



**CPL**  
**GROUP**

SINCE 1987

# CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 2021

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2021**

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**CONTENTS**

	Page No
Company Information	2
Chairman's Statement	3
Directors' Report	4
Independent Auditor's Report	5-6
Condensed Consolidated Statement of Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	9-10
Consolidated Statement of Cash Flow	11
Notes to the Condensed Consolidated Financial Statements	12-25

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
COMPANY INFORMATION  
FOR THE PERIOD ENDED 30 JUNE 2021**

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

<b>Registered Office</b>	Allotment 33, Section 38 Waigani Drive National Capital District Papua New Guinea Telephone: +675 312 0000
<b>Directors</b>	Stanley Thomas Joyce, Chairman (appointed 21 Mar 2018) Sir Mahesh Patel, OBE, (appointed 14 Sep 2011) Graham John Dunlop (appointed (01 May 2007) Peter Robinson (resigned 11 March 2020) Mary Handen (21 Mar 2018) Mary Ellen Johns (21 Mar 2018) Aru Chellappan (appointed 10 Jun 2020)
<b>Secretary</b>	Nazar Shaffee (appointed 09 Sep 2020)
<b>Auditors</b>	Ernst & Young Level 4, Credit House Cuthbertson St. PO Box 1380, Port Moresby 121 NCD, Papua New Guinea
<b>Bankers</b>	Westpac Bank PNG Limited Bank of South Pacific Limited Kina Bank Limited
<b>Stock Exchange</b>	PNGX Markets Limited (listing code: CPL)
<b>Brokers</b>	BSP Capital Kina Securities
<b>Share Register</b>	PNG Registries Limited



## CPL Chairman's statement for six months ending June 2021

The ongoing challenges of COVID-19 pandemic has had unprecedented impact and has disrupted all aspects of life around the world. While the roll-out of vaccines is a welcome sign of a return to some semblance of normality, the economic uncertainty continues.

The first half of 2021 is yet another highly challenging year for CPL Group as we continue to strive to create value amidst an increasingly demanding local economic environment. The CPL Group exercised financial prudence and tightened operating costs whilst staying the course in executing our action plan to deliver sustainable, profitable and socially beneficial outcomes. As a result, the Group maintained its financial position in this period to announce an operating profit.

The Group achieved a Revenue of **K275.5m**, a 3.9% drop, in comparison to the first six months of 2020. The first six month of 2020 was an entirely different trading environment with first quarter not affected by COVID whilst the second quarter experienced increase in sales as the initial panic that set in the market due to lockdowns.

The Group has reported an Operating Profit before tax of **K6.8m** which is a drop of 8.1% against the same period last year.

The new Distribution Facility built in Gerehu is now fully operational, which includes improved centralized storage, improved cold chain and efficient logistics support for the retail network across the CPL brands. The current optimization phase will improve efficiencies, and this will further reduce costs.

The business continues to focus key areas of the various brands to ensure the consumers receive high quality products and services whilst maintaining a competitive pricing. People development continues to be an area of focus as the Group continues to invest in training focusing on leadership development and improved customer experience.

CPL Group is committed to manage and develop a sustainable and profitable business which contributes positively to the communities and sustains the environment where we operate in whilst upholding our mission of helping people Papua New Guinea live a healthier and better life.

**Stan Joyce CSM**  
Chairman  
Board of Directors  
CPL Group

P.O. Box 1663, Port Moresby  
NCD, Papua New Guinea  
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**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
DIRECTORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2021**

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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 2021.

**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 2021 of K3,538k (2020: K4,974k). For the Parent Company, net profit after income tax of K83k (2020: K2,398k).

**Dividends**

The Directors have decided that no interim dividend will be paid for the half year ended 30 June 2021 (30 June 2020: KNil).

**For and on behalf of the Board of Directors**

Director:   
Date: 13 September 2021

Director:   
Date: 13 September 2021

## To the members of City Pharmacy Limited and its Subsidiaries

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of City Pharmacy Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- ▶ The Group consolidated and Company condensed statements of financial position as at 30 June 2021;
- ▶ The Group consolidated and Company condensed statements of comprehensive income, condensed statements of changes in equity and condensed statements of cash flows for the half-year then ended; and
- ▶ Notes comprising a summary of significant accounting policies and other explanatory information.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report does not present fairly, in all material respects, the financial position of the Company and Group as at 30 June 2021 and their financial performance and cash flows for the half-year ended on that date, in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

#### Basis for conclusion

We conducted our review in accordance with ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ISRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Company in accordance with 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.

#### Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the for the preparation and fair presentation of the half-year financial report in accordance with IAS 34 *Interim Financial Reporting* 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 responsibilities for the review of the half-year financial report

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the Company and Group's financial position as at 30 June 2021 and their financial performance and cash flows for the half-year ended on that date, in accordance with IAS 34 *Interim Financial Reporting*.



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working world**

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.

Ernst & Young

Matthew Savage  
Partner  
Registered under the Accountants Act 1996  
Port Moresby  
13 September 2021



**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	Notes	Consolidated		Parent Company	
		For the 6 months period ended		For the 6 months period ended	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		K'000	K'000	K'000	K'000
Revenue	3(a)	275,517	286,869	205,016	220,079
Cost of sales		(187,360)	(193,568)	(139,080)	(144,830)
<b>Gross profit</b>		<b>88,157</b>	<b>93,301</b>	<b>65,936</b>	<b>75,249</b>
Distribution expenses		(1,209)	(1,017)	(1,816)	(1,507)
Marketing expenses		(2,817)	(2,190)	(2,212)	(1,757)
Administration expenses		(62,651)	(64,947)	(47,693)	(53,124)
Finance costs	3(c)	(8,261)	(7,938)	(6,480)	(6,284)
Finance income	3(c)	1,721	1,525	715	894
Other income and (expenses)	3(b)	(12,455)	(14,953)	(9,465)	(12,486)
Share of Profit/(Loss)from associates		106	(139)	106	(139)
Total Expenses		(85,566)	(89,659)	(66,845)	(74,403)
<b>Profit before income tax expense</b>		<b>2,591</b>	<b>3,642</b>	<b>(909)</b>	<b>846</b>
Income tax benefit (expense)	4	947	1,332	992	1,552
<b>Profit for the period after income tax</b>		<b>3,538</b>	<b>4,974</b>	<b>83</b>	<b>2,398</b>
Other comprehensive income for the period that may be reclassified to profit and loss:					
Exchange differences on translating foreign operation		(165)	(17)	-	-
<b>Total comprehensive income for the period</b>		<b>3,373</b>	<b>4,957</b>	<b>83</b>	<b>2,398</b>
<b>Profit for the period is attributed to:</b>					
Owners of the parent		2,960	5,044	83	2,398
Non-controlling interest		578	(70)	-	-
		<b>3,538</b>	<b>4,974</b>	<b>83</b>	<b>2,398</b>
<b>Total Comprehensive income for the period is attributed to:</b>					
Owners of the parent	3(b)	2,795	5,027	83	2,398
Non-controlling interest	3(b)	578	(70)	-	-
		<b>3,373</b>	<b>4,957</b>	<b>83</b>	<b>2,398</b>
<b>Earnings per share - basic and diluted (toea per share)</b>		<b>1.72</b>	<b>2.49</b>		

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 12 to 25.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	Notes	Consolidated		Parent Company	
		June	December	June	December
		2021	2020	2021	2020
		K'000	K'000	K'000	K'000
<b>ASSETS</b>					
Cash and cash equivalents		6,953	21,896	3,445	16,647
Trade and other receivables	9	26,234	22,905	16,269	13,177
Lease receivable		3,574	8,796	1,538	6,826
Income tax receivable		1,911	2,123	734	902
Inventories	7	106,670	85,667	67,853	52,019
Prepayments		3,505	1,857	2,430	953
<b>Total Current Asset</b>		<b>148,847</b>	<b>143,244</b>	<b>92,269</b>	<b>90,524</b>
Related party receivables	15	173	63	21,030	24,844
Lease receivable		30,985	27,338	12,337	7,651
Property, plant and equipment	5	106,622	102,828	92,274	88,206
Right of use asset		142,879	153,416	125,921	134,017
Investment in Subsidiaries	6(a)	-	-	17,901	17,901
Investment in Joint Ventures	6(b)	6,946	6,864	6,946	6,864
Deferred tax asset, net	14	8,864	7,402	7,570	6,410
Goodwill		4,825	4,825	3,431	3,431
<b>Total Non-Current Asset</b>		<b>301,294</b>	<b>302,736</b>	<b>287,410</b>	<b>289,324</b>
<b>TOTAL ASSETS</b>		<b>450,141</b>	<b>445,980</b>	<b>379,679</b>	<b>379,848</b>
<b>LIABILITIES</b>					
Bank overdraft		13,964	-	11,739	-
Bank loans	11	2,870	1,297	2,870	1,297
Trade and other payables	12	66,596	64,862	46,317	45,789
Lease Liabilities		17,511	12,755	11,852	7,269
Employee provisions	13	4,832	5,588	3,825	4,710
<b>Total Current Liabilities</b>		<b>105,773</b>	<b>84,502</b>	<b>76,603</b>	<b>59,065</b>
Bank loans	11	9,654	11,160	9,654	11,160
Other payables	12	670	744	160	218
Lease liabilities		168,728	181,389	138,974	148,886
Employee provisions	13	4,581	4,635	3,434	3,559
<b>Total Non-Current Liabilities</b>		<b>183,633</b>	<b>197,928</b>	<b>152,222</b>	<b>163,823</b>
<b>TOTAL LIABILITES</b>		<b>289,406</b>	<b>282,430</b>	<b>228,825</b>	<b>222,888</b>
<b>NET ASSETS</b>		<b>160,735</b>	<b>163,550</b>	<b>150,854</b>	<b>156,960</b>
<b>SHAREHOLDERS' EQUITY</b>					
Issued capital	10	70,867	70,867	70,867	70,867
Reserves		11,213	11,213	8,813	8,813
Other reserve		1,247	1,412	-	-
Retained earnings		75,813	79,041	71,174	77,280
<b>Equity attributable to owners of the Parent</b>		<b>159,140</b>	<b>162,533</b>	<b>150,854</b>	<b>156,960</b>
Non - controlling interest		1,595	1,017	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>160,735</b>	<b>163,550</b>	<b>150,854</b>	<b>156,960</b>

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 12 to 25.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	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
<b>Group</b>							
Balance at 01 January 2020	70,867	64,383	11,213	427	146,890	1,396	148,286
<b>Changes in equity for the period</b>							
Profit for the period	-	5,044	-	-	5,044	(70)	4,974
Other comprehensive income	-	-	-	(17)	(17)	-	(17)
Impact on adoption of IFRS 16							
<b>Balance at 30 June 2020</b>	<b>70,867</b>	<b>69,427</b>	<b>11,213</b>	<b>410</b>	<b>151,917</b>	<b>1,326</b>	<b>153,243</b>
Balance at 01 January 2021	70,867	79,041	11,213	1,412	162,533	1,017	163,550
<b>Changes in equity for the period</b>							
Profit for the period	-	2,960	-	-	2,960	578	3,538
Dividends	-	(6,188)	-	-	(6,188)	-	(6,188)
Other comprehensive income	-	-	-	(165)	(165)	-	(165)
<b>Balance at 30 June 2021</b>	<b>70,867</b>	<b>75,813</b>	<b>11,213</b>	<b>1,247</b>	<b>159,140</b>	<b>1,595</b>	<b>160,735</b>

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 12 to 25.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2021**

	Share Capital K'000	Retained Earnings K'000	Revaluation Reserve K'000	Total K'000
<b>Parent Company</b>				
Balance at 01 January 2020	70,867	68,365	8,813	148,045
<b>Changes in equity for 2020</b>				
Profit for the period	-	2,398	-	2,398
<b>Balance at 30 June 2020</b>	<b>70,867</b>	<b>70,763</b>	<b>8,813</b>	<b>150,443</b>
Balance at 01 January 2021	70,867	77,279	8,813	156,959
<b>Changes in equity for 2021</b>				
Profit for the period	-	83	-	83
Dividends	-	(6,188)	-	(6,188)
<b>Balance at 30 June 2021</b>	<b>70,867</b>	<b>71,174</b>	<b>8,813</b>	<b>150,854</b>

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 12 to 25.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2021**

	Consolidated		Parent Company	
	June 2021	June 2020	June 2021	June 2020
	K'000	K'000	K'000	K'000
<b>Operating Activities</b>				
Cash receipts from customers	283,354	297,480	201,924	223,872
Cash paid to suppliers and employees	(283,003)	(282,898)	(204,786)	(219,359)
Cash receipts from lessees	1,575	1,439	603	544
Cash generated from operations	1,926	16,021	(2,259)	5,057
Interest received/(paid)	(6,369)	560	(5,595)	115
Insurance claim received	-	60	-	60
Income tax paid	(303)	(104)	-	-
<b>Cash generated by operating activities</b>	<b>(4,746)</b>	<b>16,537</b>	<b>(7,854)</b>	<b>5,232</b>
<b>Investing Activities</b>				
Proceeds from sale of equipment	17	161	17	161
Purchase of fixed assets and payments for right-of-use assets and work in -progress	(10,092)	(16,275)	(9,821)	(15,461)
<b>Cash utilised by investing activities</b>	<b>(10,075)</b>	<b>(16,114)</b>	<b>(9,804)</b>	<b>(15,300)</b>
<b>Financing Activities</b>				
Proceeds from borrowings	14,031	-	11,806	-
Repayment of lease liabilities	(7,906)	(15,177)	(5,329)	(10,613)
Payment of dividends	(6,188)	-	(6,188)	-
Receipt of rental bonds	(59)	-	(59)	-
Loans to/(from) related parties	-	-	4,226	4,089
<b>Cash utilised by financing activities</b>	<b>(122)</b>	<b>(15,177)</b>	<b>4,456</b>	<b>(6,524)</b>
<b>Net decrease in Cash and cash equivalents</b>	<b>(14,943)</b>	<b>(14,754)</b>	<b>(13,202)</b>	<b>(16,592)</b>
Cash and cash equivalents at beginning of the period	21,896	8,385	16,647	4,212
<b>Cash and cash equivalents at end of the period</b>	<b>6,953</b>	<b>(6,369)</b>	<b>3,445</b>	<b>(12,380)</b>

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 12 to 25.

## **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 as at 31 December 2020.

### **(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.

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## **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 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### **Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, and IAS 39: Interest rate Benchmark Reform**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**3 PROFIT AND LOSS**

**(a) Operating Revenue**

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>June 2021</b>	<b>June 2020</b>	<b>June 2021</b>	<b>June 2020</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Contract with customers	275,517	286,869	205,016	220,079
<b>2021</b>		<b>Retail</b>	<b>Wholesale and Tender</b>	<b>Total</b>
		<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Type of goods</b>				
Sale of goods		262,098	13,419	275,517
<b>Total revenue from contracts with customer</b>		<b>262,098</b>	<b>13,419</b>	<b>275,517</b>
<b>Geographical markets</b>				
Papua New Guinea		262,098	10,369	272,467
Australia		-	3,050	3,050
<b>Total revenue from contracts with customer</b>		<b>262,098</b>	<b>13,419</b>	<b>275,517</b>
<b>2020</b>		<b>Retail</b>	<b>Wholesale and Tender</b>	<b>Total</b>
		<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Type of goods and services</b>				
Sale of goods		273,450	13,419	286,869
<b>Total revenue from contracts with customer</b>		<b>273,450</b>	<b>13,419</b>	<b>286,869</b>
<b>Geographical markets</b>				
Papua New Guinea		273,450	5,022	278,472
Australia		-	8,397	8,397
<b>Total revenue from contracts with customer</b>		<b>273,450</b>	<b>13,419</b>	<b>286,869</b>

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

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>June 2021</b>	<b>June 2020</b>	<b>June 2021</b>	<b>June 2020</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Total Comprehensive Income for the period from continuing operations attributable to:				
Owners of the company	2,795	5,027	83	2,398
Non-controlling interests	578	(70)	-	-
<b>Total</b>	<b>3,373</b>	<b>4,957</b>	<b>83</b>	<b>2,398</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**3 PROFIT AND LOSS (continued)**

*Other income and expenses*

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

	Consolidated		Parent Company	
	June 2021 K'000	June 2020 K'000	June 2021 K'000	June 2020 K'000
<b>Other (income) and expense</b>				
Amortisation of right-of-use asset	10,537	12,003	8,095	9,399
Depreciation on property, plant & equipment	6,297	5,382	5,755	4,644
Profit on sale of asset	(17)	(15)	(17)	(10)
Other income	(4,362)	(2,417)	(4,368)	(1,547)
<b>Total</b>	<b>12,455</b>	<b>14,953</b>	<b>9,465</b>	<b>12,486</b>
Auditors' remuneration – review	114	163	112	90

**(c) Finance income and cost**

	Consolidated		Parent Company	
	June 2021 K'000	June 2020 K'000	June 2021 K'000	June 2020 K'000
<b>Finance cost</b>				
Interest expense on loans and bank overdraft	(928)	(549)	(534)	(434)
Interest expense on amortisation of lease liability	(7,333)	(7,389)	(5,946)	(5,850)
<b>Total</b>	<b>(8,261)</b>	<b>(7,938)</b>	<b>(6,480)</b>	<b>(6,284)</b>
<b>Finance income</b>				
Interest income	360	52	170	314
Interest income on amortisation of lease receivable	1,361	1,473	545	580
<b>Total</b>	<b>1,721</b>	<b>1,525</b>	<b>715</b>	<b>894</b>

**(d) Employees**

The number of employees as at 30 June 2021 employed by the Group was 2,331 (2020: 2,455).



**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**4 INCOME TAX EXPENSE –**

	Consolidated		Parent Company	
	June 2021	June 2020	June 2021	June 2020
	K'000	K'000	K'000	K'000
The prima facie for the period is reconciled to the tax expense as follows:				
Accounting profit before tax	2,591	3,642	(909)	846
Tax for the period at 30%	777	1,093	(271)	253
Adjustments in respect of current income tax of previous years	(738)	23	(735)	23
Unrecognised deferred tax on Carry Forward Losses	(1,035)	(2,561)	-	(1,937)
Non-deductible expenses	49	103	14	109
<b>Income tax benefit</b>	<b>(947)</b>	<b>(1,332)</b>	<b>(992)</b>	<b>(1,552)</b>
<b>Current Tax</b>				
In respect of the current year	516	164	169	-
<b>Deferred tax</b>				
In respect of the current year	(1,463)	(1,496)	(1,161)	(1,552)
<b>Income tax benefit</b>	<b>(947)</b>	<b>(1,332)</b>	<b>(992)</b>	<b>(1,552)</b>

**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
<b>Cost or Valuation</b>				
At 01 January 2021	20,400	19,340	124,464	164,204
Additions\Transfers	42,238	2,243	(34,145)	10,336
Disposals	-	(505)	(420)	(925)
<b>At 30 June 2021</b>	<b>62,638</b>	<b>21,078</b>	<b>89,899</b>	<b>173,615</b>
<b>Accumulated Depreciation</b>				
At 01 January 2021	-	12,853	48,523	61,376
Charge for the period	1,310	530	4,251	5,617
Disposals	-	(474)	(220)	(694)
<b>At 30 June 2021</b>	<b>1,310</b>	<b>12,909</b>	<b>52,774</b>	<b>66,993</b>
<b>Net Carrying Value</b>				
At 30 June 2021	61,328	8,169	37,125	106,622
At 01 January 2021	20,400	6,487	75,941	102,828

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**5 PROPERTY, PLANT AND EQUIPMENT (continued)**

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
<b>Cost or Valuation</b>				
At 01 January 2020	20,400	19,996	106,059	146,455
Additions	-	2,590	6,102	8,692
Disposals	-	(3,246)	(5,058)	(8,331)
Work in progress	-	-	17,388	17,388
Asset revaluation	-	-	-	-
<b>At 31 December 2020</b>	<b>20,400</b>	<b>19,340</b>	<b>124,464</b>	<b>164,204</b>
<b>Accumulated Depreciation</b>				
At 01 January 2020	-	13,893	44,840	58,733
Charge for the period	-	2,026	8,359	10,385
Disposals	-	(3,066)	(4,676)	(7,742)
<b>At 31 December 2020</b>	<b>-</b>	<b>12,853</b>	<b>48,523</b>	<b>61,376</b>
<b>Net Carrying Value</b>				
At 31 December 2020	<b>20,400</b>	<b>6,487</b>	<b>75,941</b>	<b>102,828</b>
At 01 January 2020	<b>20,400</b>	<b>6,103</b>	<b>61,219</b>	<b>87,722</b>
<b>Parent Company</b>				
	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
<b>Cost or Valuation</b>				
At 01 January 2021	10,000	13,536	112,761	136,297
Additions/Transfers	41,247	2,391	(32,859)	10,779
Disposals	-	(505)	(420)	(925)
<b>At 30 June 2021</b>	<b>51,247</b>	<b>15,422</b>	<b>79,482</b>	<b>146,151</b>
<b>Accumulated Depreciation</b>				
At 01 January 2021	-	7,729	40,362	48,091
Charge for the period	335	1,086	5,059	6,480
Disposals	-	(474)	(220)	(694)
At 30 June 2021	<b>335</b>	<b>8,341</b>	<b>45,201</b>	<b>53,877</b>
<b>Net Carrying Value</b>				
At 30 June 2021	<b>50,912</b>	<b>7,081</b>	<b>34,281</b>	<b>92,274</b>
At 01 January 2021	<b>10,000</b>	<b>5,807</b>	<b>72,400</b>	<b>88,206</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**5 PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Parent Company</b>	<b>Land and Buildings at valuation</b>	<b>Motor Vehicles At cost</b>	<b>Leasehold Improvement, Office equipment and Furniture &amp; Fixtures at cost</b>	<b>Total</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Cost or Valuation</b>				
At 01 January 2020	10,000	12,858	90,623	113,481
Additions	-	1,816	5,634	7,450
Disposals	-	(1,136)	(730)	(1,868)
Work in progress	-	-	17,234	17,234
At 31 December 2020	<b>10,000</b>	<b>13,536</b>	<b>112,761</b>	<b>136,297</b>
<b>Accumulated Depreciation</b>				
At 01 January 2020	-	7,083	33,624	40,707
Charge for the period	-	1,630	7,069	8,699
Disposals	-	(984)	(331)	(1,315)
At 31 December 2020	<b>-</b>	<b>7,729</b>	<b>40,362</b>	<b>48,091</b>
<b>Net Carrying Value</b>				
At 31 December 2020	<b>10,000</b>	<b>5,807</b>	<b>72,399</b>	<b>88,206</b>
At 01 January 2020	<b>10,000</b>	<b>5,775</b>	<b>56,998</b>	<b>72,774</b>

**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 as at 30 June 2021.

The fair value of the freehold land was determined 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.

**Impairment**

There are no indications that the assets may be impaired as at 30 June 2021.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

**6 INVESTMENTS**

	Note	Consolidated		Parent Company	
		June	December	June	December
		2021	2020	2021	2020
		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)	6,946	6,864	6,946	6,884
<b>Total</b>		<b>6,946</b>	<b>6,864</b>	<b>24,847</b>	<b>24,765</b>

	Country	Ownership	June	December
			2021	2020
			K'000	K'000
<b>6(a) Subsidiary Companies</b>				
Pharmacy Wholesales Pty Limited	Australia	71%	2,105	2,105
Hardware Haus Limited	PNG	100%	15,796	15,796
			<b>17,901</b>	<b>17,901</b>
<b>6(b) Joint Ventures</b>				
Paradise Cinemas (PNG) Limited	PNG	46.2%	-	-
Jacks Retail (PNG) Limited	PNG	50%	4,191	4,275
DFS (PNG) Limited	PNG	50%	2,755	2,589
			<b>6,946</b>	<b>6,864</b>

**7 INVENTORIES**

	Consolidated		Parent Company	
	June	December	June	December
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Inventory for resale	111,484	90,750	69,517	54,195
Provision for inventory shrinkage	(4,814)	(5,083)	(1,664)	(2,176)
<b>Total</b>	<b>106,670</b>	<b>85,667</b>	<b>67,853</b>	<b>52,019</b>

Inventories 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.

**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 with Pharmacy Wholesalers Pty. Limited.

As at 30 June 2021, management did not identify any impairment indicators in the two cash-generating units.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2021**

**9 TRADE AND OTHER RECEIVABLES**

	Consolidated		Parent	
	June 2021 K'000	December 2020 K'000	June 2021 K'000	December 2020 K'000
<b>Current</b>				
Trade receivables	19,695	18,819	9,345	8,657
Other receivables	8,564	6,039	6,941	4,539
<b>Total receivables</b>	<b>28,259</b>	<b>24,858</b>	<b>16,286</b>	<b>13,196</b>
Less: Provision for doubtful debts	(2,025)	(1,953)	(15)	(19)
<b>Total net receivables</b>	<b>26,234</b>	<b>22,905</b>	<b>16,269</b>	<b>13,117</b>

**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 period. The total issued shares is 206,277,911 (2020: 206,277,911).

**11 INTEREST BEARING LOANS AND BORROWINGS**

		Consolidated		Parent	
		June 2021 K'000	December 2020 K'000	June 2021 K'000	December 2020 K'000
<b>Current</b>					
Bank overdraft	11(a)	13,964	-	11,739	-
Bank loans	11(b), 11(c)	2,870	1,297	2,870	1,297
		<b>16,834</b>	<b>1,297</b>	<b>14,609</b>	<b>1,297</b>
<b>Non-Current</b>					
Bank loans	11(b), 11(c)	9,654	11,160	9,654	11,160
<b>Total loans and borrowings</b>		<b>26,488</b>	<b>12,457</b>	<b>24,263</b>	<b>12,457</b>

**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:
1. Various Registered Mortgage Deeds;
  2. Fixed and floating charge over all Company assets and undertakings;
  3. Carrying value of motor vehicles as security over leases;
  4. Deed of Cross Guarantee; and
  5. Master Lease Agreement.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2021**

- b) In August 2020, the City Pharmacy Facility Agreement with Westpac was amended via the Fifth Deed of Amendment and Restatement. Under the Deed, the Company entered into a K22m facility to complete the construction of the Gerehu warehouse. The facility is to be repaid within 5 years of drawdown, the first year being interest only and the succeeding 4 years to be principle and interest. The facility is secured by the following assets:
- Interlocking guarantee between CPL and HHL supported by:
    - First ranking fixed and floating charge over the current and future assets and undertakings of the Obligors; and
    - First ranking registered mortgages over the two (2) commercial properties plus all improvements thereon, properties being:
      1. Lot 18 Section 342 Uduka Street Hohola; and
      2. Allotment 2, Sec 163, Orion Rd, Taraka, Lae
- c) At 30 June 2021, the Group had available K9,543k (2020: K9,543k) of undrawn committed borrowing facilities.

**12 TRADE AND OTHER PAYABLES**

	Consolidated		Parent	
	June 2021 K'000	December 2020 K'000	June 2021 K'000	December 2020 K'000
<b>Current</b>				
Trade payables	46,999	44,065	37,249	34,312
Other payables and accruals	19,173	20,797	9,068	11,477
	66,172	64,862	46,317	45,789
<b>Non-current</b>				
Security bond	670	744	160	218
<b>Total payables</b>	<b>66,842</b>	<b>65,606</b>	<b>46,477</b>	<b>46,007</b>

**13 PROVISIONS**

	Consolidated		Parent	
	June 2021 K'000	December 2020 K'000	June 2021 K'000	December 2020 K'000
Employee provisions – current	4,832	5,588	3,825	4,710
Employee provisions – non-current	4,581	4,635	3,434	3,559
<b>Total provisions</b>	<b>9,413</b>	<b>10,223</b>	<b>7,259</b>	<b>8,269</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2021**

**14 DEFERRED TAX**

The components of deferred taxes as of 30 June 2021 and 31 December 2020 are as follows:

	Consolidated		Parent	
	June 2021 K'000	December 2020 K'000	June 2021 K'000	December 2020 K'000
<b>Deferred tax assets</b>				
Expected credit loss	606	584	5	6
Provision for employee benefits	2,635	2,856	2,004	2,280
Provision for inventory losses	1,438	1,518	499	653
Fixed assets	1,034	474	1,173	586
Real rewards liabilities	182	-	182	-
Prepaid revenue	192	-	192	-
Others	53	484	-	429
<b>Total deferred tax assets</b>	<b>6,140</b>	<b>5,916</b>	<b>4,055</b>	<b>3,954</b>
<b>Deferred tax liabilities</b>				
Prepaid expenses	(141)	(225)	(18)	(175)
Lease liability	2,865	1,721	3,533	2,641
Unrealised foreign exchange gain	-	(10)	-	(10)
<b>Total deferred tax liabilities</b>	<b>2,724</b>	<b>1,486</b>	<b>3,515</b>	<b>2,456</b>
<b>Net deferred tax assets</b>	<b>8,864</b>	<b>7,402</b>	<b>7,570</b>	<b>6,410</b>

**15 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 2021 were K337k (2020: K73k) while purchases were K595k (2020: K608k). As at 30 June 2021, the Company has a receivable from HHL of K21,363k (2020: K26,846k).
- The Company provides administration assistance to Pharmacy Wholesalers Pty. Limited, a subsidiary. As at 30 June 2021, The Company has a receivable from Pharmacy Wholesalers of KNil (2020: KNil).
- The Company provides administration assistance to Paradise Cinema (PNG) Limited, a joint venture. As at 30 June 2021, the Company has a receivable from Paradise Cinema of K18k (2020: K4k).

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2021**

- The Company provides administration assistance to Jacks Retail (PNG) Limited, a joint venture. As at 30 June 2021, the Company has a receivable from Jacks Retail of K11k (2020: K7k)
- The Company provides administration assistance to DFS (PNG) Limited, a joint venture. As at 30 June 2021, the Company has a receivable from DFS (PNG) of K25k (2020: K4k).

Director related entities

- Sir Mahesh Patel is a director of New World Limited, Fiji, a supplier to the company. In 2021, the Group has a receivable amount of K10k (2020: KNil)
- Sir Mahesh Patel is a related party of US All American ENT.INC.USA, a supplier to the company. In 2021, City Pharmacy Limited's total stocks purchased from US All American was K195k. The Group has an outstanding balance of K47k (2020: KNil) as at period end

**b) Transactions with directors**

Sir 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 K15k. As at 2021 period end, the balance owed to the Group is KNil.

**d) Remuneration of the directors and key management officers**

The total remuneration paid to directors and key management officers during the period was K3,342k (2020: K4,356k) 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.

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**16 SEGMENT INFORMATION**

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively:

	<b>Retail</b>	<b>Wholesale and Tender</b>	<b>Total</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Assets</b>			
30 June 2021	436,698	13,443	450,141
31 December 2020	432,875	13,105	445,980
<b>Liabilities</b>			
30 June 2021	285,034	3,948	288,982
31 December 2020	278,290	4,140	282,430



**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

<b>30 June 2021</b>	<b>Retail</b>	<b>Wholesale and Tender</b>	<b>Total Segment</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Revenue</b>					
External customer	262,098	13,419	275,517	-	275,517
Inter-segment	-	9,032	9,032	(9,032)	-
<b>Total revenue</b>	<b>262,098</b>	<b>22,451</b>	<b>284,549</b>	<b>(9,032)</b>	<b>275,517</b>
Cost of sales	(182,678)	(15,135)	(197,813)	9,032	(188,781)
<b>Total Expenses</b>	<b>(78,789)</b>	<b>(1,151)</b>	<b>(79,940)</b>	<b>-</b>	<b>(79,940)</b>
Profit before income tax	631	6,165	6,796	-	6,796
Income tax expense	1,244	(298)	946	-	946
<b>Segment profit before impact of IFRS 16 impact</b>	<b>1,875</b>	<b>5,867</b>	<b>7,742</b>	<b>-</b>	<b>7,742</b>
<b>IFRS 16 Impact:</b>					
Amortisation – ROU	(10,318)	(219)	(10,537)	-	(10,537)
Interest expense	(7,282)	(32)	(7,313)	-	(7,313)
Rent expense	14,965	255	15,221	-	15,221
Interest Income	1,361	-	1,361	-	1,361
Rent Income	(2,935)	-	(2,935)	-	(2,935)
<b>Total Net Profit</b>	<b>(2,335)</b>	<b>5,872</b>	<b>3,538</b>	<b>-</b>	<b>3,538</b>
<b>30 June 2020</b>					
	<b>Retail</b>	<b>Wholesale and Tender</b>	<b>Total Segment</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Revenue</b>					
External customer	273,450	13,419	286,869	-	286,869
Inter-segment	-	4,213	4,213	(4,213)	-
<b>Total revenue</b>	<b>273,450</b>	<b>17,632</b>	<b>291,082</b>	<b>(4,213)</b>	<b>286,869</b>
Cost of sales	(186,602)	(11,179)	(197,781)	4,213	(193,568)
<b>Total Expenses</b>	<b>(84,886)</b>	<b>(902)</b>	<b>(85,788)</b>	<b>(85)</b>	<b>(85,873)</b>
Profit before income tax	1,962	5,551	7,513	(85)	7,428
Income tax expense	1,487	(155)	1,332	-	1,332
<b>Segment profit before impact of IFRS 16 impact</b>	<b>3,449</b>	<b>5,396</b>	<b>8,845</b>	<b>(85)</b>	<b>8,760</b>
<b>IFRS 16 Impact:</b>					
Amortisation – ROU	(11,784)	(219)	(12,003)	-	(12,003)
Interest expense	(7,250)	(48)	(7,298)	-	(7,298)
Rent expense	16,699	255	16,954	-	16,954
Interest Income	1,473	-	1,473	-	1,473
Rent Income	(2,912)	-	(2,912)	-	(2,912)
<b>Total Net Profit</b>	<b>(325)</b>	<b>5,383</b>	<b>5,059</b>	<b>(85)</b>	<b>4,974</b>

**17 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.

**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.

**17 FINANCIAL INFORMATION (continued)**

At 30 June 2021, 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.

**18 COMMITMENTS AND CONTINGENCIES**

**Commitments**

- a) Future financial charges total K64k (2020: K142k) in relation to various financial leases of vehicles, bakery, freezer and computer equipment from the Bank South Pacific Limited, Westpac Bank PNG Limited & Kina Bank.

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

- b) Contractual commitments for the completion of the Gerehu warehouse as at 30 June 2021 amounts to K808k.

**Contingent liabilities**

- a) The Company has a credit facility of K24,750k (2020: K24,750k) for Multi - Option Facilities which includes documentary letters of credit from Westpac Bank PNG Limited.
  
- b) On 7 June 2021 the Company received an updated Audit Position Paper from the Internal Revenue Commission (IRC) on the treatment of GST in the company's prior year GST returns. The Directors have reviewed the IRC's Audit Position Paper and have taken external tax and technical advice and are in discussions with the IRC. Additional documents, to fully support the Company's position, have been provided to the IRC and further advice from the IRC is awaited.

**19 SUBSEQUENT EVENTS**

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or is likely to have any significant effect on, the operations of the Group and Company, the results of those operations, or the state of affairs of the Group and Company in future financial year.