby

13 September 2019

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2019**

The directors present their half yearly report on the affairs of City Pharmacy Limited ("Parent Company") and its subsidiaries ("Group") including the condensed consolidated financial statements for the half year ended 30 June 2019.

Activities

The principal activities of the Group are the import and subsequent wholesale and retail of pharmaceutical products, supermarket goods, hardware, and bakery operations.

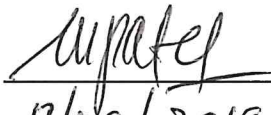
Results

The Group reported a profit after income tax expense for the half year ended 30 June 2019 of K5,902k (2018: K1,237k). For the Parent Company, net profit after income tax of K6,771k (2018: K4,895k).

Dividends

The Directors have decided that no interim dividend will be paid for the half year ended 30 June 2019 (30 June 2018: KNil).

For and on behalf of the board of directors

Director: 
Date: 12/09/2019

Director: 
Date: 12/09/2019

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019

| | Notes | Consolidated | | Parent Company | |
|--|-------|-------------------------------|---------------|-------------------------------|---------------|
| | | For the 6 months period ended | | For the 6 months period ended | |
| | | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | | K'000 | K'000 | K'000 | K'000 |
| Revenue | 3(a) | 270,937 | 247,163 | 208,685 | 180,138 |
| Cost of sales | | (184,036) | (172,193) | (139,578) | (119,369) |
| Gross profit | | 86,901 | 74,970 | 69,107 | 60,769 |
| Distribution expenses | | (1,796) | (5,557) | (1,796) | (3,081) |
| Marketing expenses | | (1,731) | (2,669) | (1,253) | (2,314) |
| Administration expenses | | (63,042) | (76,280) | (50,401) | (61,114) |
| Impairment of assets | | - | (474) | - | (474) |
| Gerehu fire expenses | | - | (76) | - | (76) |
| Finance income (expense), net | 3(c) | (6,593) | (1,761) | (5,615) | (1,239) |
| Other income and (expenses) | 3(b) | (12,311) | 287 | (9,812) | (584) |
| Gerehu fire insurance income | | - | 14,516 | - | 14,516 |
| Share of Profit from associates | | 447 | 555 | 447 | 555 |
| Total Expenses | | (85,026) | (71,459) | (68,430) | (53,811) |
| Profit before income tax expense | | 1,875 | 3,511 | 677 | 6,958 |
| Income tax (expense) / benefit | 4 | 4,027 | (2,274) | 6,094 | (2,063) |
| Profit for the period after income tax | | 5,902 | 1,237 | 6,771 | 4,895 |
| Other comprehensive income for the period that may be reclassified to profit and loss: | | | | | |
| Exchange differences on translating foreign operation | | 159 | (294) | - | - |
| Total comprehensive income for the period | | 6,061 | 943 | 6,771 | 4,895 |
| Profit for the period is attributed to: | | | | | |
| Owners of the parent | | 5,822 | 1,193 | 6,771 | 4,895 |
| Non-controlling interest | | 80 | 44 | - | - |
| | | 5,902 | 1,237 | 6,771 | 4,895 |
| Total Comprehensive income for the period is attributed to: | | | | | |
| Owners of the parent | 3(b) | 5,981 | 899 | 6,771 | 4,895 |
| Non-controlling interest | 3(b) | 80 | 44 | - | - |
| | | 6,061 | 943 | 6,771 | 4,895 |
| Earnings per share - basic and diluted (toea per share) | | 2.95 | 0.62 | | |

This statement is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 13 to 28.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 JUNE 2019

| | Notes | Consolidated | | Parent Company | |
|--|--------|----------------|----------------|----------------|----------------|
| | | June 2019 | December 2018 | June 2019 | December 2018 |
| | | K'000 | K'000 | K'000 | K'000 |
| ASSETS | | | | | |
| Cash and cash equivalents | | 23,565 | 32,667 | 20,088 | 26,942 |
| Trade and other receivables | 9 | 31,036 | 29,170 | 21,030 | 21,818 |
| Inventories | 7 | 82,040 | 84,235 | 51,351 | 50,695 |
| Prepayments | | 7,621 | 5,914 | 5,790 | 5,003 |
| Lease receivable | 2.1(d) | 3,144 | - | 1,060 | - |
| Income tax receivable | | 1,745 | - | 380 | - |
| Total Current Asset | | 149,151 | 151,986 | 99,699 | 104,458 |
| Other receivables | 9 | 5,800 | 7,000 | 5,800 | 7,000 |
| Related party receivables | 16 | 1,065 | 87 | 30,378 | 28,872 |
| Lease receivable | 2.1(d) | 39,542 | - | 14,730 | - |
| Property, plant and equipment | 5 | 74,668 | 69,030 | 62,396 | 56,900 |
| Right of use asset | 2.1(d) | 160,993 | - | 143,057 | - |
| Investments | 6 | 5,235 | 4,788 | 23,136 | 22,689 |
| Deferred tax asset | 14 | 5,675 | 2,047 | 4,140 | 337 |
| Goodwill | | 4,825 | 4,825 | 3,431 | 3,431 |
| Total Non-Current Asset | | 297,803 | 87,777 | 287,068 | 119,229 |
| TOTAL ASSETS | | 446,954 | 239,763 | 386,767 | 223,687 |
| LIABILITIES | | | | | |
| Borrowings | 11 | - | 4,123 | - | 4,123 |
| Bank overdraft | 11 | 14,465 | 3,505 | 14,465 | 3,505 |
| Trade and other payables | 12 | 73,415 | 83,400 | 53,938 | 59,142 |
| Income tax liability | | - | 924 | - | 3,513 |
| Employee provisions | 13 | 4,454 | 4,570 | 3,589 | 3,982 |
| Lease Liabilities | 2.1(d) | 20,313 | - | 15,661 | - |
| Total Current Liabilities | | 112,647 | 96,522 | 87,653 | 74,265 |
| Related party payables | 16 | 160 | 221 | - | - |
| Other payables | 12 | 684 | 666 | 141 | 107 |
| Deferred tax liabilities | 14 | 2,517 | 3,835 | 1,135 | 3,123 |
| Employee provisions | 13 | 5,425 | 5,469 | 4,536 | 4,701 |
| Lease liabilities | 2.1(d) | 181,907 | - | 145,040 | - |
| Total Non-Current Liabilities | | 190,693 | 10,191 | 150,852 | 7,931 |
| TOTAL LIABILITES | | 303,340 | 106,713 | 238,505 | 82,196 |
| NET ASSETS | | 143,614 | 133,050 | 148,262 | 141,491 |
| SHAREHOLDERS' EQUITY | | | | | |
| Issued capital | 10 | 70,867 | 70,867 | 70,867 | 70,867 |
| Reserves | | 8,813 | 8,813 | 8,813 | 8,813 |
| Other reserve | | 713 | 554 | - | - |
| Retained earnings | | 61,832 | 51,507 | 68,582 | 61,811 |
| Equity attributable to owners of the Parent | | 142,225 | 131,741 | 148,262 | 141,491 |
| Non - controlling interest | | 1,389 | 1,309 | - | - |
| TOTAL SHAREHOLDERS' EQUITY | | 143,614 | 133,050 | 148,262 | 141,491 |

This statement is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 13 to 28.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019

| Group | Share Capital K'000 | Retained Earnings K'000 | Revaluation Reserve K'000 | Other Reserve K'000 | Attributable to owners of the parent K'000 | Non-Controlling Interest K'000 | Total K'000 |
|---|---------------------------|-------------------------------|---------------------------------|---------------------------|---|--------------------------------------|----------------|
| Balance at 01 January 2018 | 33,871 | 27,429 | 23,925 | 895 | 86,120 | 1,192 | 87,312 |
| Changes in equity for the period | | | | | | | |
| Issuance of shares | 36,996 | - | - | - | 36,996 | - | 36,996 |
| Other comprehensive income | - | - | - | (293) | (293) | - | (293) |
| Profit for the period | - | 1,193 | - | - | 1,193 | 44 | 1,237 |
| Balance at 30 June 2018 | 70,867 | 28,622 | 23,925 | 602 | 124,016 | 1,236 | 125,252 |
| Balance at 01 January 2019 | 70,867 | 51,507 | 8,813 | 554 | 131,741 | 1,309 | 133,050 |
| Changes in equity for the period | | | | | | | |
| Profit for the period | - | 5,822 | - | - | 5,822 | 80 | 5,902 |
| Other comprehensive income | - | - | - | 159 | 159 | - | 159 |
| Impact on adoption of IFRS 16 | - | 4,503 | - | - | 4,503 | - | 4,503 |
| Balance at 30 June 2019 | 70,867 | 61,832 | 8,813 | 713 | 142,225 | 1,389 | 143,614 |

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 13 to 28.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019**

| | Share Capital K'000 | Retained Earnings K'000 | Revaluation Reserve K'000 | Total K'000 |
|-----------------------------------|------------------------|----------------------------|------------------------------|----------------|
| Parent Company | | | | |
| Balance at 01 January 2018 | 33,871 | 35,925 | 23,925 | 93,721 |
| Changes in equity for 2018 | | | | |
| Issuance of shares | 36,996 | - | - | 36,996 |
| Prior year adjustments | - | 997 | - | 997 |
| Profit for the period | - | 4,895 | - | 4,895 |
| Balance at 30 June 2018 | 70,867 | 41,817 | 23,925 | 136,609 |
| Balance at 01 January 2019 | 70,867 | 61,811 | 8,813 | 141,491 |
| Changes in equity for 2019 | | | | |
| Profit for the period | - | 6,771 | - | 6,771 |
| Balance at 30 June 2019 | 70,867 | 68,582 | 8,813 | 148,262 |

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 13 to 28.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019

| | Consolidated | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | June 2019 | June 2018 | June 2019 | June 2018 |
| | K'000 | K'000 | K'000 | K'000 |
| Operating Activities | | | | |
| Cash receipts from customers | 270,378 | 250,044 | 210,322 | 184,861 |
| Cash paid to suppliers and employees | (260,325) | (283,127) | (199,071) | (207,282) |
| Cash receipts from lessees | 3,068 | - | 1,125 | - |
| Cash generated from (used in) operations | 13,121 | (33,083) | 12,376 | (22,421) |
| Other income received | - | 4,540 | - | 2,809 |
| Interest received/(paid) | (274) | (1,761) | 65 | (1,239) |
| Insurance claim received | 397 | 54,676 | 397 | 53,881 |
| Income tax paid | (155) | - | (157) | - |
| Cash generated by operating activities | 13,089 | 24,372 | 12,681 | 33,030 |
| Investing Activities | | | | |
| Proceeds from sale of equipment | 357 | - | 223 | - |
| Purchase of plant and equipment | (11,464) | (14,699) | (10,903) | (14,436) |
| Cash utilised by investing activities | (11,107) | (14,699) | (10,680) | (14,436) |
| Financing Activities | | | | |
| Repayment of borrowings | (4,123) | (50,019) | (4,123) | (49,914) |
| Repayment of lease liabilities | (18,072) | (1,310) | (14,221) | (433) |
| Receipt of rental bonds | 34 | - | 34 | - |
| Share issuance-Right Issue | - | 36,996 | - | 36,996 |
| Loans to/(from) related parties | 117 | (74) | (1,505) | (8,795) |
| Cash utilised by financing activities | (22,044) | (14,407) | (19,815) | (22,146) |
| Net decrease in Cash and cash equivalents | (20,062) | (4,735) | (17,814) | (3,552) |
| Cash and cash equivalents at beginning of the period | 29,162 | (4,205) | 23,437 | 2,001 |
| Cash and cash equivalents at end of the period, net of overdraft | 9,100 | (8,940) | 5,623 | (1,551) |
| Cash is composed of: | | | | |
| Cash and Cash Equivalents | 23,565 | 9,248 | 20,088 | 7,123 |
| Bank overdraft | (14,465) | (18,188) | (14,465) | (8,674) |
| | 9,100 | (8,940) | 5,623 | (1,551) |

This statement is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 13 to 28.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This half year report is prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements are denominated in Papua New Guinea Kina, which is the reporting currency of the Group. All financial information presented in Papua New Guinea Kina has been rounded to the nearest thousand kina, unless otherwise stated.

These accounting policies are consistent with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Papua New Guinea Accounting Standards Board.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies for the first time IFRS 16 Leases, resulting in changes in accounting policies and adjustments to the amounts previously recognised in the Group's annual consolidated financial statements. The Group, however, did not restate comparative figures as the Group opted to apply the modified retrospective approach as allowed by the transition provisions of IFRS16. Under the modified retrospective method of adoption, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

2.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. IFRS 16 will have an impact for leases where the Group is the lessor.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adoption IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

| | <u>K'000</u> |
|-------------------------------------|-----------------------|
| Assets | |
| Right-of-use assets | 189,543 |
| Lease receivable | 25,090 |
| Total assets | <u><u>214,633</u></u> |
| Liabilities | |
| Lease liabilities | 210,130 |
| Equity | |
| Retained earnings | 4,503 |
| Total liabilities and equity | <u><u>214,633</u></u> |

Impact on the statement of profit or loss for the six months ended 30 June 2019:

| | <u>K'000</u> |
|--|-----------------------|
| Amortisation of right-of-use asset (Note 3(b)) | (12,164) |
| Interest expense on lease liability (Note 3(c)) | (7,939) |
| Rent expense (included in Administration expense) | 18,072 |
| Interest income on lease receivable (Note 3(c)) | 1,620 |
| Rent income (included in Other income and expenses) | (3,068) |
| Gain on sublease of right-of-use asset (Note 3(c)) | 435 |
| Decrease in Profit or loss before tax for the period | <u><u>(3,044)</u></u> |

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, plant and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
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Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | K'000 |
|---|----------------|
| Operating lease commitments as at 31 December 2018 | 292,923 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 7.75% |
| Operating lease commitments discounted at 1 January 2019 | 211,856 |
| Commitments relating to short term leases | (5,118) |
| Commitments relating to low-value assets | (45) |
| Adjustments as a result of a different treatment of lease options | 3,437 |
| Lease liabilities as at 1 January 2019 | 210,130 |

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs. Accordingly, the lease liability calculations do not take into account any future increments in rental payments unless the increments are contractually fixed.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Sub-leases

The Group reassessed the classification of sub-lease contracts previously classified as operating lease under IAS 17. The Group concluded that the sub-leases are finance lease under IFRS 16 and accounted for as new finance leases entered at the date of initial application.

The Group as the original lessee derecognises the right-of-use asset on the head lease at the date of initial application and continues to account for the original lease liability in accordance with the lessee accounting model. The Group, as the sublessor, recognises a net investment (or Lease Receivable) in the sublease. At date of initial application, the difference between the right-of-use asset derecognised and net investment in the sublease is recognised in retained earnings. After the date of initial application, the difference is posted in the profit or loss for the period.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below K17,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property, plant and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operations if a replacement is not readily available.

(c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| | <u>Right-of-use assets - Buildings</u> | <u>Lease liabilities</u> | <u>Lease receivable</u> |
|-----------------------------|--|------------------------------|-----------------------------|
| | K'000 | K'000 | K'000 |
| As at 1 January 2019 | 189,543 | 210,130 | 25,090 |
| Additions | 2,223 | 2,223 | - |
| Sub-lease | (18,609) | - | 19,044 |
| Depreciation | (12,164) | - | - |
| Interest expense | - | 7,939 | - |
| Interest income | - | - | 1,620 |
| Payment of lessee/sublessee | - | (18,072) | (3,068) |
| As at 30 June 2019 | 160,993 | 202,220 | 42,686 |

(d) Classification of lease receivable and liability

| | <u>K'000</u> |
|--------------------------------|----------------|
| Lease receivables | |
| Current | 3,144 |
| Non-current | 39,542 |
| Total lease receivables | 42,686 |
| Lease liabilities | |
| Current | 20,313 |
| Non-current | 181,907 |
| Total lease liabilities | 202,220 |

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2.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The interpretation did not have an impact on the consolidated financial statements of the Group.

3 PROFIT AND LOSS

(a) Operating Revenue

Operating profit for the period is stated after charging/(crediting) for the following items:

| | Consolidated | | Parent Company | |
|--|----------------------|---------------------------------|-----------------------|----------------------|
| | June 2019 | June 2018 | June 2019 | June 2018 |
| | K'000 | K'000 | K'000 | K'000 |
| Contract with customers | 270,937 | 247,163 | 208,685 | 180,138 |
| | Retail | Wholesale and Tender | Total | |
| | K'000 | K'000 | K'000 | |
| Type of goods | | | | |
| Sale of retail goods | 258,479 | 12,458 | 270,937 | |
| Total revenue from contracts with customer | 258,479 | 12,458 | 270,937 | |
| Geographical markets | | | | |
| Papua New Guinea | 258,479 | 12,458 | 270,937 | |
| Total revenue from contracts with customer | 258,479 | 12,458 | 270,937 | |

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3 PROFIT AND LOSS (continued)

| | Retail K'000 | Wholesale and Tender K'000 | Total K'000 |
|--|-----------------|----------------------------------|----------------|
| Type of goods and services | | | |
| Sale of retail goods | 231,832 | 15,331 | 247,163 |
| Total revenue from contracts with customer | 231,832 | 15,331 | 247,163 |
| Geographical markets | | | |
| Papua New Guinea | 231,832 | 15,331 | 247,163 |
| Total revenue from contracts with customer | 231,832 | 15,331 | 247,163 |

(b) Total Comprehensive Income for the period from continuing operations

| | Consolidated | | Parent Company | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | June 2019 K'000 | June 2018 K'000 | June 2019 K'000 | June 2018 K'000 |
| Total Comprehensive Income for the period from continuing operations attributable to: | | | | |
| Owners of the company | 5,981 | 899 | 6,771 | 4,895 |
| Non-controlling interests | 80 | 44 | - | - |
| Total | 6,061 | 943 | 6,771 | 4,895 |

Other income and expenses

Operating profit for the period is stated after charging/(crediting) the following items:

| | Consolidated | | Parent Company | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | June 2019 K'000 | June 2018 K'000 | June 2019 K'000 | June 2018 K'000 |
| Other (income) and expense | | | | |
| Amortisation of right-of-use asset | 12,164 | - | 9,501 | - |
| Depreciation on property, plant & equipment | 5,854 | 4,253 | 5,354 | 3,393 |
| Profit on sale of asset | (323) | (50) | (173) | (50) |
| Rental income | (192) | (2,371) | (191) | (1,014) |
| Gain on sublease of right-of use assets | (435) | - | (232) | - |
| Other income | (4,757) | (2,119) | (4,447) | (1,745) |
| Total | 12,311 | (287) | 9,812 | 584 |
| Auditors' remuneration – audit | 222 | 272 | 127 | 157 |

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3 PROFIT AND LOSS (continued)

(c) Finance income and cost

| | Consolidated | | Parent Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | June 2019 K'000 | June 2018 K'000 | June 2019 K'000 | June 2018 K'000 |
| Finance cost | | | | |
| Interest expense on loans and bank overdraft | (551) | (1,761) | (521) | (1,239) |
| Interest expense on amortisation of lease liability | (7,939) | - | (6,298) | - |
| Finance income | | | | |
| Interest income | 277 | - | 586 | - |
| Interest income on amortisation of lease receivable | 1,620 | - | 618 | - |
| Total | (6,593) | (1,761) | (5,615) | (1,239) |

(d) Employees

The number of employees as at 30 June 2019 employed by the Group was 2,610 (2018: 2,471).

4 INCOME TAX EXPENSE

| | Consolidated | | Parent Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | June 2019 K'000 | June 2018 K'000 | June 2019 K'000 | June 2018 K'000 |
| The prima facie for the period is reconciled to the tax expense as follows: | | | | |
| Accounting profit before tax | 1,876 | 3,511 | 677 | 6,958 |
| Tax for the period at 30% | 563 | 1,053 | 203 | 2,088 |
| Share of profit from associates | (134) | (167) | (134) | (167) |
| Write off of preoperative expense | - | 143 | - | 142 |
| Adjustments in respect of current income tax of previous years | (3,756) | - | (4,729) | - |
| Unrecognised deferred tax on Carry Forward Losses | (790) | 1,245 | (1,513) | - |
| Non-deductible expenses | 90 | - | 79 | - |
| Income tax expense/ (benefit) | (4,027) | 2,274 | (6,094) | 2,063 |
| Current Tax | | | | |
| In respect of the current year | (2,486) | 1,069 | (3,736) | 940 |
| Deferred tax | | | | |
| In respect of the current year | (1,541) | 1,205 | (2,358) | 1,123 |
| Income tax expense / (benefit) | (4,027) | 2,274 | (6,094) | 2,063 |

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5 PROPERTY, PLANT AND EQUIPMENT

| Group | Land and Buildings at valuation | Motor Vehicles at cost | Leasehold Improvement, Office equipment and Furniture & Fixtures at cost | Total |
|------------------------------------|---------------------------------|------------------------|--|----------------|
| | K'000 | K'000 | K'000 | K'000 |
| Cost or Valuation | | | | |
| At 01 January 2019 | 21,564 | 18,466 | 76,954 | 116,984 |
| Additions | - | 1,817 | 4,052 | 5,869 |
| Disposals | - | (794) | (48) | (842) |
| Work in progress | - | - | 5,639 | 5,639 |
| At 30 June 2019 | 21,564 | 19,489 | 86,597 | 127,650 |
| Accumulated Depreciation | | | | |
| At 01 January 2019 | 3,325 | 13,084 | 31,545 | 47,954 |
| Charge for the period | - | 864 | 4,990 | 5,854 |
| Disposals | - | (757) | (60) | (827) |
| At 30 June 2019 | 3,325 | 13,191 | 36,466 | 52,982 |
| Net Carrying Value | | | | |
| At 30 June 2019 | 18,239 | 6,298 | 50,131 | 74,668 |
| At 01 January 2019 | 18,239 | 5,382 | 45,409 | 69,030 |
| 2018 | | | | |
| Group | Land and Buildings at valuation | Motor Vehicles at cost | Leasehold Improvement, Office equipment and Furniture & Fixtures at cost | Total |
| | K'000 | K'000 | K'000 | K'000 |
| Cost or Valuation | | | | |
| At 01 January 2018 | 22,927 | 16,427 | 75,607 | 114,961 |
| Additions | - | 4,070 | 17,532 | 21,602 |
| Disposals | (596) | (2,031) | (24,952) | (27,579) |
| Transfer from Assets held for sale | 8,000 | - | - | 8,000 |
| Transfers - Reclassification | (8,767) | - | 8,767 | - |
| At 31 December 2018 | 21,564 | 18,466 | 76,954 | 116,984 |
| Accumulated Depreciation | | | | |
| At 01 January 2018 | 3,939 | 13,017 | 41,160 | 58,116 |
| Charge for the period | 344 | 1,861 | 8,235 | 10,440 |
| Disposals | (958) | (1,794) | (17,850) | (20,602) |
| At 31 December 2018 | 3,325 | 13,084 | 31,545 | 47,954 |
| Net Carrying Value | | | | |
| At 31 December 2018 | 18,239 | 5,382 | 45,409 | 69,030 |
| At 01 January 2018 | 18,988 | 3,410 | 34,447 | 56,845 |

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5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Land and Buildings at valuation | Motor Vehicles At cost | Leasehold Improvement, Office equipment and Furniture & Fixtures at cost | Total |
|---------------------------------|---------------------------------------|------------------------------|--|---------------|
| Parent Company | K'000 | K'000 | K'000 | K'000 |
| Cost or Valuation | | | | |
| At 01 January 2019 | 10,000 | 11,377 | 66,378 | 87,755 |
| Additions | - | 1,817 | 3,410 | 5,227 |
| Disposals | - | (794) | (48) | (842) |
| Work in progress | - | - | 5,639 | 5,639 |
| At 30 June 2019 | 10,000 | 12,400 | 75,379 | 97,779 |
| Accumulated Depreciation | | | | |
| At 01 January 2019 | - | 6,427 | 24,428 | 30,855 |
| Charge for the period | - | 816 | 4,538 | 5,354 |
| Disposals | - | (757) | (60) | (826) |
| At 30 June 2019 | - | 6,486 | 28,897 | 35,383 |
| Net Carrying Value | | | | |
| At 30 June 2019 | 10,000 | 5,914 | 46,482 | 62,396 |
| At 01 January 2019 | 10,000 | 4,950 | 41,950 | 56,900 |

| | Land and Buildings at valuation | Motor Vehicles At cost | Leasehold Improvement, Office equipment and Furniture & Fixtures at cost | Total |
|---------------------------------|---------------------------------------|------------------------------|--|---------------|
| Parent Company | K'000 | K'000 | K'000 | K'000 |
| Cost or Valuation | | | | |
| At 01 January 2018 | 18,379 | 9,302 | 64,599 | 92,280 |
| Additions | - | 3,953 | 14,912 | 18,865 |
| Disposals | (596) | (1,878) | (20,916) | (23,390) |
| Transfer - Reclassification | (7,783) | - | 7,783 | - |
| At 31 December 2018 | 10,000 | 11,377 | 66,378 | 87,755 |
| Accumulated Depreciation | | | | |
| At 01 January 2018 | 614 | 6,663 | 31,784 | 39,061 |
| Charge for the period | 344 | 1,405 | 7,157 | 8,906 |
| Disposal | (958) | (1,641) | (14,513) | (17,112) |
| At 31 December 2018 | - | 6,427 | 24,428 | 30,885 |
| Net Carrying Value | | | | |
| At 31 December 2018 | 10,000 | 4,950 | 41,950 | 56,900 |
| At 01 January 2018 | 17,765 | 2,639 | 32,815 | 53,219 |

Revaluation

The Group's freehold land and building are stated at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The directors believe that the carrying amount value of property, plant and equipment represents the fair value at 30 June 2019.

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5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The fair value of the freehold land was determined as at 30 June 2019 (based on the market comparable approach that reflects recent transaction prices for similar properties/other method).

The fair value of the buildings was determined using capitalisation and direct comparison on a per square metre rate for the building area.

Carrying amount of Land & Buildings without revaluation is K9,338k.

Impairment

There are no indications that the assets may be impaired as at 30 June 2019.

6 INVESTMENTS

| | Note | Consolidated | | Parent Company | |
|--------------------------------------|------|--------------|---------------|----------------|---------------|
| | | June 2019 | December 2018 | June 2019 | December 2018 |
| | | K'000 | K'000 | K'000 | K'000 |
| Non-Current | | | | | |
| Investment in Subsidiaries - at cost | 6(a) | - | - | 17,901 | 17,901 |
| Joint Ventures – Equity method | 6(b) | 5,235 | 4,788 | 5,235 | 4,788 |
| Total | | 5,235 | 4,788 | 23,136 | 22,689 |

| | Country | Ownership | June 2019 | December 2018 |
|----------------------------------|-----------|-----------|---------------|---------------|
| | | | K'000 | K'000 |
| 6(a) Subsidiary Companies | | | | |
| Pharmacy Wholesales Pty Limited | Australia | 71% | 2,105 | 2,105 |
| Hardware Haus Limited | PNG | 100% | 15,796 | 15,796 |
| City Property Limited | 19 PNG | 100% | - | - |
| Real Rewards Limited | 19 PNG | 100% | - | - |
| | | | 17,901 | 17,901 |
| 6(b) Joint Ventures | | | | |
| Paradise Cinemas (PNG) Limited | PNG | 46.2% | - | - |
| Jacks Retail (PNG) Limited | PNG | 50% | 3,470 | 3,276 |
| DFS (PNG) Limited | PNG | 50% | 1,765 | 1,512 |
| | | | 5,235 | 4,788 |

7 INVENTORIES

| | Consolidated | | Parent Company | |
|-----------------------------------|---------------|---------------|----------------|---------------|
| | June 2019 | December 2018 | June 2019 | December 2018 |
| | K'000 | K'000 | K'000 | K'000 |
| Inventory for resale | 88,736 | 91,058 | 55,613 | 54,283 |
| Provision for inventory shrinkage | (6,696) | (6,823) | (4,262) | (3,588) |
| Total | 82,040 | 84,235 | 51,351 | 50,695 |

Inventory for resale 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.

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8 GOODWILL

As part of the purchase of the supermarket operations in 2005, K3,400k of goodwill was recognised. Also, the Group recognised K1,400k of goodwill in relation to the business combination at Pharmacy Wholesalers Pty. Limited.

9 TRADE AND OTHER RECEIVABLES

| | Consolidated | | Parent | |
|------------------------------------|--------------------|------------------------|--------------------|------------------------|
| | June 2019 K'000 | December 2018 K'000 | June 2019 K'000 | December 2018 K'000 |
| Current | | | | |
| Trade receivables | 21,270 | 17,446 | 11,792 | 10,295 |
| Other receivables | 10,874 | 12,810 | 9,306 | 11,633 |
| Total receivables | 32,144 | 30,256 | 21,098 | 21,928 |
| Less: Provision for doubtful debts | (1,108) | (1,086) | (68) | (110) |
| Net current receivables | 31,036 | 29,170 | 21,030 | 21,818 |
| Non-current | | | | |
| Other receivables | 5,800 | 7,000 | 5,800 | 7,000 |
| Total non-current receivables | 5,800 | 7,000 | 5,800 | 7,000 |

10 SHARE 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 Group may issue shares at its discretion. The Group did not issue any additional shares during the year. The total issued shares is 199,972,219 (2018: 199,972,219).

11 INTEREST BEARING LOANS AND BORROWINGS

| | Note | Consolidated | | Parent | |
|----------------------------|-------|--------------------|------------------------|--------------------|------------------------|
| | | June 2019 K'000 | December 2018 K'000 | June 2019 K'000 | December 2018 K'000 |
| Current | | | | | |
| Fully-drawn | 11(a) | - | 4,123 | - | 4,123 |
| Bank overdraft | 11(b) | 14,465 | 3,505 | 14,465 | 3,505 |
| Total loans and borrowings | | 14,465 | 7,628 | 14,465 | 7,628 |

Bank facilities and security

- In August 2015, the Company entered into a five-year loan agreement with ANZ Bank for K16,600k for acquisition of Hardware Haus Limited. As per facility agreement dated 20 November 2017, the revised facility limit was set at K10,050k. The interest rate is fixed. As at 30 June 2019, the carrying value of the loan amounted to K Nil (2018: K4,123k), was repaid in January 2019.
- In 2011, the Company entered into a multi - option facility with Westpac Bank (PNG) Limited that includes loans, overdraft and assistance for documentary letters of credit to finance import payments into PNG. The loan is secured by the following:
 - Various Registered Mortgage Deeds
 - Fixed and floating charge over all Company assets and undertakings
 - Carrying value of motor vehicles as security over leases
 - Deed of Cross Guarantee
 - Master Lease Agreement

As at 30 June 2019, the Group had an overdraft balance of K14,465k.

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12 TRADE AND OTHER PAYABLES

| | Consolidated | | Parent | |
|-----------------------------|--------------------|------------------------|--------------------|------------------------|
| | June 2019 K'000 | December 2018 K'000 | June 2019 K'000 | December 2018 K'000 |
| Current | | | | |
| Trade payables | 61,940 | 67,100 | 47,934 | 48,595 |
| Other payables and accruals | 11,475 | 16,300 | 6,004 | 10,547 |
| Non-current | | | | |
| Security bond | 684 | 666 | 141 | 107 |
| Total payables | 74,099 | 84,066 | 54,079 | 59,249 |

13 PROVISIONS

| | Consolidated | | Parent | |
|-----------------------------------|--------------------|------------------------|--------------------|------------------------|
| | June 2019 K'000 | December 2018 K'000 | June 2019 K'000 | December 2018 K'000 |
| Employee provisions – current | 4,454 | 4,570 | 3,589 | 3,982 |
| Employee provisions – non-current | 5,425 | 5,469 | 4,536 | 4,701 |
| Total provisions | 9,879 | 10,039 | 8,125 | 8,683 |

14 DEFERRED TAX

The components of deferred taxes as of 30 June 2019 and 31 December 2018 are as follows:

| | Consolidated | | Parent | |
|---------------------------------------|--------------------|------------------------|--------------------|------------------------|
| | June 2019 K'000 | December 2018 K'000 | June 2019 K'000 | December 2018 K'000 |
| Deferred tax assets | | | | |
| Provision for doubtful debts | 331 | 325 | 21 | 33 |
| Provision for employee benefits | 2,671 | 3,047 | 2,185 | 2,638 |
| Provision for inventory losses | 2,003 | 2,047 | 1,279 | 1,076 |
| Fixed assets | 90 | (421) | 186 | (421) |
| Others | 580 | (2,951) | 469 | (2,989) |
| Total deferred tax assets | 5,675 | 2,047 | 4,140 | 337 |
| Deferred tax liabilities | | | | |
| Prepaid expenses | (2,125) | (2,743) | (1,737) | (2,031) |
| Lease liability | (392) | (1,377) | 602 | (1,377) |
| Unrealised foreign gain | - | 55 | - | 55 |
| Revaluation gain | - | 230 | - | 230 |
| Total deferred tax liabilities | (2,517) | (3,835) | (1,135) | (3,123) |
| Net deferred tax liabilities | 3,158 | (1,788) | 3,005 | (2,786) |

15 COMMITMENTS AND CONTINGENCIES

Commitments

Future financial charges total KNil (2018:K10k) in relation to various financial leases of vehicles, bakery, freezer and computer equipment from the Bank South Pacific Limited, Westpac Bank PNG Limited & ANZ Bank.

Contingent liabilities

The Company has a contingent liability in the form of a facility of K19,750k (2018: K19,750k) for Multi - Option Facilities which includes documentary letters of credit from Westpac Bank PNG Limited. As at 30 June 2019, the Company had utilised letters of credit amounting to K2,720k (2018: K2,770k).

16 RELATED PARTY TRANSACTIONS

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

a) Transactions with subsidiary and associate companies

- Transactions with Hardware Haus Limited 'HHL', a wholly owned subsidiary from 1 July 2015, are based on commercial arrangements. The Company's total sales to HHL in 2019 were K117k (2018: K371k) while purchases were K256k (2018: K524k). As at 30 June 2019, the Company has a receivable from HHL of K29,683k (2018: K28,206k).
- The Company provides administration assistance to Pharmacy Wholesalers Pty. Limited, a subsidiary. As at 30 June 2019, The Company has a receivable from Pharmacy Wholesalers of K579k (2018: K579k).
- The Company provides administration assistance to Paradise Cinema (PNG) Limited, a joint venture. As at 30 June 2019, the Company has a receivable from Paradise Cinema of K3k (2018: K718k).
- The Company provides administration assistance to Jacks Retail (PNG) Limited, a joint venture. As at 30 June 2019, the Company has a receivable from Jacks Retail of K101k (2018 payable: K84k)
- The Company provides administration assistance to DFS (PNG) Limited, a joint venture. As at 30 June 2019, the Company has a payable from DFS (PNG) of K15k (2018: K26k).

Director related entities

- Mahesh Patel is a director of New World Limited, Fiji, a supplier to the company. In 2019, the Group has a receivable amount of K Nil (2018: K7k)
- Mahesh Patel is a related party of US All American ENT.INC.USA, a supplier to the company. In 2019, City Pharmacy Limited's total stocks purchased from US All American was K433k. The Group has an outstanding balance of K Nil (2018: Nil) as at period end

b) Transaction with directors

Mahesh Patel is a shareholder and director of the Company and receives a director's fee, accommodation, motor vehicle to him by the Company.

c) Due from / (to) key management personnel

During the period, the key management personnel who are non-Company directors received advances from the Group amounting to K14k. As at 2019 period end, the balance owed to the Group is KNil.

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16 RELATED PARTY TRANSACTIONS (continued)

d) Remuneration of the directors and key management officers

The total remuneration paid to directors and key management officers during the period was K4,900k (2018: K4,650k) and consisted of fixed directors' fees, salaries and fees and non-monetary benefits such as accommodation, motor vehicle, airfares and education costs.

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

17 SEGMENT INFORMATION

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively:

| | Retail K'000 | Wholesale and Tender K'000 | Total K'000 |
|--------------------|-----------------|----------------------------------|----------------|
| Assets | | | |
| 30 June 2019 | 433,745 | 13,209 | 446,954 |
| 31 December 2018 | 229,639 | 10,124 | 239,763 |
| Liabilities | | | |
| 30 June 2019 | 302,649 | 691 | 303,340 |
| 31 December 2018 | 106,654 | 59 | 106,713 |

| | Retail K'000 | Wholesale and tender K'000 | Total K'000 | Retail JV K'000 | Total Segment K'000 | Elimination K'000 | Consolidated K'000 |
|-------------------|-----------------|----------------------------------|----------------|-----------------------|---------------------------|----------------------|-----------------------|
| Revenue | | | | | | | |
| External customer | 263,393 | 7,544 | 270,937 | 447 | 271,384 | - | 271,384 |
| Inter-segment | - | 4,914 | 4,914 | - | 4,914 | (4,914) | - |
| Total revenue | 263,393 | 12,458 | 275,851 | 447 | 276,298 | (4,914) | 271,384 |
| Segment profit | 3,255 | 2,359 | 5,614 | 447 | 6,061 | - | 6,061 |

18 FINANCIAL INFORMATION

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Management does not expect any accountable party to fail to meet its obligations.

b) Liquidity risk

The Group's risk exposure to liquidity is managed through continuous review. The management of liquidity by the Group is monitored on a daily basis by senior management.

18 FINANCIAL INFORMATION (continued)

c) Interest risk

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.

d) Sensitivity analysis

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

At 30 June 2019, a general increase of one percentage point in interest rates or one percentage point in the value of the Kina against other foreign currencies would not have a significant impact on the Group's profit.

19 SUBSEQUENT EVENTS

On 21 August 2019, the Company has amalgamated with City Property Limited and Real Rewards Limited. This has been accepted accordingly by Investment Promotions Authority.