2023
ANNUAL REPORT

CPL GROUP

SINCE 1987

OUR VISION

Helping the people of
Papua New Guinea
live healthier and better lives

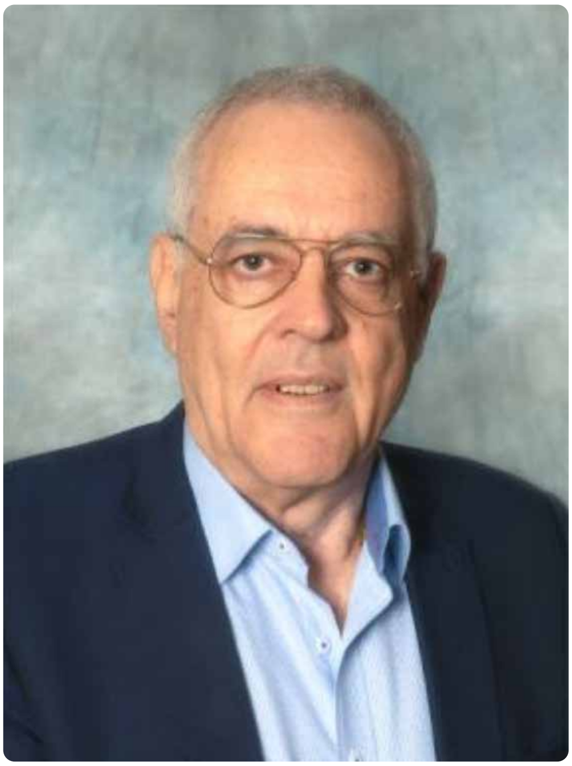
OUR MISSION

To be the preferred shopping destination
by delivering outstanding value,
exceptional customer experience and
maximising shareholder value.

contents

4 Chairman's Statement
6 Chief Executive Officer's Report
8 Board of Directors
12 Board Risk Appetite Statement
19 Our Outstanding Staff 2023
20 Our Story
22 Our Brands
24 Our Presence
26 Key Achievements in 2023
28 Sponsorships and Community
30 CPL Foundation Inc.
37 CPL Group Financials

Chairman's Statement



The second quarter was a particularly difficult period due to a multitude of events. Disruptions to banking systems and the economic downturn hurt overall economic performance and consumer spending. International food and energy price hikes, sparked by the Russia-Ukraine war, further squeezed the market. To make matters worse, a major internal IT outage resulted in significant data loss and business disruption, taking months to recover from and causing trading disruptions as well.

Despite these headwinds, the Group demonstrated agility and resilience. We implemented contingency plans, prioritized business continuity, and adapted to the evolving circumstances.

While the Group faced a K2.2 million loss before tax in the first half of 2023, it demonstrated remarkable resilience to recover in the second half and declare K8.7 million profit before tax for the year-end. This turnaround signifies strong operational performance and positions the company for continued success in the coming year.

Performance by Business Segment

Stop and Shop and FMCG Sector

The FMCG sector's performance mirrored the industry, a downward trend that was experienced right across the industry. We maintained stability despite the economic struggles with a strong second half of the year.

Pharmacy

Despite the struggles during the first half of the year, the Pharmacy brands closed the year strongly with increased sales and operational performance. Footprint expansion and innovative marketing attracted new customers. Pharmacy retail and institutional teams exceeded budgets, achieving significant sales and gross profit growth.

JVs, Prouds DFS and Jacks of PNG

Individual JV brands, Jacks of PNG, Prouds DFS, and Pharmacy had a strong year in 2023 and outperformed the previous year.

Hardware Haus Limited (HHL)

HHL faces increased competition, lower government spending, and rising prices. The tribal fights in the highlands impacted the business with the major shops in Highlands down 20% against LY. However, the potential reopening of the Pogera mine and infrastructure projects offer strong future opportunities.

Looking Forward

We are optimistic about CPL Group's financial health and future prospects. We are actively navigating potential challenges and capitalizing on emerging opportunities.

IT Infrastructure and Resilience

We have implemented a comprehensive plan to enhance IT infrastructure and resilience, including investments in new technologies, improved cybersecurity measures, and robust business continuity processes.

Risk Management

A dedicated Risk Committee has been established to provide focused oversight and proactive management of potential risks and opportunities.

Board Diversity

Ms. Flare Namaliu has joined the Board as a Trainee Director, bringing valuable IT expertise and contributing to board diversity.

Recent Events and Response

CPL Group recently faced significant impacts due to the civil unrest in Port Moresby. Mitigation plans and strategic options are being developed for rebuilding efforts. We continue being focused on pursuing opportunities to strengthen our position and enhance shareholder value.

In Closing

CPL Group remains optimistic about the long-term prospects of Papua New Guinea. We have a robust business model, a talented team, and a clear vision for the future. We are confident that CPL Group will continue to be a leading force in Papua New Guinea's economic landscape. The Board of Directors would like to thank our dedicated employees, loyal customers, and valued shareholders for their continued support.

Stanley Thomas Joyce, CSM

CHAIRMAN

BOARD OF DIRECTORS

CPL GROUP

CEO's Report

Embracing Challenges, Building a Brighter Future

A Year of Resilience and Adaptation

2023 was a year defined by both challenges and triumphs. While the overall market experienced a downturn, particularly in the first half, we were pleased to see a significant recovery in the latter half. This culminated in record trading during the critical Christmas period, a testament to the collective strength and adaptability of our team.

Navigating Headwinds

Several factors impacted our performance in 2023:

- **Market Downturn:** The first half of the year presented a difficult market environment, impacting our overall performance.
- **BSP System Upgrade:** The Business Support System (BSP) upgrade had a notable impact on our trading activities right across the country.
- **Tribal Issues in the Highlands:** The tribal conflicts in the Highlands region significantly affected our branch operations there. Sales in these branches were down 15% compared to the previous year.

IT Challenges

In March 2023, our CPL Group operations encountered a significant IT hurdle. A major outage resulted in data loss, disrupting our trading activities for several months. Our team persevered through this challenge, rebuilding our servers and financial reporting systems. Despite these difficulties, we ensured minimal disruption to our shop operations by transitioning to manual processes.

We are committed to fortifying our IT infrastructure to prevent similar setbacks in the future.
The actions we are taking:

- **Enhanced Security Measures:** We're actively implementing robust security solutions to safeguard our systems and data. This includes incorporating advanced threat detection and prevention tools.
- **Empowering Our Team:** We're conducting comprehensive training for all IT employees. This program will equip them with the knowledge and skills to identify and prevent cyber threats effectively.

Challenges and Opportunities in Foreign Exchange

- Foreign exchange (Forex) unavailability continues to be a major concern. Delayed payments and the inability to purchase inventory on the open market have inflationary impacts and erode supplier confidence. This has been an ongoing challenge and majorly impact the availability of products on the shelve right across all our brands.

Investing in Our People and Processes

We are committed to continuous improvement in all areas of our business. In 2023, we focused on Human Resources development and training, including:

- **Digitalization of P&C Infrastructure:** This initiative involved automating workflows, performance management, talent management, and job tracking for greater efficiency.
- **Talent Acquisition and Management:** We completed the Employee Referral System to leverage our existing workforce for recruitment. Additionally, the development of a High Potential Program is underway to identify and nurture future leaders.
- **Employee Engagement and Rewards & Recognition:** Ongoing initiatives aim to foster a positive and motivating work environment.

Marketing and Customer Experience

In the marketing department, we undertook several key initiatives:

- **Real Rewards Program Enhancement:** We revamped the Real Rewards program and upgraded its software after encountering technical issues. This program boasts over 515,832 active members, with a growing membership and an improved rewards structure.
- **Customer Care Program Launch:** We launched a dedicated Customer Care program to enhance the customer experience in our shops, fostering better customer relationships.

SME Support and Community Engagement

We remain dedicated to supporting Small and Medium Enterprises (SMEs). In 2023, we focused on:

- **Expanding SME Support:** We introduced new and exciting products from local manufacturers and increased our fresh produce offerings.
- **Developing New Farmers:** We launched educational programs on financial literacy and budgeting to empower local farmers to transition from subsistence farming to semi-commercial operations.

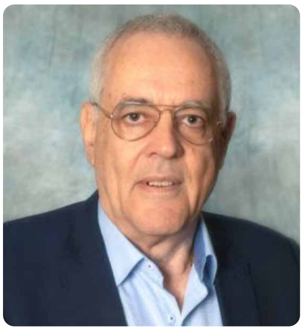
The January 10th, 2024, incident served as a temporary setback to our initiatives. However, true to our spirit of resilience, we have bounced back stronger and continue to push forward with innovative initiatives.

Looking Ahead with Confidence

Despite the challenges of 2023, we remain confident in our long-term prospects. We are committed to strengthening our IT systems, optimizing our operations, and fostering a positive customer experience. We are also dedicated to supporting our local communities and helping SMEs grow. We are confident that by working together, we can build an even brighter future for our company and our stakeholders.

Navin Raju
Group Chief Executive Officer

Board of Directors

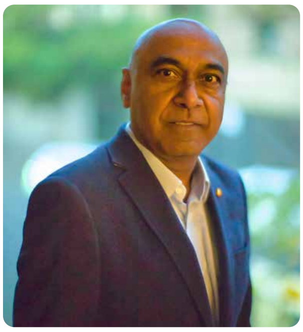


Mr. Stanley Thomas Joyce, CSM
Chairman

Mr Joyce brings more than 31 years of management and board experience to CPL Group. He sits as the Chairman of CPL Group and has his imprint in the food, beverage and manufacturing industries in Papua New Guinea and abroad.

His notable PNG business acumen includes leading the South Pacific Brewery Limited (SP) for 14 years as its Managing Director. He also spearheaded campaigns rallying public support for the SP PNG Hunters, SP Sports Awards and encouraging responsible alcohol consumption.

During his tenure, he also provided expertise support to the 2015 Pacific Games Authority, the PNG Business Council, PNG Manufacturer's Council, Mainland Holdings Limited and Solomon Breweries Limited. He is the honorary consul of the Netherlands, and has been honored by the Commonwealth with titles such as the Companion Star of the Order of Melanesia (CSM) and the Logohu Awards.



Sir Mahesh Patel, OBE

CPL Group Founder
Non- Executive Director

Chairman of the CPL Foundation

Sir Mahesh has been serving Papua New Guinea for nearly four decades. He started as a pharmacist and then as a maverick entrepreneur, co-founding what is now PNG's largest and leading retailer, CPL Group in 1987.

His influence is evident in many public, private and community entities such as the PNG Red Cross, Kumul Telikom Holdings Limited, 2015 Pacific Games, Ginigoada Foundation and the Buk Bilong Pikinini (BBP) community libraries, orphanages and countless community organisations.

A celebrated business leader, he was recognized for his contribution to commerce and communities with a Knight Bachelor award in the 2020 Queen's Birthday Honours List.

He has since moved on from his post as Managing Director to being a Non-Executive Director of the Group and continues his passion as Chairman for the CPL Foundation championing causes close to CPL Group's ethos.

Ms. Mary Handen
Independent Director

Chair of the People & Culture Sub-Committee

Ms. Handen divides her time and expertise between her business and helping budding entrepreneurs and professionals develop oratory and financial literacy skills.

Her managerial and board experience includes Steamships Group of Companies, Transparency International PNG, Employees Federation of PNG, and the PNG Business Council.

Her community work focuses on social enterprises such as the Em Stret Holdings Youth Debates, PNG Fashion and Design Week Limited, and Pehi-Koko Waste Management Limited.

Mr. Aru Chellappan

Independent Director

Chair of the Renumeration Sub-Committee

Mr Chellappan joined the CPL Group Board in September 2020. He is an accountant with over 35 years of working experience across different financial landscapes in North America, Australia and Asia.

Before joining CPL Group, his last role lasted for 17 years with the Siemens Healthcare Sdn Bhd, a health technology company based in Kuala Lumpur, Malaysia.

He is a Fellow of the Institute of the Chartered Accountants in Australia and a member of the Malaysia-Australia Business Council.

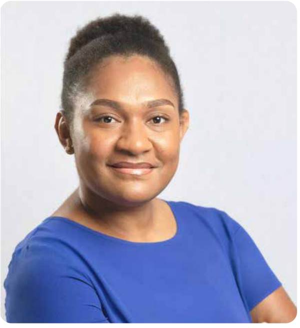
Mr. Eddie Ruha

Independent Director

Chair of the Audit Sub-Committee

Eddie Ruha is a Non-Executive Director of BSP Life PNG Limited and is the former Group Chief Financial Officer of Bank South Pacific Limited. He was appointed to Group Chief Financial Officer on 3 April 2017 and remained on the position until his retirement on 31 May 2020. Prior to that Mr Ruha was the Chief Financial Officer - PNG for BSP. Previously he worked for Steamships Trading Company in PNG for 22 years, commencing in 1990, working in the Steamships Merchandising Division for eight years, before transferring to Head Office as Group Systems Accountant and then Group Accountant, General Manager Finance and then from 2008 to 2012 as Finance Director and Company Secretary.

Mr Ruha is a commerce graduate from Auckland University in New Zealand (1984), has a Master of Business Administration from Charles Stuart University (2000), and is a member of CPA Papua New Guinea and a member of the Chartered Accountants Australia and New Zealand as well as a member of the PNG Institute of Directors (MPNGID) and a graduate of the Australian Institute of Company Directors (GAICD).



Ms. Eunice Parua

Independent Director

Ms. Parua made history for Papua New Guinea as the youngest lawyer to make partner at a law firm: Leahy Lewin Lowing Sullivan Lawyers.

Her fledgling board experience began with the CPL Group as a Trainee Director in 2019.

She is also a board observer for growing banking group, Kina Bank. She is a full member of the PNG Law Society, and the Papua New Guinea Women Lawyers Association.

She is also the co-founder of Lawyers4Literacy, a rural literacy advocacy organisation.

Ms. Stephanie Copus-Campbell

Independent Director

Chair of the Risk Sub-Committee

Stephanie Copus Campbell is the Australian Ambassador for Gender Equality where her role is to deepen Australia's international engagement on gender equality and the human rights of women, girls, and persons of diverse gender identities.

She currently chairs the Southern Highlands Provincial Health Authority Board which is responsible for governing all health service delivery in PNG's third-largest province. Stephanie is also a director on the Femi Ii PNG Board (a local PNG NGO that supports survivors of family and sexual violence) and the Steamships' Community Grants Advisory Committee. She is a past Director on the Board Director for UNICEF Australia.

From 2009-2011, Stephanie was the head of Australia's aid program with Papua New Guinea. She was also posted to Suva, Fiji, as head of Australia's aid program with Fiji and the Pacific region and has had previous postings to PNG. During her early Australian government career, she worked on development cooperation with China and on environment and infrastructure policy. She has worked as the Principal Executive International Programs for CARE Australia and as a lecturer with Deakin University.

Stephanie holds a Master of Philosophy from Cambridge University (UK) and a Bachelor's degree from the University of California in political science, where she graduated Summa Cum Laude. In 2022 she qualified as a mediation. She is a graduate of the Australian Institute of Company Directors.

She volunteers in palliative care at Clare Holland House Hospice and is on the Management Committee for ACT Wildlife.

In 2021 Stephanie was made a Member of the Order of Australia.

Ms Flare Namaliu

Trainee Director
Appointed 5th January 2024

Flare Namaliu is an accomplished IT professional.

She recently joined City Pharmacy Limited (CPL) as a Trainee Director, bringing valuable expertise to navigate the digital landscape.

Her recent addition brings the total number of women holding key positions on the Board to four.

With extensive IT experience, Namaliu is poised to play a crucial role in CPL's growth, showcasing the company's commitment to inclusive leadership and technological evolution.


CityPha
City Pharmacy
NURSE
DELIVER QUALITY
BE CUSTOMER FOCUSED

Board Risk Appetite Statement

The CPL Board recognizes that risk is inherent in its business operations and is committed to managing risk in a proactive and effective manner. CPL's risk appetite is aligned with its strategic objectives and reflects its willingness to take on risks to achieve its goals while maintaining a prudent level of risk exposure.

CPL embraces a risk-aware culture that emphasizes the importance of identifying, evaluating, and mitigating risks at all levels of the organization. The Board and its management team are committed to understanding and managing risks effectively to achieve CPL's strategic objectives while protecting the interests of shareholders and stakeholders.

CPL's risk appetite is guided by the following principles:

- CPL seeks to achieve sustainable growth and profitability while maintaining a strong balance sheet and liquidity position.
- CPL is committed to complying with all applicable laws and regulations, as well as ethical standards and best practices.
- CPL's company values are integral to delivering our mission and vision and influence how we identify and manage risk.

These principles outline CPL's approach to risk appetite levels and guide decision-making processes throughout the organization.

Minimal Appetite	**Moderate Appetite**	**Open Appetite**
Appetite for minimal or no risk with recognition of potential for limited benefit/reward.	Appetite for safe options that have a low degree of risk and have some potential for benefit/reward	Appetite to consider all potential options and chose the one most likely to result in successful delivery, whilst also providing an acceptable level of reward and value

RISK CATEGORY	CONTEXT	RISK APPETITE RATING	Risk Tolerance Levels	
People and safety	The Board supports a safe and healthy workforce that treats everyone fairly and prioritises a positive customer experience. The Board has minimal appetite for work practices, actions or inactions that compromise the wellbeing and safety of people including staff, contractors, and customers.	Minimal	The CPL Board will tolerate: • Minor unforeseen incidents or injuries that arise from time to time while undertaking normal activities. • Minor morale issues relating to improving workforce performance. • Minor staff grievances that can be dealt with through normal internal mechanisms. • Practices that are not in line with best practice if safety and duty of care is not compromised. • Minor morale and staff grievances due change within the organisation due to innovation or change management processes leading to more efficient and effective outcomes.	The CPL Board will not tolerate: • Actions or behaviors that are deliberate and willingly contravene our Values, Code of Conduct and WHS policies and procedures. • Actions which do not align to CPL values. • Practices that knowingly compromise staff wellbeing, workplace, or community safety (including discrimination, harassment or bullying). • Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our employees, contractors, or customers. • Events that occur arising from untrained employees or failed internal processes.

RISK CATEGORY	CONTEXT	RISK APPETITE RATING	Risk Tolerance Levels	
Governance	The CPL Board is committed to good governance and meeting legislated and regulatory requirements in a consistent and fair manner and understand that failure to adhere to legal, regulatory, and financial crime requirements leads to financial and reputational damage. The Board has no appetite for significant breaches of legal obligations or contractual agreements that result infines, penalties or reputational damage.	Minimal	The CPL Board will tolerate: • Decisions made on merit in accordance with CPL's values that are not in line with professional advice. • Minor technical breaches that have been considered by the Board. • Temporary non-compliance due to unrealistic regulatory timeframes. • Risks which may give rise to isolated complaints that are incidental to normal business activities despite best efforts to avoid or mitigate. • Streamlined governance processes subject to effective controls remaining in place.	The CPL Board will not tolerate: • Corrupt or fraudulent conduct by Board directors, staff, or contractors. • Unreasonable delays when reporting, investigating or correcting any fraudulent, improper, unethical or corrupt conduct. • Any instances where CPL Board Directors or staff knowingly break the law, fail to comply with legal obligations or recklessly breach internal policies. • Material breaches of legislation or the Code of Conduct. • Failure to consider expert/ professional legal advice. • Unauthorized release of confidential information. • Any behavior which gives rise to extensive litigation and indictable offences. • Management/staff failure to comply with Board directions/decisions.
Reputation	As a publicly traded company, and a proud member of the PNG community, the CPL Board recognizes the importance of protecting its reputation. It does, however, understand that negative publicity may occur where there is competing priorities and interests in the Community. The Board has no appetite for significant impacts on CPL's reputation.	Minimal	• Moderate adverse local media and social media scrutiny or complaints relating to action which delivers longer term benefits to the community. • Isolated minor incidents, concerns and complaints that can be resolved by management.	• Improper, unethical, corrupt, unprofessional behavior or failure to exercise respect and duty of care in accordance with CPL values and policies. • Material breaches of the Code of Conduct. • Failure to uphold the probity of Board decision-making. • Any failure to avoid or appropriately manage conflicts of interest. • Failure to act in a fair, honest, transparent and accountable manner. • Decision-making that is not open, honest and transparent and reflects the long-term interests of the community. • Failure of Management to notify the Board of significant incidents that may impact CPL's reputation in less than 24hrs of the incident occurring. • Complaints that are not responded to in a prompt and professional manner.

RISK CATEGORY	CONTEXT	RISK APPETITE RATING	Risk Tolerance Levels	
Financial	CPL recognizes the financial risks involved in delivering a wide range of customer services, and capital projects. The Board has a cautious appetite for variation in financial performance if flong-term financial sustainability is not threatened. This includes market risks, credit risks, liquidity risks, and currency exchange rate risks. It will not pursue additional income generating or cost saving initiatives unless returns are probable.	Moderate	• Minor unforeseen and unavoidable budget variations of Budgetted EBITDA 4% favorable and 4% unfavorable. • Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project. • Short Term (less than 12 months) negative performance from commercial business aspects if core business operations are not affected. • Minor losses, or capital outlays, attributable to new processes or innovation to improve services to meet community needs. • Calculated financial risks to deliver infrastructure, improve service delivery or promote ecological sustainability. • Minor cost impacts of the implementation of weighted scoring in procurement to benefit local competent suppliers. • Capital expenditure budget delivered within 5% variance in a single year and a 2% average over a 3-year period.	• Financial activities and/or investment practices that contravene legislated or policy requirements. • Failure to maintain or implement effective systems, processes and controls which adequately protect CPL from fraudulent activity. • Fraudulent or corrupt financial transactions. • Actions that have a significant negative impact on long term financial sustainability. • Available funds below target over a five-year period. • A three year average operating deficit.
Business Operations Continuity	CPL delivers a range of retail stores and health services in a competitive environment which contribute meeting a diverse range of stakeholder demand. Unscheduled system downtime or a cessation in business activities impacts our service to customers and stakeholders and impedes operational management and governance reporting, causing reputational damage, stress on staff and financial loss. The Board is open to creativity and innovation and is willing to take some level of risk to deliver efficiencies, enhance capabilities and provide a service to be proud of to our community. The Board maintains a low appetite for business discontinuity and devastating events such as fire.	Minimal	• Unforeseen interruptions of up to 24 hours to critical business functions from uncontrollable events where the Board responds and communicates promptly to impacted stakeholders. •Unforeseen interruptions of up to 7 days to less critical business functions from uncontrollable events where CPL responds and communicates promptly to impacted stakeholders. • Moderate impacts to operations due to implementation of new technology, innovation initiatives or projects.	• Failure to prevent, where prevention is possible, disruption to critical business functions • Failure to develop plans to respond to a disruption and ensure continuity of critical business functions. • Failure to escalate to the Board a critical business function outage within 2 hours. • Failure to significantly meet business commitments and community expectations. • Failure to demonstrate a commitment to delivering quality customer experiences. • Failure to document and follow policies and procedures that impairs the quality of operations or results in service interruptions.

RISK CATEGORY	CONTEXT	RISK APPETITE RATING	Risk Tolerance Levels	
Information, Communication Technology and Information Security	Our assets (including information) are vital in maintaining CPL's business practices and therefore the Board has a strong interest in safeguarding from both external and internal threats, misuse, modification, and unintended damage. CPL's aim is to protect our assets contained within our ICT systems and services. We will be successful through the application of appropriate internal controls, a cyber aware workforce, effective governance, timely remediation of identified control weaknesses, persistent review of the external threat landscape and consistent management of our third-party providers.	Minimal	Cyber Security • Some cyber threats which if they were successful would have a minor or limited impact upon CPL's business because they do not compromise the integrity, confidentiality or availability information or assets. • Timely remediation of identified cyber security control weaknesses.	Cyber Security • Cybersecurity threats that could have been prevented through judicious application of technical and behavioral controls. • An unprepared response in the event of an external cyber attack. • Significant threats to assets arising from external malicious attacks. • Misuse, inappropriate distribution or loss of sensitive or confidential staff or customer information due to the actions of staff or failure of systems.
		Moderate	ICT Systems and Services • Scheduled outages that are agreed to by the business owners and are regarded as part of normal business activities. • Implementation of new technologies which create new opportunities for business improvement and innovation of systems which also could involve some minor to moderate risk.	ICT Systems and Services Prolonged unplanned outages of critical CPL systems and business operations. • Failure to maintain systems and services which adequately protect data and information and maintain adequate audit trails. • A lack of diligence in relation to information security the procurement and implementation of ICT systems and services. • Data loss due to inappropriate data management processes. • Poor information governance processes. • Failure to maintain recovery plans in place and test plans on a regular basis.

RISK CATEGORY	CONTEXT	RISK APPETITE RATING	Risk Tolerance Levels	
Infrastructure And Capital Assets	The Board is committed to fit for purpose infrastructure and capital assets and is open to taking moderate levels of risk to enhance these productive resources.	Moderate	• Moderate financial and reputational impacts arising from the implementation of new of innovative technologies. • Moderate impacts leading to short term disruption to due to implementation of approaches which provide value for money provided stakeholders have been informed. • Moderate short-term financial impact on capital costs of projects where there are demonstrated long term sustainable gains. •Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project.	• Failure of third-party contractors to provide services within budget and agreed timeframes. • Non-completion of a significant portion of new or renewal infrastructure projects beyond financial year (or scheduled completion period if project runs across multiple years). • Significant delays to projects that are considered within CPL's control. • Asset failure significantly earlier than the projected lifespan of the asset. • Failure to administer and manage contracts appropriately. • Significant foreseeable variations in contract price due to aspects of the project within the control of CPL. • Failure to escalate critical infrastructure damage or issue within 2 hours. • Failure to develop plans to respond to a disruption and ensure continuity of operational infrastructure. • Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, or Employees.

RISK CATEGORY	CONTEXT	RISK APPETITE RATING	Risk Tolerance Levels	
Environmental and Social	The Board recognises the importance of conserving and enhancing our environment and understands that sustainability considerations in all Board decisions is important. Similarly, the Board is proud to be part of the PNG community and will contribute to social development through targeted social investments. The Board has a cautious appetite for environmental and social impacts arising from normal business activities, however, is open to innovative practices for the betterment of the environment and community.	Minimal	• Environmental and social impacts offset by other activities resulting in net environmental and social benefits. • Minor environmental and/or social impacts from uncontrollable or unforeseen events. • Changes to procedures and practices to accommodate improved environmental and social outcomes.	• Decisions that do not appropriately consider the principles of ecological or social development. • Failure to minimize significant environmental and social impacts. • Decisions, activities and practices that result in long term or irrevocable environmental damage, threatens biodiversity, or is hazardous to human life. • Decisions, activities and practices that result in harm to individuals or the community. • Activities and practices that knowingly compromise the environment,/community that are reasonably foreseeable and preventable. • Failure to meet environmental commitments or legal requirements resulting in fines or penalties. • Decisions that do not appropriately consider the principles of social and sustainable development.


Stop & Shop
IGA

Our Outstanding Managers in 2023

HARRY OZOLLINS
Best Manager for 2023, Hardware Haus, Lae

MATHIAS KOLUA
Most Improved Manager for 2023, Mitre Hardware, Hagen

RAJ KUMAR
Best Manager for 2023, , Stop & Shop, North Waigani

ANDY OLLERES
Best Manager for 2023, Stop & Shop, Waigani Central

JUDITH DEGAY
Best Manager for 2023, City Pharmacy, Vision City.

KILA EKAPO
Most Improved Manager for 2023, City Pharmacy, Vision City

OUR HISTORY

1987
Sir Mahesh Patel with then Steamships Trading Chairman late Alan Jarvis establishes the first City Pharmacy outlet in the Garden City Mall at Boroko with only four staff.

1992
City Pharmacy goes on to expand its operations by opening five pharmacy outlets in regional PNG.

1998
CPL Group makes becoming the commence following the crisis.

2005
CPL Group acquires the Stop and Shop Supermarket chain from Steamships Trading Company.

2007
CPL launches the first women's empowerment program in PNG, the Pride of PNG Awards for Women, honouring ordinary Papua New Guinean women doing extraordinary work in their communities.

2009
CPL Group acquires stores from Trading Company.

2013
CPL is named Innovative Company of the Year by the PNG Institute of Directors.

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

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

2015
CPL moves into and goes onto Jacks of PNG Moresby. CPL also Duty Free stores at International

2020
Sir Mahesh Patel, OBE is recognized in the Queen's Birthday awards as a Knight Bachelor for services to PNG.

2022
Mr Navin Raju is appointed new Chief Executive Officer.

ISO Accreditation: The Group is accredited to ISO 9001: 2015- Quality Management System and ISO 45001:2018- Occupational Health and Safety Management System Standards

The CPL Story since 1987

history by
first business house to
operations in Buka
Bougainville

2002
Exciting times ahead for CPL as CPL Group lists on the Port Moresby Stock Exchange.

2003
CPL Group launches its first customer loyalty program, Real Rewards.

Hardware Haus
Steamships

2011
CPL launches Bon Café coffee shops in PNG. The Bon Café outlets are launched at its Stop & Shop outlets in Port Moresby.

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

fashion retailing
opening two
stores in Port
opens two Prouds
Jacksons
Airport.

2017
CPL Group's Gerehu Distribution Center is devastated by the fires. This affects the supply chain of the business greatly. With the support of suppliers and communities, the company makes a swift recovery from the damages.

2018
Founder, Sir Mahesh Patel returned to the business as full-time CEO/MD which initiated the Business Transformation Program and board restructure. Capital was raised thriough share placements aand rights issue, recapitalizing the company by 48m Kina. We reopened our flagship store at Waigani Central

Our Brands Portfolio

CITY PHARMACY

City Pharmacy is the pioneer retail brand for CPL Group, offering a range of health, beauty, baby and household products. It has grown to over 900 employees and is present in almost every major town, with just over 35 pharmacies located around Papua New Guinea. It is the largest Pharmacy chain in the country.

STOP & SHOP

Stop & Shop is a formidable brand in CPL Group's retail portfolio. The product range caters for various demographics in Port Moresby and NCD. Acquired in 2005 from Steamships Trading Limited, the brand is established throughout the nation's capital with 7 supermarkets and 1 express store.

Customer experience is an important area of focus for the SNS brand, and this is attributed with the introduction of Bon Café co- located outlets, convenient locations with easy transport access, and safe car parking. SNS' focus is to bring quality brands (such as Coles & MetCash brands) at affordable prices to give customers a variety of options and experience.

HARDWARE HAUS

Hardware Haus' legacy holds history as a household-name supplier of building & maintenance, gardening, and leisure materials when it was known as Steamships Hardware. It continues this tradition today as a thriving tradespersons and family home improvement destination, stocking a wide range of quality and certified products since becoming part of the CPL Group in 2008, after its acquisition from Steamships Trading Limited.

Hardware Haus is now the leading hardware brand in the country with 11 locations nationwide.

BON CAFÉ

Bon Café was the pioneer in Papua New Guinea to start a thriving coffee culture. The brand officially launched its first café in 2011 offering coffee, tea, and other beverages and treats to customers by well-trained baristas and staff.

Today it has 13 outlets in mostly Stop and Shop and City Pharmacy outlets in Port Moresby, Madang, and Kundiawa in Simbu.

FRESH EXPRESS

The PNG farmer relationship does not end in the Stop & Shop Supermarkets, the added value to Papua New Guinean fresh vegetables also extends to Fresh Express restaurants. It offers healthy and quick meals at affordable prices. The range starts from sweet potato chips, stews, sandwiches, and the perennial favourite, chicken, and chips, made fresh every day.

JACK'S OF PNG

Jack's of PNG found a niche market in the demand for quality clothing, and accessories in Papua New Guinea. Eight years on, and this brand now sees five outlets in Port Moresby, Madang, Hagen, and Lae catering to men, women and children's fashion and style demands.

PROUDS PNG

Prouds PNG was launched in 2015 as a Duty-Free Shop and has now grown into a luxury brand with three retail outlets in Port Moresby showcasing some of the best brands available in the international market.

CASH & CARRY

There is a growing demand by families and small business owners to buy goods in bulk. As the grocery wholesale arm of the CPL Group, customers can now purchase home essentials in larger packs. Its shelves are stocked with a wide range of products retailed at Stop & Shop Supermarkets including non-prescription lines from City Pharmacy.

PWL

The Pharmacy Wholesalers Limited is a distribution supply chain for pharmaceutical and health and beauty goods based in Australia. Acquired by CPL Group in 2013, it aims to extend the group's portfolio across the region.

REAL REWARDS PLUS

The Real Rewards customer loyalty program has been operating for over two decades rewarding and retaining over 500,000 active and satisfied members. It is PNG's longest and biggest customer loyalty program and includes participating Hardware Haus, Stop & Stop, Prouds and City Pharmacy outlets nationwide. To date, thousands of family and home essentials such as appliances, utensils, bedding, bath, health, and beauty items have been redeemed by CPL Group's loyal customers.

CP MEDICAL & LAB SUPPLIES

This brand saw its launch in August 2021. This new brand is CPL Group's response to the need for high quality medical and lab supplies in PNG and around the Pacific Region. The distribution is supported by over 1,000 suppliers worldwide.

CP WELLNESS CLINICS

Previously known as the Nurse Stations, the Wellness Clinics operate under the City Pharmacy brand. It services the public with essential and affordable healthcare services, promotes awareness, and offers educational resources on topics like family planning, mental health, and sexual health.

City Pharmacy
CityPharmacy WELLNESS CLINIC
Manus
City Pharmacy
CityPharmacy WELLNESS CLINIC
Vanimo
Wewak
City Pharmacy
HARDWARE HAUS
CityPharmacy WELLNESS CLINIC
jack's of PNG
BON CAFÉ
HARDWARE HAUS
City Pharmacy
2 Outlets
Madang
Maprik
CityPharmacy WELLNESS CLINIC
City Pharmacy
HARDWARE HAUS
Mt. Hagen
City Pharmacy
4 Outlets
HARDWARE HAUS
2 Outlets
jack's of PNG
CityPharmacy WELLNESS CLINIC
4 Outlets
Kundiawa
City Pharmacy
BON CAFÉ
Goroka
City Pharmacy
HARDWARE HAUS
2 Outlets
CityPharmacy WELLNESS CLINIC
Lae
jack's of PNG
HARDWARE HAUS
CASH&CARRY
City Pharmacy
2 Outlets
CityPharmacy WELLNESS CLINIC
2 Outlets
Port Moresby
City Pharmacy
10 Outlets
Stop&Shop IGA
6 Outlets
HARDWARE HAUS
BON CAFÉ
City Pharmacy MEDICAL & LAB SUPPLIES
jack's of PNG
2 Outlets
PROUDS
5 Outlets
Stop&Shop Fresh express
8 Outlets
CASH&CARRY
CityPharmacy WELLNESS CLINIC

PAPUA NEW GUINEA
City Pharmacy
HARDWARE HAUS
Kavieng
City Pharmacy
Lihir
City Pharmacy
CityPharmacy WELLNESS CLINIC
Namatanai
Opening mid-2024
Kimbe
City Pharmacy
CityPharmacy WELLNESS CLINIC
2 Outlets
City Pharmacy
Buka
Kokopo
CityPharmacy WELLNESS CLINIC
City Pharmacy
HARDWARE HAUS
2 Outlets
City Pharmacy
HARDWARE HAUS
CityPharmacy WELLNESS CLINIC
Popondetta
CityPharmacy WELLNESS CLINIC
City Pharmacy
Alotau
CPL GROUP
SINCE 1987
OUR PRESENCE
in PAPUA NEW GUINEA

Key Achievements in 2023

Additional Opening Of Three City Pharmacies

In 2023, our Pharmacy brand expanded its operations by opening three new out station City Pharmacies in Kundiawa, Lae and Kimbe in bringing the total number of City Pharmacy branches in the country to 35.

The new City Pharmacy branch in Kundiawa opened on January and is located close to Kundiawa Hospital, offering more availability and access for customers to seek medical attention.

City Pharmacy Eriku was opened in March. The new branch, placed conveniently in the heart of the busy suburb of Eriku, now takes the total number of City Pharmacy outlets in the Morobean Capital to three, adding to our branches in Top Town and Market.

A second City Pharmacy branch was opened in Kimbe on April, West New Britain Province. The pharmacy located at Hamamas Plaza now complements our existing City Pharmacy branch in Kimbe township, offering more availability and access for customers.

Discount Partnerships

CPL also partnered with several leading organizations to offer more value to their members through discounts, with City Pharmacy and Hardware Haus.

A discount partnership with CTSL was established for the benefit of over 3,000 contributors and 1,700 pensioners of Papua New Guinea's Defence Force Retirement Benefit Fund. CTSL members can present their membership cards to receive a 15% discount at City Pharmacy on select products and a 10% discount at Hardware Haus.

Additionally, with Nasfund, members receive a 20% discount on prescribed medication at City Pharmacy outlets. This initiative is part of the Membership Discount Program (MDP) aimed at providing value to Nasfund contributors.

Furthermore, CPL Group has also partnered with Mama Bank to offer Mama Bank customers discounts at City Pharmacy and Hardware Haus outlets. Members can access a 30% discount on prescribed medication and a 10% discount on other select products at City Pharmacy, as well as a 10% discount at Hardware Haus, with certain exclusions.

Sponsorships and Community

CAPITAL RUGBY UNION

CPL, through its supermarket brand Stop & Shop partnered with the Capital Rugby Union as Gold Sponsors for the 2023 season. The sponsorship was valued at K70,000 and went towards supporting its 2023 season. In alignment with the retail brand's healthy body and healthy minds campaign, the partnership aims to promote healthy and active lifestyles for all players involved.

JUNIOR TENNIS DEVELOPMENT

CPL supported the Junior Tennis initiative with a donation of K10,000. This was presented in a cheque to the PNG Tennis Association during a three-day tennis tournament for Junior players. The sponsorship went toward supporting the development of tennis in PNG for young players to thrive and grow.

SP SPORTS AWARDS

CPL was a proud sponsor for the best sports person with a disability award in April 2023. Dorna Longbut was the proud recipient of this award which amounted to K3500 which she received at the 2023 SP Sports Awards. The incentive provided through this award aligns with CPL's community and inclusivity campaign and recognizing efforts to make sports an inclusive space for our local sport icons.

MEDICAL SYMPOSIUM SPONSORSHIP

CPL was proud to be Gold Sponsors of the 2023 Medical Symposium. The medical symposium is in its 57th year and is an annual event hosted by the Medical Society of PNG. Part of CPL's sponsorship was support given to their different sub-specialty meetings with branded shirts, lanyards and backpacks toward the event's attendees adding to a value of over K100,000. CPL's involvement in the event as Gold Sponsors underscores its commitment to advancing healthcare and medical knowledge.

WE PNG BUY PNG

CPL continues to support local SME's and farmers. In July 2023, CPL displayed this engagement in the WE PNG BUY PNG campaign at the 5th annual SME Breakfast held at the APEC Haus. The exhibition was an opportunity to demonstrate the magnitude of CPL's lead as PNG's leading retailer and their footprint and support in the SME space. The campaign formerly known as the root's festival celebrates local farmers and SME's in providing an avenue for income and growth. This further affirms CPL's commitment toward supporting local.

MISS CITY PHARMACY

CPL Group, through its brand City Pharmacy was pleased to sponsor Tyla Singirok as the first ever Miss City Pharmacy into the Miss Bird of Paradise PNG (Miss BOPPNG) Pageant. The platform was previously known as the Miss PNG Pacific Islands Pageant. Miss City Pharmacy eventually won the Pageant and became the first Miss Bird of Paradise PNG, representing Papua New Guinea in the Regional Pageant, placing as first runner up. City Pharmacy continues to engage Tyla Singirok in various activities in her tenure as Miss City Pharmacy 2023

HEALTH OUTREACH FOR 2023

City Pharmacy conducted a series of health checks for the year 2023. The health outreach Programs were extended to communities and schools throughout the nation and delivered through our City Pharmacy branches. The programs and initiatives were delivered to raise awareness and extend outreach to rural communities, bringing essential supplies and promoting health awareness. These activities included conducting deworming sessions for children, promoting proper handwashing techniques and general hygiene awareness, emphasizing the significance of oral hygiene, offering free blood pressure checks and basic health screenings. Our Pharmacy teams also donated hygiene products and provided educational sessions on health-related topics. Additionally, the outreach efforts extended to schools and communities, reaching a wide audience, and contributing significantly to raising health awareness and promoting overall well-being throughout Papua New Guinea.

CPL Foundation Inc.

CPL Foundation

CPL Group continues to provide support to communities through its charitable arm CPL Foundation. Its philanthropy started along with the company's inception in 1987 and continues to be championed today through its Founders, Sir Mahesh Patel and Lady Usha Patel.

Since its formal incorporation in 2014, CPL Foundation has supported many communities and organizations through donations, sponsorship, start-up mentoring, SME and farmer education in supply chain and production improvements.

In 2023, CPL Foundation had the privilege of engaging and supporting various activities and programs for its core areas of interest.

SIGNATURE PROGRAMS

WOMENS WELLBEING & EMPOWERMENT PRIDE OF PNG (POPNG) ALUMNI

The Pride of PNG Women Empowerment Awards is a program that recognizes and celebrates exceptional Papua New Guinean women and their contributions to their families and communities.

They are the pride of their families, communities, and Papua New Guinea as a whole.

Initiated in 2007, The POPNG Women Empowerment Awards is a flagship program by the CPL Foundation. Through this program, the CPL Foundation has established support for past award winners, known as the POPNG Alumni, to aid their efforts in their communities.

In 2023, in addition to supporting the Morata Meri Seif Haus with food rations, the CPL Foundation purchased a 2-bedroom Kit Home from Hardware Haus to construct a permanent Meri Safe Haus for victims and survivors of gender-based and sorcery-related violence in Port Moresby. This initiative supports the efforts of Josephine Durua, a POPNG awards winner in 2015 under the category of The Brave & Courageous.

HEALTH FAMILY PLANNING PROJECT

In 2023 CPL Foundation launched its Family Planning Project. The Family project aims to break barriers and remove stigma surrounding family planning. Through this program, we aim to;

- Provide access to information and services on family planning to ordinary Papua New Guineans. Through education one can empower individuals to make the right choices. We have developed Information, Educational, Communication (IEC) materials in forms of posters and leaflets and distributed throughout communities, our shops, and clinics.

- Access to Services – to provide quality healthcare services delivered through our Wellness Clinics and our City Pharmacy stores. Our pharmacies have contraceptives and family planning methods readily available for our customers. We have also planned to run family planning workshops with our Wellness clinic nurses and City Pharmacy staff, so they are prepared to assist our patients and customers with any concerns surrounding family planning.

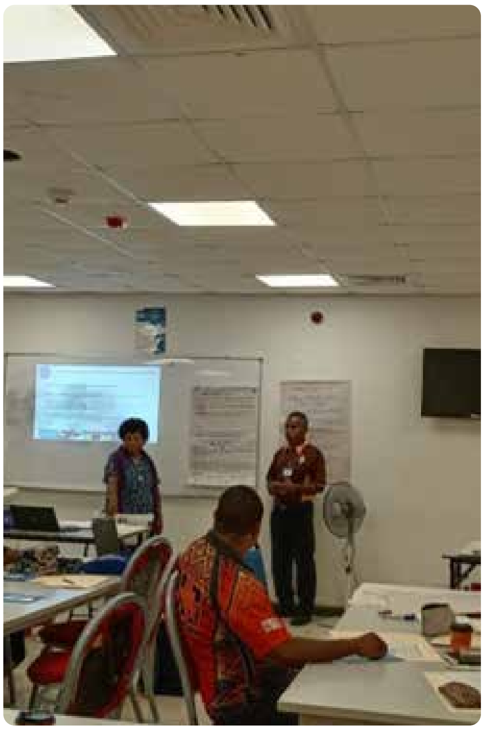
- Community Engagement – in our efforts to drive this forward we have engaged with community leaders, churches, and community-based organizations and offered family planning training so that they are well equipped to educate and conduct awareness to people in their community.

- Empowerment – we believe in empowering women and men with knowledge on family planning. When they can plan their families they can pursue education, employment and opportunities for themselves and their children.

- Monitoring & Evaluation - regular monitoring and evaluation will ensure that our program remains effective.

CPL Foundation engaged a locally owned firm LEAN Consulting Limited in managing and implementing the project. The LEAN team had conducted Family Planning Advocacy workshop for stakeholders in the Motu Koita and Moresby South electorates and will continue to the training with the City Pharmacy staff and nurse in 2024.

Launching of the Family Planning Project at Rainbow Wellness Clinic in Port Moresby.



Family Planning Advocacy workshop with stakeholders from Motu Koita and Moresby South.

MENSTRUAL HEALTH HYGIENE WITH QUEENPADS

Around 2 out of 3 girls in PNG miss classes a few days each month due to the lack of access and availability of sanitary products, including pads. Apart from this, exists cultural beliefs stigmatizing women and girls during menstruation. CPL Foundation in partnership with QueenPads a locally owned social and green enterprise aims to address this issue. In 2023, CPL Foundation has supported QueenPads in reaching schools all over PNG with Menstrual Health Awareness sessions and products. To commemorate World Menstrual Hygiene Day on 28th May, QueenPads with CPL Foundation and City Pharmacy launched a Donation campaign for School girls. Each City Pharmacy Shops around the country had set up a donation boxes in their respective shops to facilitate.

School girls from Brandi Secondary School, East Sepik Province participating in the QueenPad Session

Launching of the Donation for School Girls Campaign at City Pharmacy Showroom in Port Moresby.

CYBER SECURITY EDUCATION - CYBER SAWE

The Cyber Security Awareness Training for PNG Students is an awareness training program designed to provide Y7-12 Papua New Guinean (PNG) students with baseline cyber security knowledge, awareness and skills that provide career pathways to build a more resilient and safer PNG workforce of the future. The program will be conducted in three phases, with some elements specifically focused to advancing women and girls in cyber security. An Australian and PNG consortium has been brought together to design and deliver a phased program in 2022, led by CPL Foundation with partners University of Queensland, Kids SecuriDay and Datatec PNG.

In 2023 CPL Foundation conducted three phase one workshops in Port Moresby and Buka for children ages 6 to 16 with over 200 children benefiting from this program. In 2024 we are focusing on implementing phase one, two and three of these programs.

Cyber Sawe workshop with kids in Buka, Autonomous Region of Bougainville.

BUK BILONG PIKININI

CPL Foundation is a proud sponsor of the Buk Bilong Pikinini Library Learning Center in Tatana, Central Province. Apart from this the Foundation in partnership with City Pharmacy carry out health visits to the Buk Bilong Pikinini learning centers around Port Moresby. During the health visits, nurses from City Pharmacy conducted fundamental health checks for the parents and teachers. Additionally, the team provides valuable education to the students regarding the significance of hand hygiene, cleanliness, and dental health. Following the educational sessions, the students received tooth brushing kits courtesy of Colgate, along with deworming tablets from the City Pharmacy team.

CPL Foundation was honored to have the newly crowned Miss Bird of Paradise PNG Tyla Singirok and current Miss City Pharmacy join us in celebrating the 9th graduation ceremony at Buk Bilong Pikinini Tatana Library Learning Center, where 30 plus students graduated.

Early Childhood learners from Buk Bilong Pikinini Tatana Library during a Health Visit.

Miss Bird of Paradise Tyla Singirok presenting an award during the 9th BBP Tatana Library graduation ceremony.

COMMUNITY SERVICE - CHESHIRE DISABILITY SERVICES

CPL Foundation and the Group's supermarket brand, Stop & Shop made a significant donation to Cheshire Disability Services in support of their mission to improve the lives of people living with disabilities.

The donation was worth K20, 000 and included a variety of fresh fruits, vegetables, and protein to ensure that the residents of Cheshire have access to nutritious and balanced meals. In addition to that we had also conducted a health, hygiene and deworming session with the residents and special needs children attending the Cheshire Inclusive Education School.

Nurse Marcia from City Pharmacy Wellness Clinic doing primary health checks during a health visit to Cheshire.

Donation of groceries worth K5000 presented to Cheshire for the Fourth Quarter.

SMALL GRANT SCHEME

CPL Foundation through its community initiative, the small grant scheme encourages CPL Group employees to identify community needs in their communities aligned with the foundation's values & apply for a small grant of K5000.

In 2023 the foundation launched two water sanitation and hygiene projects in Ialibu, Southern Highlands Province and Miri Geda, Central Province

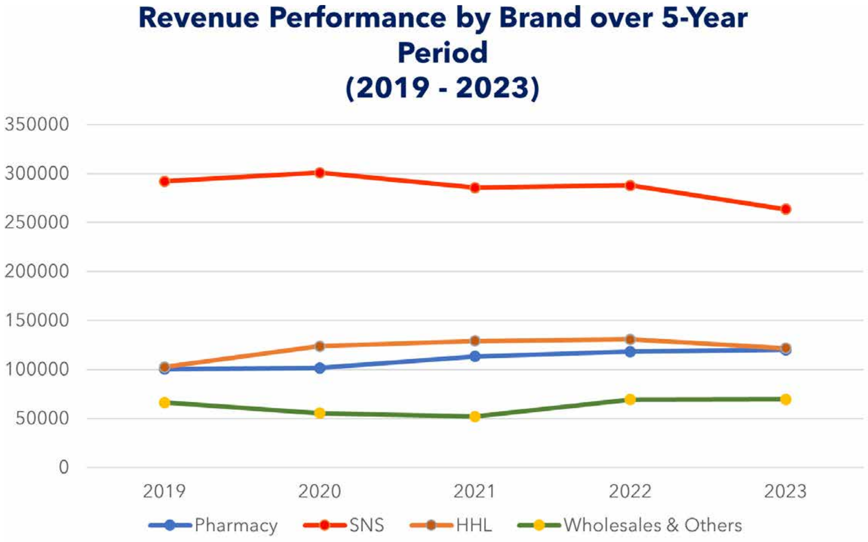
2023

CPL GROUP FINANCIAL REPORT

Financial Highlights

	2019	2020	2021	2022	2023
Revenue	561,081	581,429	579,633	606,082	574,922
Comprehensive Profit (Loss)	14,514	15,528	13,721	17,746	6,942
Cash generated from operations	31,752	47,757	25,638	40,918	21,587
Net cash inflow before financing	3,589	21,766	5,990	27,405	21,322
Gearing ratio	34%	25%	29%	34%	46%
Interest Cover	1.44	2.05	2.09	2.13	1.81
Divendends per Share (toea)	-	3.00	4.00	5.00	-
Earning per Share (toea)	6.12	7.05	6.90	7.53	2.91

Gearing Ratio = Net Debt/(Equity+Net Debt)
Interest cover=earnings before interest and tax /net finance charge



CONTENTS

	Page No
Company Information	40
Chairman's Report	41-42
Directors' Report	43-44
Directors' Declaration	45
Consolidated Statement of Comprehensive Income	46
Consolidated Statement of Financial Position	47
Consolidated Statement of Changes in Equity	48-49
Consolidated Statement of Cash Flow	50
Notes to the Consolidated Financial Statements	51-91
Auditor's Report	91-95
Stock Exchange Information	96-98

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

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 Sir Mahesh Patel, OBE Mary Handen Aru Chellappan Eunice Parua Edward Hamilton Ruha Stephanie Jane Copus Campbell Flare Namaliu (appointed 15 February 2024)
Secretary	Nazar Shaffee ((resigned 18 October 2023) Aru Chellappan (Interim Board Administrator) Mohanraj Natarajan (appointed 9 May 2024)
Auditors	Ernst & Young Level 4, Credit House Cuthbertson St. PO Box 1380, Port Moresby 121 NCD, Papua New Guinea
Bankers	Westpac Bank PNG Limited BSP Financial Group Limited Kina Bank Limited
Stock Exchange	PNGX Markets Limited (listing code: CPL)
Brokers	JMP Securities Kina Securities
Share Register	PNG Registries Limited

I am pleased to present the CPL Group's annual financial results and performance for 2023. While the year brought unforeseen challenges, we remain confident in the Group's long-term strength and future.

CPL Group Performance

The second quarter was a particularly difficult period due to a multitude of events. Disruptions to banking systems and the economic downturn hurt overall economic performance and consumer spending. International food and energy price hikes, sparked by the Russia-Ukraine war, further squeezed the market. To make matters worse, a major internal IT outage resulted in significant data loss and business disruption, taking months to recover from and causing trading disruptions as well.

Despite these headwinds, the Group demonstrated agility and resilience. We implemented contingency plans, prioritized business continuity, and adapted to the evolving circumstances.

While the Group faced a K2.2 million loss before tax in the first half of 2023, it demonstrated remarkable resilience to recover in the second half and declare K8.7 million profit before tax for the year-end. This turnaround signifies strong operational performance and positions the company for continued success in the coming year.

Performance by Business Segment

Stop and Shop and FMCG Sector: The FMCG sector's performance mirrored the industry, a downward trend that was experienced right across the industry. We maintained stability despite the economic struggles with a strong second half of the year

Pharmacy: Despite the struggles during the first half of the year, the Pharmacy brands closed the year strongly with increased sales and operational performance. Footprint expansion and innovative marketing attracted new customers. Pharmacy retail and institutional teams exceeded budgets, achieving significant sales and gross profit growth.

JVs, Prouds DFS and Jacks of PNG: Individual JV brands, Jacks of PNG, Prouds DFS, and Pharmacy had a strong year in 2023 and outperformed the previous year.

Hardware Haus Limited (HHL): HHL faces increased competition, lower government spending, and rising prices. The tribal fights in the highlands impacted the business with the major shops in Highlands down 20% against LY. However, the potential reopening of the Pogera mine and infrastructure projects offer strong future opportunities.

Sustainability and Community Engagement

We remain committed to cultivating a robust farming network and developing sustainable agricultural practices. This extends to empowering local SMEs through product development and market access, solidifying our long-term investment in the region's agricultural and SME sectors.

Looking Forward

We are optimistic about CPL Group's financial health and future prospects. We are actively navigating potential challenges and capitalizing on emerging opportunities.

IT Infrastructure and Resilience: We have implemented a comprehensive plan to enhance IT infrastructure and resilience, including investments in new technologies, improved cybersecurity measures, and robust business continuity processes.

Risk Management: A dedicated Risk Committee has been established to provide focused oversight and proactive management of potential risks and opportunities.

Board Diversity: Ms. Flare Namaliu has joined the Board as a Trainee Director, bringing valuable IT expertise and contributing to board diversity.

Recent Events and Response

CPL Group recently faced significant impacts due to the civil unrest in Port Moresby. Mitigation plans and strategic options are being developed for rebuilding efforts. We continue being focused on pursuing opportunities to strengthen our position and enhance shareholder value.

In Closing

CPL Group remains optimistic about the long-term prospects of Papua New Guinea. We have a robust business model, a talented team, and a clear vision for the future. We are confident that CPL Group will continue to be a leading force in Papua New Guinea's economic landscape. On behalf of the Board, I thank our dedicated employees, loyal customers, and valued shareholders for their continued support.

This report given by the Directors is in respect of the City Pharmacy Limited and Subsidiary Companies (the "Group") consisting of City Pharmacy Limited (the "Company") and the entities it controlled at the end of, or during the financial year ended 31 December 2023.

The Directors

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

Stanley Thomas Joyce	Chairman
Sir Mahesh Patel, OBE	Non-executive Director
Mary Handen	Independent Director
Aru Chellappan	Independent Director
Eunice Parua	Independent Director
Edward Hamilton Ruha	Independent Director
Stephanie Jane Copus Campbell	Independent Director
Flare Namaliu (appointed 15 February 2024)	Independent Director

Board Committees

The Company has various Board Committees that focus on critical areas, providing relevant information to assist in overall decision making and corporate governance. The following are the Board Committees and the respective chairs and members:

Risk Committee	
Stephanie Jane Copus Campbell	Chairperson
Eunice Parua	Member
Flare Namaliu	Member
Audit Committee	
Edward Hamilton Ruha	Chairperson
Aru Chellappan	Member
Remuneration Committee	
Aru Chellappan	Chairperson
Stanley Thomas Joyce	Member
People and Culture Committee	
Mary Handen	Chairperson
Sir Mahesh Patel	Member
Stephanie Jane Copus Campbell	Member

Company Secretary

Nazar Shaffee (resigned 18 October 2023)
Aru Chellappan (interim Board Administrator)
Mohanraj Natarajan (appointed 9 May 2024)

Principal activities

City Pharmacy Limited operates primarily in Papua New Guinea with 75 stores and approximately 2,500 employees at year end. The principal activities of the Group during the year were:

- Wholesale and retail of supermarket goods, bakery and pharmaceutical products;
- Supply, installation, and maintenance of medical laboratory equipment; and
- Wholesale and retail of hardware products.

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

- Retail clothing; and
- Duty free products.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

Results and review of operations
The net amount of consolidated profit for the financial period after income tax expense attributable to members of the Company and its controlled entities was K6.0m (2022: K15.54m). For the Parent Company, net profit after income tax was K3.74m (2022: K8.05m).

A review of the operations of the Group during the financial period and the results of those operation are set out in the Chairman's Report on page 3.

Independent audit report
The financial statements have been audited by Ernst & Young and should be read in conjunction with the independent audit report on pages 54 to 58. Auditors' remuneration is disclosed in Note 22 of the financial statements.

Dividends
The Directors have declared and paid dividends in 2023 amounting to K10.3m (2022: K8.25m).

Significant changes in state of affairs
During the financial period, there were no significant changes in the state of affairs of the Group other than those referred to in the financial statements or notes thereto.

Directors' interest in shares
Particulars of the Directors' relevant interests in shares in the Group as at 31 December 2023 are disclosed in Note 19.

Meetings of directors
The table below sets out the number of Board meetings held during the financial period ended 31 December 2023 and the number of meetings attended by each Director.

There were four meetings held during the year ended 31 December 2023.

Directors	Board Meetings attended
Stanley Thomas Joyce	4
Sir Mahesh Patel, OBE	4
Mary Handen	4
Aru Chellappan	4
Eunice Parua	4
Edward Hamilton Ruha	4
Stephanie Jane Copus Campbell	4

Directors' remuneration
Disclosure has been made in Note 19.

Remuneration above K100,000 per annum
Disclosure has been made in Note 19.

For and on behalf of the Board of Directors

Director: ____________________

Date: 17/05/2024

Director: ____________________

Date: 17/05/2024

DIRECTORS' DECLARATION

The Directors declare that:

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

b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Papua New Guinea Companies Act 1997, including compliance with International Financial Reporting Standards and give a true and fair view of the financial position, performance and cash flows of the Group.

Signed in accordance with the resolution of the Directors.

For and on behalf of the board of directors

Director: ____________________ Director: ____________________

Date: 17/05/2024 Date: 17/05/2024

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

		Consolidated		Parent Company	
		2023	**2022**	**2023**	**2022**
		K'000	**K'000**	**K'000**	**K'000**
Revenue from Contract with Customers	4	574,922	606,082	429,906	456,684
Cost of sales		(388,281)	(412,468)	(282,218)	(304,765)
Gross profit		**186,641**	**193,614**	**147,688**	**151,919**
Distribution expenses	5(a)	(9,773)	(7,997)	(5,208)	(3,832)
Marketing expenses	5(b)	(4,981)	(5,268)	(3,255)	(4,064)
Administration expenses		(129,190)	(124,044)	(109,071)	(103,440)
Finance expense		(12,446)	(16,682)	(9,254)	(13,431)
Finance income		1,762	2,114	870	989
Depreciation expense		(38,963)	(40,811)	(29,974)	(31,349)
Other income		7,794	7,529	6,106	8,390
Foreign exchange gains		3,458	3,182	3,122	2,299
Total Expenses		(182,339)	(181,977)	(146,664)	(144,438)
Share of profit from joint ventures	12	4,390	4,794	4,390	4,794
Profit before income tax expense		**8,692**	**16,431**	**5,414**	**12,275**
Income tax expense	6(a)	(2,690)	(892)	(1,675)	(4,223)
Profit for the period after income tax		**6,002**	**15,539**	**3,739**	**8,052**
Other comprehensive income for the period that may be reclassified to profit and loss in subsequent period (net of tax):					
Exchange differences on translating foreign operation		940	(388)	-	-
Other comprehensive income for the period that will not be reclassified to profit and loss in subsequent period (net of tax):					
Revaluation Reserve		-	2,595	-	3,000
Total comprehensive income for the period		**6,942**	**17,746**	**3,739**	**11,052**
Profit for the period is attributed to:					
Owners of the parent		5,839	15,161	3,739	8,052
Non-controlling interest		163	378	-	-
		6,002	**15,539**	**3,739**	**8,052**
Total Comprehensive income for the period is attributed to:					
Owners of the parent		6,779	17,368	3,739	11,052
Non-controlling interest		163	378	-	-
		6,942	**17,746**	**3,739**	**11,052**
Earnings per share - basic and diluted (toea per share)		**2.91**	**7.53**		

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 13 to 53.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

	Notes	Consolidated		Parent Company	
		2023	**2022**	**2023**	**2022**
		K'000	**K'000**	**K'000**	**K'000**
ASSETS					
Cash and cash equivalents	8	9,699	13,410	6,819	7,883
Trade and other receivables	9	55,642	39,045	44,118	29,127
Lease receivable	16	6,732	6,138	5,017	4,667
Income tax receivable	6(c)	3,491	2,342	1,658	924
Inventories	10	156,941	113,831	108,345	73,864
Prepayments		8,826	4,067	6,955	3,959
Total Current Asset		**241,331**	**178,833**	**172,912**	**120,424**
Related party receivables		86	22	4,898	14,202
Lease receivable	16	17,717	20,967	8,774	10,284
Property, plant and equipment	11	105,113	111,469	88,937	95,290
Right of use asset	16	88,975	96,771	61,014	68,156
Investment in Subsidiaries	12(a)	-	-	17,901	17,901
Investment in Joint Ventures	12(b)	12,043	12,666	12,043	12,666
Deferred tax assets, net	6(b)	14,624	14,597	10,371	9,770
Goodwill	13	4,825	4,825	3,431	3,431
Total Non-Current Asset		**243,383**	**261,317**	**207,369**	**231,700**
TOTAL ASSETS		**484,714**	**440,150**	**380,281**	**352,124**
LIABILITIES					
Borrowings	14(b)	1,154	2,775	1,154	2,775
Bank overdraft		6,145	-	3,769	-
Trade and other payables	15	135,908	86,863	102,900	66,074
Lease Liabilities	16	25,979	26,042	16,578	13,357
Employee provisions	17	6,633	6,951	5,294	5,469
Total Current Liabilities		**175,819**	**122,631**	**129,695**	**87,675**
Borrowings	14(b)	14,804	15,850	14,804	15,850
Other payables	15	628	591	73	74
Lease liabilities	16	112,450	117,414	80,550	87,881
Employee provisions	17	3,973	3,253	3,541	2,451
Total Non-Current Liabilities		**131,855**	**137,108**	**98,968**	**106,256**
TOTAL LIABILITES		**307,674**	**259,739**	**228,663**	**193,931**
NET ASSETS		**177,040**	**180,411**	**151,618**	**158,193**
SHAREHOLDERS' EQUITY					
Issued capital	18	70,867	70,867	70,867	70,867
Reserves	18	13,808	13,808	11,813	11,813
Other reserve	18	1,448	508	-	-
Retained earnings	18	89,235	93,710	68,938	75,513
Equity attributable to owners of the Parent		**175,358**	**178,893**	**151,618**	**158,193**
Non – controlling interest		1,682	1,518	-	-
TOTAL SHAREHOLDERS' EQUITY		**177,040**	**180,411**	**151,618**	**158,193**

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 13 to 53.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital K'000	Retained Earnings K'000	Revaluation Reserve K'000	Translation Reserve K'000	Attributable to owners of the parent K'000	Non-Controlling Interest K'000	Total K'000
Group							
Balance at 01 January 2022	**70,867**	**86,800**	**11,213**	**896**	**169,776**	**1,140**	**170,916**
Profit for the period	-	15,161	-	-	15,161	378	15,539
Other comprehensive income:							
Translation differences	-	-	-	(388)	(388)	-	(388)
Revaluation reserve	-	-	2,595	-	2,595	-	2,595
Total comprehensive income for the year	**-**	**15,161**	**2,595**	**(388)**	**17,368**	**378**	**17,746**
Dividends declared (Note 23)	-	(8,251)	-	-	(8,251)	-	(8,251)
Balance at 31 December 2022	**70,867**	**93,710**	**13,808**	**508**	**178,893**	**1,518**	**180,411**
Profit for the Period	-	5,839	-	-	5,839	164	6,003
Other comprehensive income:							
Translation difference	-	-	-	940	940	-	940
Revaluation reserve	-	-	-			-	
Total comprehensive income for the year	**-**	**5,839**		**940**	**6,779**	**164**	**6,943**
Dividends declared (Note 23)	-	(10,314)	-	-	(10,314)	-	(10,314)
Balance at 31 December 2023	**70,867**	**89,235**	**13,808**	**1,448**	**175,358**	**1,682**	**177,040**

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 13 to 53.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital K'000	Retained Earnings (Note 18) K'000	Revaluation Reserve (Note 18) K'000	Total K'000
Parent				
Balance at 01 January 2022	**70,867**	**75,512**	**8,813**	**155,392**
Profit for the period	-	8,052	-	8,052
Revaluation reserve	-	-	3,000	3,000
Total comprehensive income for the year	-	8,052	3,000	11,052
Dividends declared (Note 23)	-	(8,251)	-	(8,251)
Balance at 31 December 2022	**70,867**	**75,513**	**11,813**	**158,193**
Profit for the period	**-**	**3,739**	**-**	**3,739**
Revaluation reserve	-	-	-	-
Total comprehensive income for the year	**-**	**3,739**	**-**	**3,739**
Dividends declared (Note 23)	**-**	(10,314)	-	(10,314)
Balance at 31 December 2023	**70,867**	**68,938**	**11,813**	**151,618**

This statement is to be read in conjunction with the notes to and forming part of Consolidated Financial Statements set out on pages 13 to 53.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	K'000	**K'000**	**K'000**	**K'000**
Operating Activities				
Cash receipts from customers	565,041	607,649	415,987	446,905
Cash paid to suppliers and employees	(521,866)	(539,446)	(392,851)	(400,545)
Cash receipts from lessees	2,657	2,802	1,160	1,315
Cash payments from low value and short-term leases	(9,708)	(7,509)	(7,397)	(5,002)
Cash generated from operations	36,124	63,496	16,899	42,673
Interest paid from borrowings	(2,040)	(1,521)	(1,632)	(1,414)
Interest paid from lease liabilities	(10,393)	(15,081)	(7,622)	(12,018)
Interest received	1,762	2,114	870	978
Income tax paid	(3,866)	(8,090)	(3,009)	(7,491)
Cash generated by operating activities	**21,587**	**40,918**	**5,506**	22,728
Investing Activities				
Dividend received	3,941	-	3,941	-
Proceeds from sale of equipment	6,826	1,242	8,664	1,155
Purchase of plant and equipment	(11,032)	(14,755)	(9,169)	(12,674)
Cash utilised by investing activities	**(265)**	**(13,513)**	**3,436**	**(11,519)**
Financing Activities				
Payment of borrowings	(2,667)	(2,499)	(2,667)	(2,499)
Repayment of lease liabilities	(18,775)	(19,429)	(11,454)	(13,324)
Receipt/(Payment) of rental bonds	-	(100)	-	(100)
Receipts/(Payment) from related parties	578	(1,024)	10,659	6,838
Dividend payment	(10,314)	(8,251)	(10,314)	(8,251)
Cash utilised by financing activities	**(31,178)**	**(31,303)**	**(13,776)**	**(17,336)**
Net decrease in Cash and cash equivalents	**(9,856)**	**(3,898)**	**(4,834)**	**(6,127)**
Cash and cash equivalents at beginning of the period	13,410	17,308	7,884	14,010
Cash and cash equivalents at end of the period	**3,554**	**13,410**	**3,050**	**7,883**

Composed of:

Cash and Cash Equivalents	9,699	13,410	6,819	7,883
Bank Overdraft	(6,145)	-	(3,769)	-
	3,554	**13,410**	**3,050**	**7,883**

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 13 to 53.

1 GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (the Group) are described in Note 19.

As at 31 December 2023, the Group has a combined retail operation of 75 stores (2022: 73 stores) nationwide and employs 2,568 employees (2022: 2,479 employees) of which 96 percent (2021: 95 percent) are Papua New Guinean citizens.

During March 2023, the Group suffered a major information technology (IT) outage where unauthorised individuals gained accessed to the Group’s financial systems. As a result, the Group was unable to access the Group’s financial data. The Group took steps to recover the data including engaging a third-party IT provider, however it was determined it was not possible to recover the lost financial data.

The major IT outage caused significant disruption to the Group’s financial reporting processes, which have high IT dependence. The Group’s response to the incident has required it to rebuild its financial reporting systems. Directors confirm that the rebuilt data are complete which have been used to prepare financial statements in accordance with the IFRS.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 17 May 2024.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for land that have been measured at fair value, as explained in the accounting policies. The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in Papua New Guinea Kina (“PGK”) and all values are rounded to the nearest thousand (K’000), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

2.2 Basis of consolidation *continued*

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Investment in subsidiaries

Parent Company accounts for investments in subsidiaries are initially recognised at cost, subsequently tested for impairment when there are indicators.

2.3 Summary of Accounting policies

a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2.3 Summary of Accounting policies *continued*

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Foreign Currency

The Group's consolidated financial statements are presented in Papua New Guinea Kina ("PGK"), which is also the Company's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.3 Summary of Accounting policies *continued*

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into PGK at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

c) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

Tender and Wholesale

Revenue from tender and wholesale is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset at the customer's location. The normal credit term is 30 to 90 days upon delivery.

Retail Sales

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transactions price need to be allocated (e.g. customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

i) Non-cash consideration

The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of goods. The Group estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods.

- *Loyalty points programme*
  The Group operates a loyalty points programme, *Real Rewards*, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points being obtained. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

_2.4_ Summary of Accounting policies _continued_

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed or expire. Revenue is recognised upon redemption of products by the customer based on a proportionate basis.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points and taking into account breakage. The Group updates its estimates of the points that will be redeemed on a monthly basis and any adjustments to the contract liability balance is charged against revenue.

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- *Contract liabilities*
  A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer). Amount recognised is included under “Trade and other payables” line item in balance sheet.

d) Borrowing Costs

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

e) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less at inception, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

f) Trade receivables (Wholesale Customers)

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are non-interest bearing and are generally on credit terms of 30 to 90 days.

g) Inventories

Inventory for resale and consumable materials are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bringing them to their existing condition, and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course completion and the estimated costs necessary to make the sale.

h) Property, Plant and Equipment

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

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

2.3 Summary of Significant accounting policies *continued*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Office equipment	5 years
Motor Vehicles	3 – 5 years
Fixtures, fittings and equipment	5 – 10 years

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

A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. However, this could be reversed if there has been a change in the estimates used to determine the recoverable amount. This reversal is only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no revaluation deficit had been recognised.

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

i) Taxes

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

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

2.3 Summary of Accounting policies *continued*

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

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

j) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

An impairment loss in respect of goodwill is not reversed.

k) Employee Provision

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

2.3 Summary of Accounting policies *continued*

Provision is classified as non-current when the Group has an unconditional right to defer settlement of the liability, or the liability is not due for at least 12 months after the reporting period.

l) Financial Instruments

Classification
Financial instruments include financial assets and liabilities. Financial assets that are classified as debt instruments at amortised cost include trade and other receivables. Financial liabilities that are not at fair value through profit or loss include related party receivables, accounts payables and accrued expenses.

The classification of financial assets at initial recognition depends on the financial asset's contract cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction cost. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Recognition and Measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised costs (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables and related party receivables.

2.3 Summary of Accounting policies *continued*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

- *Financial assets*

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

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

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

2.3 Summary of Accounting policies *continued*

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

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

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

Financial liabilities
Financial liabilities are classified, at initial recognition, as either financial liabilities 'at FVTPL' or other financial liabilities at amortised cost. Subsequently, all financial liabilities are classified as either FVTPL or other financial liabilities at amortised cost.

The Group’s financial liabilities are trade and other payables, related party payables, bank overdraft and borrowings and are measure at amortised cost.

Derecognition of Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

m) Investment in associates and joint ventures

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

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

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

Parent company accounts investment in associates and joint ventures same as above policy.

2.3 Summary of Accounting policies *continued*

n) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

The asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal ("FVLCTD") and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets of continuing operations excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

o) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>Group as a lessee</u>

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

<u>Right-of-use assets</u>

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.

2.3 Summary of Accounting policies *continued*

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 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. After the date of initial application, the difference is included 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.

2.3 Summary of Accounting policies *continued*

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

p) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

2.5 Accounting, judgments, estimate and assumptions

a) *Estimation of useful life of assets*

Estimates of remaining useful lives require significant management judgement and are reviewed at least annually. Where useful lives are changed, the net written-down value of the asset is depreciated or amortised from the date of the change in accordance with the revised useful life. Depreciation recognised in prior financial years is not changed. Reasonably possible changes in estimated useful lives are unlikely to have a material impact as the change is assessed for specific assets. Refer also to note 2.3(h), Property, Plant and Equipment.

b) *Stock obsolescence*

Due to the nature of the business environment and operations, a provision for stock shrinkage has been made based on past experience. Refer to note 9, Inventories.

c) *Estimated credit losses*

The Group uses a provision matrix to calculate ECLs for trade receivables, lease receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to Note 8, Trade and Other receivables.

d) *Impairment of non-financial assets*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, the Group uses income approach which converts future amounts (e.g. cash flows or income and expenses) to a single current (ie discounted) amount. The fair value measurement using income approach reflects current market expectations about those future amounts.

2.4 Accounting, judgments, estimates and assumptions *continued*

In particular, significant judgements and estimates are made in relation to the following:

- *Forecast future cash flows*
  These are based on the Group's latest Board approved internal five-year forecasts and reflect management's best estimate of income, expenses, capital expenditure and cash flows for each asset or CGU. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the markets in which the Group operates.

- *Discount rates*
  Estimated future cash flows are discounted to their present value using discount rates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

- *Expected long-term growth rates*
  Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. The growth rates are based on historical performance as well as expected long-term market operating conditions specific to each industry.

  The judgements and estimates used in assessing impairment are best estimates based on current and forecast market conditions and are subject to change in the event of shifting economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes to impairment recognised in future years.

e) Leases - 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.

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.

2.4 Accounting, judgments, estimate and assumptions *continued*

f) *Leases - Determining the incremental borrowing rate (IBR)*

If the Parent Company and its Subsidiaries cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company and its Subsidiaries would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company and its Subsidiaries ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Parent Company and its Subsidiaries estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates. The Parent has estimated the IBR using observable inputs (such as market interest rates in Papua New Guinea) when available and is required to make certain entity-specific estimates.

g) *Taxes*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has K1,404k (2022: K2,208k) of tax losses carried forward. These losses relate to a subsidiary that have history of losses and may be used to offset future taxable income. The Group has determined that future taxable profit will be available to utilise these losses, hence, deferred tax assets on the tax losses carried forward has been recognised. This is reassessed at each reporting period end.

h) *Fair value of Land*

The Group carries its Land at fair value, with changes in fair value being recognised in other comprehensive income. The fair value of the freehold land was determined based on the income stream approach supplemented by market comparable approach that reflects recent transaction prices for similar properties/other methods adjusted for specific market factors such as nature, location and condition of the property. Significant judgment were also made on certain valuation assumptions due to limited observable data.

The key assumptions used to determine the fair value of the land are provided in Note 11.

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

The accounting policies adopted are consistent with those of the previous financial year, except in the current year, the Group adopted all new and revised IFRS, amendments to existing International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretation that are effective for annual periods beginning on or after 1 January 2023.

Description	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12: Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group considered the impact of the foregoing new and amended accounting standards and interpretations effective subsequent to 2023 and noted no significant impact on the Group's financial statements and disclosures. Additional disclosures required by these amendments will be included in the Group's financial statements when these amendments are adopted.

3.1 Standards issued but not yet effective

The Group will adopt, where applicable, the following standards, amendments to existing standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new standards and interpretations to have a significant impact on its financial statements:

Description	Effective for annual periods beginning on or after
Amendments to IFRS 16, Lease liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Deferred Indefinitely

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Contract with Customers	**574,922**	606,082	**429,906**	456,684

5 OTHER OPERATING EXPENSES

a) Distribution expenses

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Freight and handling	**9,773**	7,997	**5,208**	3,832

b) Marketing expenses

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Advertising and promotions	2,323	2,769	1,188	1,918
Other marketing expenses	2,658	2,499	2,067	2,146
Total	**4,981**	**5,268**	**3,255**	**4,064**

6 INCOME TAX EXPENSE

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
(a) Income tax benefit				
Current tax	2,726	6,118	2,275	6,432
Deferred tax	(36)	(5,226)	(600)	(1,325)
Income tax expense/(benefit)	**2,690**	**892**	**1,675**	**4,223**
The prima facie for the period is reconciled to the tax expense as follows:				
Accounting profit before tax	8,694	16,431	5,414	12,275
Tax for the period at 30%	2,608	4,929	1,624	3,683
Share of profit from joint ventures	(1,317)	(1,438)	(1,317)	(1,438)
Adjustments in respect of current income tax of previous years	1,317	1,356	1,296	1,356
Utilisation of previously unrecognised tax losses	-	(4,577)	-	-
Non-deductible expenses	82	622	72	622
Income tax expense (benefit)	**2,690**	**892**	**1,675**	**4,223**

6 INCOME TAX EXPENSE *continued*

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
(b) Deferred taxes				
Deferred tax assets (liabilities)				
Expected credit loss	951	730	140	24
Provision for inventory losses	1,725	1,747	835	676
Provision for employee benefits	3,103	2,843	2,562	2,195
Lease liability – net	6,987	5,892	6,182	5,458
Others	115	277	334	459
Fixed assets	(6)	1,320	(6)	1,320
Prepaid revenue, net	496	(349)	556	(291)
Unrealised foreign exchange gain	(151)	(71)	(232)	(71)
Carryover losses	1,404	2,208	-	-
Net Deferred tax assets	**14,624**	**14,597**	**10,371**	**9,770**

(c) Carry forward losses

Year	Losses K'000	Utilised in 2021 K'000	Utilised in 2022 K'000	Utilised in 2023 K'000	Total K'000	Unutilised K'000	Expiry
2016	4,422	(1,925)	(2,497)	-	-	-	
2017	24,777	-	(5,399)	(2,679)	16,699	16,699	2025
2018	4,085	-	-	-	4,085	4,085	2025
		(1,925)	(7,896)	(2,679)	20,784	20,784	
Less Capital Losses						16,101	
Unutilized Revenue Losses						4,683	

The Group utilised K2.7m (2022: K7.9m) revenue losses in 2023 to offset taxable profits for the year. As at 31 December 2023, the Group's deferred tax assets arising from carry forward revenue losses amounted to PGK1.4m.

Deferred tax assets have not been recognised in respect of Capital losses.

7 SEGMENT INFORMATION

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below. The impact of IFRS 16 adjustments is presented as this is viewed by the Board when monitoring the business.

7 SEGMENT INFORMATION *continued*

2023	Retail	Wholesale and Tender	Total Segment	Elimination	Consolidated
	K'000	K'000	K'000	K'000	K'000
Revenue					
External customer	519,020	55,902	574,922	-	574,922
Inter-segment	-	11,332	11,332	(11,332)	-
Total revenue	519,020	67,234	586,254	(11,332)	574,922
Cost of sales	(344,117)	(55,496)	(399,613)	11,332	(388,281)
Share of profit from joint ventures	4,390	-	4,390	-	4,390
Total Expenses	(170,818)	(8,756)	(179,574)	-	(179,574)
Profit before income tax	8,475	2,981	11,457	-	11,457
Income tax expense	(2,427)	(263)	(2,690)	-	(2,690)
Segment profit before impact of IFRS 16 impact	**6,048**	**2,718**	**8,767**	**-**	**8,767**
IFRS 16 Impact:					
Amortisation – ROU	(21,044)	(847)	(21,891)	-	(21,891)
Interest expense	(10,393)	(303)	(10,696)	-	(10,696)
Rent expense	32,157	944	33,101	-	33,101
Interest Income	1,756	-	1,756	-	1,756
Rent Income	(5,035)	-	(5,035)	-	(5,035)
Total Net Profit	**3,489**	**2,512**	**6,002**	**-**	**6,002**

2022	Retail	Wholesale and Tender	Total Segment	Elimination	Consolidated
	K'000	K'000	K'000	K'000	K'000
Revenue					
External customer	553,668	52,414	606,082	-	606,082
Inter-segment	-	13,703	13,703	(13,703)	-
Total revenue	553,668	66,117	619,785	(13,703)	606,082
Cost of sales	(374,854)	(51,317)	(426,171)	13,703	(412,468)
Share of profit from joint ventures	4,794	-	4,794		4,794
Total Expenses	(169,751)	(5,411)	(175,130)	-	(175,130)
Profit before income tax	13,857	9,389	23,246	-	23,246
Income tax expense	(314)	(578)	(892)	-	(892)
Segment profit before impact of IFRS 16 impact	**13,543**	**8,811**	**22,354**	**-**	**22,354**
IFRS 16 Impact:					
Amortisation – ROU	(25,159)	(473)	(25,632)	-	(25,632)
Interest expense	(15,081)	(32)	(15,113)	-	(15,113)
Rent expense	34,543	548	35,091	-	35,091
Interest Income	2,108	-	2,108	-	2,108
Rent Income	(4,911)	-	(4,911)	-	(4,911)
Other income	1,606	36	1,642	-	1,642
Total Net Profit	**6,649**	**8,890**	**15,539**	**-**	**15,539**

Segment profit before impact of IFRS 16 impact is calculated adjusting the following

- *Profit or loss IFRS 16 related amortisation and accretion including ROU amortisation, Interest accretions on lease liability and lease receivable*
- *Adding back rental expense and rental income recorded during the year.*

7 SEGMENT INFORMATION *continued*

Revenue from external customers

Consolidated	For the years ended 31 December					
		2023			2022	
	Retail	Wholesale and Tender	Total	Retail	Wholesale and Tender	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Geographical markets						
Papua New Guinea	507,688	47,080	554,768	539,965	47,320	587,285
Australia	-	3,892	3,892		3,630	3,630
Fiji	-	16,262	16,262	-	15,167	15,167
Total revenue	**507,688**	**67,234**	**574,922**	**539,965**	**66,117**	**606,082**

Parent Company	For the years ended 31 December					
		2023			2022	
	Retail	Wholesale and Tender	Total	Retail	Wholesale and Tender	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Geographical markets						
Papua New Guinea	507,688	30,054	427,384	422,891	33,793	456,684
Fiji		2,280	2,280		-	
Solomon Islands		242	242		-	
Total revenue	**507,688**	**32,576**	**429,906**	**422,891**	**33,793**	**456,684**

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2023 and 2022, respectively:

	Retail	Wholesale and Tender	Total
	K'000	K'000	K'000
Assets			
31 December 2023	465,075	19,639	484,714
31 December 2022	423,654	16,496	440,150
Liabilities			
31 December 2023	299,359	8,315	307,674
31 December 2022	253,043	6,696	259,739

Non-current operating assets

	2023	2022
	K'000	K'000
Papua New Guinea	193,269	207,382
Australia	5,644	5,683
	198,913	**213,065**

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, and intangible assets.

8 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Cash and cash equivalents	9,699	13,410	6,819	7,883
	9,699	**13,410**	**6,819**	**7,883**

9 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Current				
Trade receivables	32,683	25,076	21,143	15,859
Related party receivables	1,109	631	1,534	694
	33,792	25,707	22,677	16,552
Less: Expected credit losses	(3,173)	(2,438)	(467)	(79)
Total trade and related party receivables	30,619	23,269	22,210	16,473
Other receivables	25,023	15,776	21,908	12,654
Net current receivables	**55,642**	**39,045**	**44,118**	**29,127**

Breakdown of other receivables is as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Insurance Claims	228	637	228	485
Employee loans	138	79	94	60
GST receivable	18,748	9,927	16,849	8,804
Various deposits	2,952	2,943	2,529	2,545
Dividend receivable	1,072	-	1,072	-
Other	1,885	2,190	1,136	760
Total Other Receivables	**25,023**	**15,776**	**21,908**	**12,654**

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

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

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

9 TRADE AND OTHER RECEIVABLES *continued*

Consolidated	Not past due K'000	Past due not impaired K'000	Impaired K'000	Total K'000
2023				
Balance as at 31 December 2023	15,258	15,361	3,173	33,792
Expected Credit Losses	-	-	(3,173)	(3,173)
Total trade and related party receivables	**15,258**	**15,361**	**-**	**30,619**
2022				
Balance as at 31 December 2022	14,919	8,350	2,438	25,707
Expected Credit Losses	-	-	(2,438)	(2,438)
Total trade and related party receivables	**14,919**	**8,350**	**-**	**23,269**

Parent Company	Not past due K'000	Past due not impaired K'000	Impaired K'000	Total K'000
2023				
Balance as at 31 December 2023	9,970	12,240	467	22,677
Expected Credit Losses	-	-	(467)	(467)
Total trade and related party receivables	**9,970**	**12,240**	**-**	**22,210**
2022				
Balance as at 31 December 2022	9,008	7,465	79	16,552
Expected Credit Losses	-	-	(79)	(79)
Total trade and related party receivables	**9,008**	**7,465**	**-**	**16,473**

Roll-forward of expected credit losses:

	Consolidated		Parent	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Balance at the beginning of the year	2,438	1,982	79	73
Impairment recognised on receivable	735	497	388	6
Reversals recognised on receivables	-	(41)	-	-
Balance at the end of the year	**3,173**	**2,438**	**467**	**79**

10 INVENTORIES

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Inventory for resale	162,711	119,674	111,129	76,118
Provision for inventory obsolescence	(5,770)	(5,843)	(2,783)	(2,254)
Total	**156,941**	**113,831**	**108,346**	**73,864**

These inventories are carried at lower of cost and net realisable value. Due to the nature of the business environment and operations, a provision for stock obsolescence has been made based on past experience. During 2023, Knil (2022: K1.13m) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of sales. The carrying value of the inventory is below the selling price less costs necessary to sell the inventory as at 31 December 2023 and 2022.

Refer also to Note 23 Subsequent Events disclosure about inventory losses incurred in 2024.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Land at valuation K'000	Buildings at cost K'000	Motor Vehicles at cost K'000	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost K'000	Total K'000
Cost or Valuation					
At 01 January 2023	18,500	51,496	22,797,	105,165	197,958
Additions	-	2,628	3,044	5,135	10,807
Disposals	-	-	(536)	(8,080)	(8,616)
Work in progress	-	-	-	225	225
Transfers	-	170	37	(207)	-
At 31 December 2023	**18,500**	**54,294**	**25,342**	**102,238**	**200,374**
Accumulated Depreciation					
At 01 January 2023	-	1,620	15,540	69,329	86,489
Charge for the period	-	2,096	3,232	11,766	17,094
Disposals	-	-	(471)	(7,851)	(8,322)
Transfers	-	774	472	(1,246)	-
At 31 December 2022	**-**	**4,490**	**18,773**	**71,998**	**95,261**
Net Carrying Value					
At 31 December 2023	**18,500**	**49,804**	**6,569**	**30,240**	**105,113**
At 01 January 2023	**18,500**	**49,876**	**7,257**	**35,836**	**111,469**

Group	Land at valuation K'000	Buildings at cost K'000	Motor Vehicles at cost K'000	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost K'000	Total K'000
Cost or Valuation					
At 01 January 2022	21,702	42,257	21,011	96,973	181,943
Additions	-	3,060	3,044	8,397	14,501
Disposals	-	-	(1,258)	(77)	(1,335)
Work in progress	-	-	-	254	254
Transfers	(5,797)	6,179	-	(382)	-
Revaluation	2,595	-			2,595
At 31 December 2022	**18,500**	**51,496**	**22,797**	**105,165**	**197,958**
Accumulated Depreciation					
At 01 January 2022	-	804	13,621	58,079	72,504
Charge for the period	-	816	3,029	11,252	15,097
Disposals	-	-	(1,110)	(2)	(1,112)
At 31 December 2022	**-**	**1,620**	**15,540**	**69,329**	**86,489**
Net Carrying Value					
At 31 December 2022	**18,500**	**49,876**	**7,257**	**35,836**	**111,469**
At 01 January 2022	**21,702**	**41,453**	**7,390**	**38,894**	**109,439**

11 PROPERTY, PLANT AND EQUIPMENT *continued*

Parent Company	Land and Buildings at valuation K'000	Buildings at cost K'000	Motor Vehicles At cost K'000	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost K'000	Total K'000
Cost or Valuation					
At 01 January 2023	13,000	45,699	15,863	92,207	166,769
Additions	-	2,550	2,390	4,198	9,138
Disposals	-	-	(536)	(8,080)	(8,616)
Revaluation	-	-	-	31	31
At 31 December 2023	**13,000**	**48,249**	**17,717**	**88,356**	**167,322**
Accumulated Depreciation					
At 01 January 2023	-	1,620	10,300	59,559	71,479
Charge for the period		2,093	2,579	10,468	15,140
Disposals			(471)	(7,763)	(8,234)
Reclassification	-	636	376	(1,012)	-
At 31 December 2023	**-**	**4,349**	**12,784**	**61,252**	**78,385**
Net Carrying Value					
At 31 December 2023	**13,000**	**43,900**	**4,933**	**27,104**	**88,937**
At 01 January 2023	**13,000**	**44,079**	**5,563**	**32,648**	**95,290**

Parent Company	Land and Buildings at valuation K'000	Buildings at cost K'000	Motor Vehicles At cost K'000	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost K'000	Total K'000
Cost or Valuation					
At 01 January 2022	10,000	42,257	14,674	85,277	152,208
Additions	-	3,060	2,303	7,312	12,675
Disposals	-	-	(1,114)	-	(1,114)
Work in progress	3,000	-	-	-	3,000
At 31 December 2022	-	382	-	(382)	-
	13,000	**45,699**	**15,863**	**92,207**	**166,769**
Accumulated Depreciation					
At 01 January 2022					
Charge for the period	-	804	8,603	49,350	58,757
Disposals	-	816	2,680	10,209	13,705
At 31 December 2022	-	-	(983)	-	(983)
	-	**1,620**	**10,300**	**59,559**	**71,479**
Net Carrying Value					
At 31 December 2022	**13,000**	**44,079**	**5,563**	**32,648**	**95,290**
At 01 January 2022	**10,000**	**41,453**	**6,071**	**35,928**	**93,452**

11 PROPERTY, PLANT AND EQUIPMENT *continued*

Fair Value measurement of Land

The Group's and Parent's freehold land are stated at their revalued amounts being the fair value at the date of revaluation. In 2022, according to CJ Valuers Limited, an independent valuer who is not related to the Group and who valued the land, there was an increase in the freehold land value amounted to K2.6 million (Parent Company: K3.0 million). As at 2023, the independent valuer confirmed there are no changes in the market that will significantly change the value of the land.

The Valuer is a member of the Institute of Valuers and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties/other methods. In determining the fair value, a capitalisation rate of 11% was used along with a market rent of between K550 to K750 per square metre.

Impairment

There are no indications that the assets may be impaired as at 31 December 2023 (2022: K Nil).

12 INVESTMENTS

	Note	Consolidated		Parent Company	
		2023	2022	2023	2022
Non-Current		K'000	K'000	K'000	K'000
Investment in Subsidiaries - at cost	**12(a)**		-	17,901	17,901
Joint Ventures – Equity method	**12(b)**	12,043	12,666	12,043	12,666
Total		**12,043**	**12,666**	**29,944**	**30,567**

	Country	Ownership	2023	2022
			K'000	K'000
12(a) Subsidiary Companies				
Pharmacy Wholesales Pty Limited	Australia	72%	2,105	2,105
Hardware Haus Limited	PNG	100%	15,796	15,796
Paradise Cinemas (PNG) Limited	PNG	100%	-	-
City Property Limited	PNG	100%	-	-
Real Rewards Limited	PNG	100%	-	-
				17,901
12(b) Joint Ventures				
Jacks Retail (PNG) Limited	PNG	50%	7,915	8,506
DFS (PNG) Limited	PNG	50%	4,128	4,160
Paradise Cinemas (PNG) Limited	PNG	46.2%	-	-
-			**12,043**	**12,666**

In January 31, 2023, City Pharmacy Limited (CPL) acquired the remaining 1,200,000 shares and 7,295,000 shares of Paradise Cinemas PNG Limited (previously a joint venture) from Damodar Brothers (Films) Limited and PNG FM Limited, respectively for total consideration of K2.00. The acquisition increased the shares of CPL in Paradise Cinemas PNG Limited from 46.2% to 100%. As a result, CPL now exercises control over Paradise Cinemas PNG Limited, which is now a subsidiary of CPL.

12 INVESTMENTS *continued*

Summarised statement of financial position of joint ventures, based on its IFRS Financial Statements, and reconciliation with the carrying amount of the investment in the consolidated financial statement:

Jacks Retail (PNG) Limited*

	2023 K'000	2022 K'000
Current assets	21,980	24,433
Non-current assets	16,915	17,231
Current liabilities	(22,900)	(24,523)
Non-current liabilities	(164)	(129)
Net assets	15,831	17,012
Total Revenue	47,698	42,769
Total Profit	5,835	7,660
Group's share of Profit	2,918	3,830
Carrying amount of the investment (50%)	**7,916**	**8,506**

**Jack Retail (PNG) Limited declared dividends amounting to K7.05m (50%: K 3.52m) (2022: K nil), which is accounted for as a deduction in Investment.*

DFS PNG Limited

	2023 K'000	2022 K'000
Current assets	12,855	10,578
Non-current assets	9,182	10,009
Current liabilities	(7,914)	(5,860)
Non-current liabilities	(5,868)	(6,407)
Net assets	8,254	8,320
Total Revenue	16,649	15,199
Total Profit	2,213	1,928
Group's share of Profit / (Loss)	1,107	964
Carrying amount of the investment (50%)	**4,127**	**4,160**

**DFS (PNG) Limited declared dividends amounting to K2.97m (50%: K 1.49) (2022: K nil), which is accounted for as a deduction in Investment.*

13 GOODWILL

	Consolidated		Parent Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Carrying value	4,825	4,825	3,431	3,431

As part of the purchase of the supermarket operations in 2005, K3,401k of goodwill was recognised. Also, the Group recognised K1,400k of goodwill in relation to the business combination with Pharmacy Wholesalers Pty. Limited.

For impairment testing purposes, goodwill has been allocated to the group of cash-generating units according to the level at which Directors and management monitors and controls the goodwill:

City Pharmacy Limited
The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of 17% per annum (2022: 18.5%).

Cash flow projections during the budget period are based on the same expected gross margin and inventory price inflation throughout the budget period. The terminal growth rate used beyond that five-year period is 5% (2022: 5%) which is the projected long-term average growth rate.

The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

Pharmacy Wholesalers Limited
The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of 15.5% per annum (2022: 15%).

Cash flow projections during the budget period are based on the same expected gross margin and inventories price inflation throughout the budget period. The terminal growth rate used beyond that five-year period is 4% (2022: 4%) which is the projected long-term average growth rate.

The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

14 INTEREST BEARING LOANS AND BORROWINGS

	Note	Consolidated 2023	Consolidated 2022	Parent 2023	Parent 2022
		K'000	K'000	K'000	K'000
Current					
Bank overdraft	14(a)	6,145	-	3,769	-
Bank Loans	14(b)	1,154	2,775	1,154	2,775
Non-Current					
Bank Loans	14(b),14(c)	14,804	15,850	14,804	15,850
Total loans and borrowings		**22,103**	**18,625**	**19,727**	**18,625**

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.

Revolving overdraft facility has an interest rate of 6.45% per annum.

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 (5.95% per annum) and the succeeding 4 years to be principal 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) Debt covenants

The loan agreement requires the Company to maintain certain covenants and ratios as follows:

a) Tangible net worth greater than K115 million or 90% of the consolidated tangible net worth
b) Fixed charge cover ratio of the Group is not less than 1.20:1
c) Fixed charge cover ratio of HHL is not less than 1.25:1
d) Gearing ratio of the Group is not more than 1.5:1

As at 31 December 2023, the Company has complied with debt covenant.

d) At 31 December 2023, the Group had available K19.92m (2022: K23.14m) of undrawn committed borrowing facilities.

15 TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Current				
Trade payables	106,569	59,423	76,763	45,940
Related party payables	-	-	5,688	2,997
Other payables	29,339	27,440	20,449	17,137
	135,908	**86,863**	**102,900**	**66,074**
Non-current				
Security bond	628	591	73	74
Total payables	**136,536**	**87,454**	**102,973**	**66,148**

Breakdown of other payables is as follows:

	Consolidated		Parent	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Contract liability*	10,904	8,166	5,351	1,482
Withholding taxes	3,681	3,288	3,648	3,235
Accruals	12,880	13,814	9,929	10,659
Wages payable	154	75	163	-
Other accruals	1,720	2,097	1,358	1,761
Total other payables	**29,339**	**27,440**	**20,449**	**17,137**

**Includes deferred revenue*

In February 2023, the Company received the Internal Revenue Commission's (IRC) notice of completion of the Goods and Services Tax Audit and Final Position Paper for the period January 2016 to August 2019. The IRC has calculated a GST Liability of K11.2 million plus penalties. The Directors have reviewed the IRC's Final Position Paper, taken external tax advice and reviewed the processing of GST in the general ledger. As a result, the Directors have recognised a GST liability of K2.6m in the financial statements as at 31 December 2023 in relation to voluntary disclosures by the Company. The Company has objected to the other points raised by the IRC. While the Company believes that it has correctly applied the GST Law, the outcome of the objection process is still inherently uncertain. As of 31 December 2023, the Company has yet to receive a response from the IRC regarding the objection letter.

16 LEASES

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

Consolidated	**Right-of-use assets - Buildings**	**Lease liabilities**	**Lease receivable**
	K'000	**K'000**	**K'000**
As at 1 January 2022	144,130	192,480	36,134
Additions	18,279	18,279	-
Sub-lease	-	-	3,699
Modification	-	-	-
Depreciation	(25,633)	-	-
Lease termination	(40,005)	(47,873)	(9,926)
Interest expense	-	15,113	-
Interest income	-	-	2,108
Collections from sublessee	-	-	(4,910)
Payment of lessee	-	(34,543)	-
As at 31 December 2022	**96,771**	**143,456**	**27,105**
Additions	14,097	16,434	621
Sub-lease	-	-	-
Modification	-	-	-
Depreciation	(21,893)	-	-
Lease termination	-	-	-
Interest expense	-	10,696	-
Interest income	-	-	1,755
Collections from sublessee	-	-	(5,032)
Payment of lessee	-	(32,157)	-
As at 31 December 2023	**88,975**	**138,429**	**24,449**

16 LEASES *continued*

Parent	**Right-of-use assets – Buildings**	**Lease liabilities**	**Lease receivable**
	K'000	**K'000**	**K'000**
As at 1 January 2022	127,281	159,723	16,447
Additions	2,459	2,459	-
Sublease	-	-	-
Modification	-	-	-
Depreciation	(17,571)	-	-
Lease termination	(44,013)	(47,620)	-
Interest expense	-	12,018	-
Interest income	-	-	978
Collections from sublessee	-	-	(2,474)
Payment of lessee	-	(25,342)	-
As at 31 December 2022	**68,156**	**101,238**	**14,951**
Additions	7,692	10,029	621
Sublease	-	-	-
Modification	-	-	-
Depreciation	(14,834)	-	-
Lease termination	-	-	-
Interest expense	-	7,621	-
Interest income	-	-	870
Collections from sublessee	-	-	(2,651)
Payment of lessee/sublessee	-	(21,760)	-
As at 31 December 2023	**61,014**	**97,128**	**13,791**

The following are amounts recognised in profit or loss:

Consolidated	**2023**	**2022**
	K'000	**K'000**
Depreciation expense of right-of-use assets	(21,893)	(25,633)
Interest expense on lease liabilities	(10,696)	(15,113)
Interest income on lease receivables	1,755	2,108
Gain from lease termination	-	1,642
Expense relating to leases of low-value assets	(9,708)	(7,509)
Total amount recognised in profit or loss	**(40,542)**	**(44,504)**

Parent	**2023**	**2022**
	K'000	**K'000**
Depreciation expense of right-of-use assets	(14,834)	(17,571)
Interest expense on lease liabilities	(7,621)	(12,018)
Interest income on lease receivables	870	978
Gain from lease termination	-	3,424
Expense relating to leases of low-value assets	(7,397)	(5,002)
Total amount recognised in profit or loss	**(28,982)**	**(30,189)**

The Group has accounted for its sub-lease arrangements as finance leases.

Refer to Note 6 for a reconciliation demonstrating the impact of IFRS 16 between Segment profit and Net profit.

16 LEASES *continued*

(a) Classification of lease receivable and liability

	Consolidated		Parent	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Lease receivables				
Current	6,732	6,138	5,017	4,667
Non-current	17,717	20,967	8,774	10,284
Total lease receivables	**24,449**	**27,105**	**13,791**	**14,951**
Lease liabilities				
Current	25,979	26,042	16,578	13,357
Non-current	112,450	117,414	80,550	87,881
Total lease liabilities	**138,429**	**143,456**	**97,128**	**101,238**

17 PROVISIONS

	Consolidated		Parent	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Employee provisions				
Current				
Wages Payable	261	727	295	604
Annual Leave	3,042	2,488	2,449	1,926
Employee bonus	1,075	1,557	558	1,160
Long service leave	2,255	2,179	1,992	1,779
	6,633	**6,951**	**5,294**	**5,469**
Non-current				
Long service leave	**3,973**	**3,253**	**3,541**	**2,451**

18 EQUITY

Share capital

In accordance with the provisions of the Companies Act 1997, the share capital does not have a par value. The Board of Directors of the Group, in line with the provisions of the constitution, may issue shares at its discretion.

The total number of shares issued as at 31 December 2023 is 206,277,911 (2022: 206,277,911).

Earnings per Share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

18 EQUITY *continued*

The following table reflects the income and share data used in the basic EPS calculations:

	Consolidated	
	2023	**2022**
	K'000	**K'000**
Profit attributable for basic and diluted earnings	6,002	15,539
Weighted average number of shares for basic and diluted EPS	206,278	206,278
Earnings per share - basic and diluted (toea per share)	**2.91**	**7.53**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The Group and Parent Company's revaluation reserve amounted to K13.81m for both year-ended 31 December 2023 and 2022. The property revaluation reserve arises on the revaluation of land and buildings. When the revalued land and buildings are sold, the portion of the property revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the property revaluation reserve will not be reclassified subsequently to profit or loss.

Foreign currency translation reserve

	Consolidated	
	2023	**2022**
	K'000	**K'000**
Balance at beginning of year	508	896
Exchange differences arising on translating the foreign operations	940	(388)
Balance at end of year	**1,448**	**508**

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

Retained earnings and dividend on equity instruments

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
	K'000	**K'000**	**K'000**	**K'000**
Retained earnings	89,235	93,710	68,938	75,513
Balance at beginning of year	93,710	86,800	75,513	75,712
Profit attributable to the owners of the Company	5,839	15,161	3,739	8,052
Dividends declared	(10,314)	(8,251)	(10,314)	(8,251)
Balance at end of year	**89,235**	**93,710**	**68,938**	**75,513**

Dividends declared and paid
The dividends declared and paid out in 2023 amounts to 5.00 toea per share (2022: 4.00 toea per share).

19 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 Subsidiaries and Joint Ventures

- The Company provides administration assistance to Hardware Haus Limited (HHL), a wholly owned subsidiary. Management fees billed to HHL for the year is K 1.2m (2022: K1.2m). The Company also has commercial transactions with HHL. The Company's total sales to HHL in 2023 is K175k (2022: K1,537k) while purchases is K2,083k (2022: K2,177k). As at 31 December 2023, the Company has a net receivable from HHL of K6.47m (2022: K14.24m). The Company also provides administration assistance to HHL.

- The Company has transactions with Pharmacy Wholesalers Pty. Ltd. 'PWL', a subsidiary, based on commercial arrangements. The Company's purchases from PWL in 2023 is K9,424k (2022: K13,063k). The Company has a payable to Pharmacy Wholesalers of K3.9m (2022: K3.1m).

- The Company provides administration assistance to Paradise Cinema (PNG) Limited, a joint venture. As at 31 December 2023, the Company has a receivable from Paradise Cinema of K272k (2022: K229k).

- The Company provides administration assistance to Jack's of PNG Limited, a joint venture. Management fees billed to Jack's for 2023 is K100k (2022: K100k). There are also commercial transactions between the Company and Jack's. The Company's purchases from Jack's during the year is K282k. As at 31 December 2023, the Company has a net payable to Jack's of K42k (2022 receivable: K22k).

- The Company provides administration assistance to DFS (PNG) Limited, a joint venture. There are also commercial transactions between the Company and DFS. The Company's total sales to DFS in 2023 is K63k (2022: K979k), while purchases from DFS is K 838k (2022: K1,716k). As at 31 December 2022, CPL has a net receivable from DFS of K649k (2022 payable: K367k).

b) Transaction with Directors

- Sir Mahesh Patel is a shareholder and non-executive director of the Company and receives a director's fee.

- Sir Mahesh Patel is related to a director of US All American ENT.INC.USA, a supplier to the Company. In 2023, City Pharmacy Limited's total stocks purchased from US All American was K820k (2022: K989k). The Group has nil receivable (2022: K 107k) as at year end.

19 RELATED PARTY TRANSACTIONS *continued*

c) Remuneration of the Directors and key management officers

The total remuneration paid to Directors and key management for 2023 is K8.68m (2022: K8.78m) and consisted of fixed directors' fees, salaries and fees and non-monetary benefits (i.e. accommodation and motor vehicle), as follows:

	2023 K'000	2022 K'000
Short-term employment benefits	8,683	8,783

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

Remuneration of Directors

	2023 K'000	2022 K'000
Stanley Thomas Joyce	200	200
Sir Mahesh Patel, OBE	150	421
Mary Handen	100	100
Aru Chellappan	100	100
Eunice Parua	100	100
Edward Hamilton Ruha (appointed 25 July 2022)	100	42
Stephanie Jane Copus Campbell (appointed 25 July 2022)	100	42
Graham John Dunlop (resigned 18 November 2022)	-	100
Mary Ellen Johns (resigned 30 May 2022)	-	50

Interest Register

Name of Director	Interest/Position	Name of entity/ individual
Stanley Thomas Joyce	Chairman	South Pacific Brewery Limited
	Director	NGIP Agmark Limited
	Chairman	Mainland Holdings Limited
	Chairman	Westpac Bank PNG Limited
Sir Mahesh Patel, OBE	Director	New World Limited, Fiji
	Shareholder	Manu Nominees Pty. Limited, Australia
	Director/Shareholder	Amar Business Holding Pte Ltd, Singapore
	Related to Director	U.S. All American ENT. Inc., USA
	Related to Shareholder	Ajay Patel
	Related to Shareholder	Nikhil Patel
Mary Handen	Director/Shareholder	KBS Network Limited
	Director/Shareholder	Jedjays Limited
Eunice Parua	Director/Shareholder	LLLS Services No. 2 Limited
	Director/Shareholder	EAE Investments Limited
	Director	First Investment Finance Limited
Graham John Dunlop	Director (until 30 June 2021)	Steamships Trading Company Limited
Mary Ellen Johns	Company Secretary	BSP Financial Group Ltd.
	Committee member	Oil Search Limited
	Treasurer	PNG Women Lawyers Association Inc.
	Secretary	Capital Rugby Union
	Chairman	Leadership PNG Inc.
Edward Hamilton Ruha	Director	BSP Life (PNG) Ltd.

19 RELATED PARTY TRANSACTIONS *continued*

Shareholdings of Directors and Related Parties

Related Party	No. of Shares in the Company	% Holding
Sir Mahesh Patel & Lady Usha Patel	25,148,051	12.19%
Amar Business Holdings Pte Limited, Singapore	21,280,712	10.32%
New World Limited, Fiji	13,887,857	6.73%
Sir Mahesh Patel	9,842,395	4.77%
Ajay Patel	5,096,319	2.47%
Nikhil Patel	4,864,219	2.36%
Manu Nominees Pty. Limited, Australia	3,000,000	1.45%

Remuneration of employees

Below table shows number of employees with remuneration above K100k.

K'000	2023	2022	K'000	2023	2022	K'000	2023	2022	K'000	2023	2022
100 - 110	13	25	431 - 440	-	1	761 - 770	-	-	1091 - 1100	-	-
111 - 120	32	14	441 - 450	1	-	771 - 780	-	-	1101 - 1110	-	-
121 - 130	12	14	451 - 460	1	-	781 - 790	-	-	1111 - 1120	-	-
131 - 140	4	8	461 - 470	1	1	791 - 800	1	-	1121 - 1130	-	-
141 - 150	7	3	471 - 480	-	-	801 - 810	-	-	1131 - 1140	-	-
151 - 160	4	7	481 - 490	-	-	811 - 820	-	-	1141 - 1150	-	-
161 - 170	6	2	491 - 500	-	2	821 - 830	-	-	1151 - 1160	-	-
171 - 180	4	6	501 - 510	-	-	831 - 840	-	-	1161 - 1170	-	-
181 - 190	5	2	511 - 520	-	-	841 - 850	-	-	1171 - 1180	-	-
191 - 200	2	2	521 - 530	-	-	851 - 860	-	-	1181 - 1190	-	-
201 - 210	3	1	531 - 540	-	-	861 - 870	-	-	1191 - 1200	-	-
211 - 220	2	1	541 - 550	1	-	871 - 880	-	-	1201 - 1210	-	-
221 - 230	1	1	551 - 560	-	-	881 - 890	-	1	1211 - 1220	-	-
231 - 240	1	1	561 - 570	-	-	891 - 900	-	-	1221 - 1230	-	-
241 - 250	3	-	571 - 580	1	1	901 - 910	-	-	1231 - 1240	-	-
251 - 260	1	-	581 - 590	-	-	911 - 920	1	-	1241 - 1250	-	1
261 - 270	1	-	591 - 600	-	-	921 - 930	-	-	1251 - 1260	-	-
271 - 280	-	1	601 - 610	-	1	931 - 940	-	-	1261 - 1270	-	-
281 - 290	1	2	611 - 620	-	-	941 - 950	1	-	1271 - 1280	-	-
291 - 300	2	2	621 - 630	-	-	951 - 960	-	-	1281 - 1290	-	-
301 - 310	2	1	631 - 640	-	1	961 - 970	-	-	1291 - 1300	-	-
311 - 320	-	-	641 - 650	1	-	971 - 980	-	-	1301 - 1310	-	-
321 - 330	1	4	651 - 660	-	-	981 - 990	-	-	1311 - 1320	-	-
331 - 340	-	1	661 - 670	-	-	991 - 1000	-	-	1321 - 1330	-	-
341 - 350	2	-	671 - 680	-	-	1001 - 1010	-	-	1331 - 1340	-	-
351 - 360	2	1	681 - 690	-	-	1011 - 1020	-	-	1341 - 1350	-	-
361 - 370	2	-	691 - 700	-	1	1021 - 1030	-	-	1351 - 1360	-	-
371 - 380	4	3	701 - 710	-	-	1031 - 1040	-	-	1361 - 1370	-	-
381 - 390	2	-	711 - 720	-	-	1041 - 1050	-	-	1371 - 1380	-	-
391 - 400	1	1	721 - 730	-	-	1051 - 1060	-	-	1381 - 1390	-	-
401 - 410	-	-	731 - 740	1	-	1061 - 1070	-	-	1391 - 1400	1	1
411 - 420	1	-	741 - 750	-	1	1071 - 1080	-	-			
421 - 430	-	1	751 - 760	-	1	1081 - 1090	-	-	**Total**	**132**	**117**

20 FINANCIAL INFORMATION

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

a) Fair Value

The face values for financial assets and liabilities approximate their fair values.

b) 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 gross amount before ECL of each financial asset in the balance sheet.

	Consolidated		Parent	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Cash at bank	9,699	13,410	6,819	7,883
Trade and other receivables	55,642	41,483	44,118	29,206
Related party receivables	86	22	4,898	14,202
Lease receivable	24,449	27,105	13,791	14,951
	89,846	**82,020**	**69,626**	**66,242**

Management expects all accountable parties to meet its obligations.

The counterparties to these assets have not been assessed with a credit risk rating in Papua New Guinea.

c) Foreign exchange risk

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

d) Liquidity risk

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

Group	**On demand**	**0-3 Months**	**3 Months – 1 Year**	**Due more than a year**
2023	K'000	K'000	K'000	K'000
Trade payables	106,569	-	-	-
Bank overdraft	6,145	-	-	-
Borrowings	-	-	2,174	17,092
Lease liabilities	-	8,927	26,530	134,079
	112,714	**8,927**	**28,704**	**151,171**

20 FINANCIAL INFORMATION cont'd

Group	**On demand**	**0-3 Months**	**3 Months – 1 Year**	**Due more than a year**
2022	**K'000**	**K'000**	**K'000**	**K'000**
Trade payables	59,423	-	-	-
Borrowings	-	671	2,104	19,266
Lease liabilities	-	9,873	19,562	151,656
	59,423	**10,544**	**21,666**	**168,528**

Parent Company	**On demand**	**0-3 Months**	**3 Months – 1 Year**	**Due more than a year**
2023	**K'000**	**K'000**	**K'000**	**K'000**
Trade and related party payables	82,451	-	-	-
Bank overdraft	3,769	-	-	-
Borrowings	-	-	2,174	17,092
Lease liabilities	-	6,019	17,683	100,480
	86,220	**6,019**	**19,857**	**117,572**

Parent Company	**On demand**	**0-3 Months**	**3 Months – 1 Year**	**Due more than a year**
2022	**K'000**	**K'000**	**K'000**	**K'000**
Trade and related party payables	48,937	-	-	-
Borrowings	-	671	2,104	19,266
Lease liabilities	-	6,818	13,739	114,506
	48,937	**7,781**	**16,627**	**131,378**

The Group regularly reviews its short, medium- and long-term funding requirements. The policy requires that sufficient committed funds are available to meet medium term requirements, with flexibility and headroom in the event a strategic opportunity should arise.

e) 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.

f) 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 31 December 2023 and 2022, 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.

20 FINANCIAL INFORMATION *continued*

g) Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, lease liability, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

The Group's policy is to keep the gearing ratio between 20% and 40%. The Company's gearing ratio increased at year-end 2023 due to several significant challenges encountered throughout the year. These challenges included disruptions to the banking system, global economic downturns and major internal IT outage resulting in data loss and business interruption. These events impacted the Company's financial performance and contributed to the higher gearing ratio. The civil unrest that occurred on January 10th, 2024 (as detailed in Note 23) is expected to further impact the gearing ratio in the short term. The Company anticipates the ratio exceeding 40% at least until the half-year of 2024. Despite these challenges, the Company remains confident in its ability to meet all financial covenants.

Gearing Ratio

As at year end, the ratio was as follows:

	Consolidated	
	2023	**2022**
	K'000	**K'000**
Interest-bearing loans and borrowings	22,103	18,625
Trade and other payables	135,870	87,454
Less: cash and short-term deposits	(9,448)	(13,410)
Net debt	**148,525**	**92,669**
Equity (i)	175,358	178,385
Capital and net debt	**323,883**	**271,054**
Gearing ratio	**46%**	**34%**

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

To achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022

21 COMMITMENTS AND CONTINGENCIES

Commitments

Future financial charges is K3,308k (2022: K3,742k) in relation to the bank loan from the Westpac Bank PNG Limited.

Contingencies

a) The Company has a credit facility of K19,750k (2022: K19,750k) for Multi - Option Facilities which includes documentary letters of credit from Westpac Bank PNG Limited.

b) The Company has guaranteed the Hardware Haus Limited multi-option and fully drawn loan facilities from Westpac Bank PNG Limited. The guarantee is supported by a mortgage of the Company property.

22 REMUNERATION OF AUDITOR

	Consolidated		Parent	
	2023 K'000	**2022 K'000**	**2023 K'000**	**2022 K'000**
Financial statement audits	525	475	262	237
	525	**475**	**262**	**237**

23 SUBSEQUENT EVENTS

Significant business disruption occurred on 10th of January 2024 due to nationwide civil unrest. Four supermarkets were severely affected, with two suffering complete burn-down and one sustaining major damage. Total losses are estimated at K21.9m, including K15.63m in cash and inventory; and K6.27m from fixed assets write-off, which will be recognized in 2024. Insurance claims are underway to recover these losses and compensate for business interruption. The Company remains committed to overcoming this challenge and is actively implementing recovery plans.

On the 9th of April 2024, the Company received a cheque from the government amounting to K2.7m, as financial assistance to cover the salaries and wages of the employees of the affected shops who are still employed by the Company.

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Independent auditor's report to the members of City Pharmacy Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of City Pharmacy Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as at 31 December 2023;
- The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- Notes to the financial statements, including material accounting policy information; and
- The director's declaration.

In our opinion, the accompanying financial report is in accordance with the Companies Act 1997, including:

a. Giving a true and fair view of the Company's and the Group's financial position as at 31 December 2023 and of their financial performance for the year ended on that date; and

b. Complying with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report. We are independent of the Group in accordance with the ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Papua New Guinea. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Subsequent Event

We draw attention to Note 23 to the financial statements, which describes the effects of a civil unrest in Port Moresby on 10 January 2024 resulting in four of the Group's supermarkets being illegally accessed and looted and two of those supermarkets being destroyed by fire. The financial statements at 31 December 2023 do not contain any adjustment for the financial impact of the illegal activity subsequent to year end. Our opinion is not modified in respect of this matter.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Major IT Outage

Why significant	How our audit addressed the key audit matter
During March 2023, the Group suffered a major information technology (IT) outage where unauthorised individuals gained accessed to the Group's financial systems. As a result, the Group was unable to access the Group's financial data. The Group took steps to recover the data including engaging a third-party IT provider, however it was determined it was not possible to recover the lost financial data. The major IT outage caused significant disruption to the Group's financial reporting processes, which have high IT dependence. The Group's response to the incident has required it to rebuild its financial reporting systems. It has also required the Group to compile financial information using non-routine accounting processes which, for certain periods, required financial information be collated outside of the Group's financial reporting systems before being recorded in the financial system retrospectively. We considered this a key audit matter because of the significant effect of the event on the Group's financial reporting process and heightened risk as to the completeness and accuracy of the Group's underlying financial data.	Our audit procedures included consideration of the impact on our audit strategy and risk assessment as a result of the major IT outage on the Group's financial reporting processes, and the related impacts on the completeness and accuracy of financial data. In conjunction with EY's cybersecurity experts, we assessed: ▶ The facts and circumstances of the major IT outage. ▶ The scope and results of the investigative work performed by the Group and its third-party IT provider. ▶ The Group's governance and oversight of the IT incident and remediation activities after the incident. To assess the completeness and accuracy of the Group's financial data, we performed the following in respect of the reconstructed financial information: ▶ Obtained full populations of general ledger journals for the financial year ended 31 December 2023. Using this data, we agreed the opening balances to those audited in the prior year and the population of journals addressed all movements in balances during the year. ▶ Using EY's data analytic tools, we performed a correlation of cash and electronic fund transfer (EFT) amounts received by the Group, across all stores, with revenue recognised for the period. ▶ We performed extended procedures on working capital balances including: ▪ Extended confirmation for the Group's debtors for sales on credit terms. Where responses were not received or variances were noted, alternate procedures (subsequent receipts) were performed to test the existence of debtors.

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Why significant	How our audit addressed the key audit matter
	▪ Extended inventory stocktake attendance and stock counting procedures (refer Inventory existence matter below). ▪ Larger samples sizes for procedures performed to assess the accuracy of financial data produced by the Group. We also assessed the adequacy of the disclosure included in the Notes to the financial statements.

Inventory Existence

Why significant	How our audit addressed the key audit matter
At 31 December 2023, the Group held inventories of PGK156,941,470 which represents 32%of the Group's total assets as disclosed in Note 10. As one of the most significant balances on the Consolidated statement of financial position, the Group's inventory verification process is extensive and occurs routinely throughout the financial year. The inventory is held at multiple locations around Papua New Guinea and Australia at retail stores and warehouses. Due to the size of the inventory balance and the dispersed nature of the inventory, this was considered a key audit matter. The Group accounts for inventories in accordance with the policy disclosed in Note 2.3(g).	Our audit procedures included the following: ▶ Observing the Group's physical stocktakes and its processes for the review and investigation of stocktake variances. ▶ Observation of the Group's stock-take procedures to evaluate the inventory opening balances post the major IT outage. ▶ We attended 24 stocktakes conducted at stores and warehouses across Papua New Guinea and Australia during the year and at or around 31 December 2023. ▶ For stocktakes at the retail stores and warehouses, we observed compliance with the stocktake instructions (including the suspension of inventory movements during the stocktake process) and selected a sample of items to re-count to assess the accuracy of the counts performed by the Group. ▶ Where stocktakes were completed prior to or after the balance sheet date, we performed inventory movement analysis and, on a sample basis, to evidence and evaluate changes in inventory quantities between the stocktake date and year end date. ▶ We performed analytical procedures over inventory loss and gross margin for the 2023 financial year and assessed whether our other audit procedures provided any contrary evidence as to the existence of the Group's inventory. We also assessed the adequacy of the disclosure included in the Notes to the financial statements.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Accounting Standards and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the International Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Papua New Guinea Companies Act 1997 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a) Considering the effects, if any, of the major IT outage, detailed in our key audit matter paragraph above, in our opinion proper accounting records have been kept by the Company, so far as appears from our examination of those records; and

b) we have obtained all the information and explanations we have required.

Ernst & Young

M. Savage

Matthew Savage
Partner
Registered under the Accountants Act 1996
Port Moresby

17 May 2024

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

Top Shareholding

Shareholder	No. of Shares	Percentage
National Superannuation Fund	34,579,566	16.76%
Mahesh Patel & Usha Patel	25,148,051	12.19%
Nambawan Super Limited	23,660,343	11.47%
Amar Business Holdings Pte. Ltd.	21,280,712	10.32%
Almana Holdings Pte. Ltd.	17,000,000	8.24%
New World Limited	13,887,857	6.73%
Mrl Capital Limited	10,325,510	5.01%
Mahesh Patel	9,842,395	4.77%
Ajay Patel	5,096,319	2.47%
Nikhil Patel	4,864,219	2.36%
Rolex Investments Limited	4,134,241	2.00%
Manu Nominees Pty Limited	3,000,000	1.45%
Real Genius Investments	2,737,773	1.33%
Capital Nominees Limited	2,718,059	1.32%
Even Stronger Investments Limited	2,700,269	1.31%
Comrade Trustee Services Limited	2,576,921	1.25%
Mineral Resources Star Mountains Limited	2,500,000	1.21%
Mineral Resources Ok Tedi No 2 Limited	2,500,000	1.21%
Laxmi Investments Limited	2,061,317	1.00%
Credit Corporation (PNG) Limited	1,890,912	0.92%
Others*	13,773,447	6.68%
Total	206,277,911	100.00%

*728 other shareholders hold less than 1,000,000 shares in total

Shareholding Bands

Shareholders	No. of Shareholders	No. of Shares
1 - 1000	167	103,053
1,001 - 5,000	448	1,080,050
5,001 - 10,000	44	306,619
10,001 - 100,000	45	1,339,989
100,001 and above	48	203,448,200
Total	**752**	**206,277,911**

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
STOCK EXCHANGE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

	2019	2020	2021	2022	2023
Statement of Comprehensive Income					
Turnover	582,397	592,779	579,633	606,082	574,922
Operating Profit/(loss) before tax	5,560	12,977	15,669	16,431	8,692
Operating Profit/(loss) after tax attributable to the Group	12,241	14,543	14,237	15,539	6,002
Dividends proposed	-	6,188	8,251	10,314	-
Shares on issue (number)	199,972,219	206,277,911	206,277,911	206,277,911	206,277,911
Dividends proposed per share (Kina)	0 toea	3 toea	4 toea	5 toea	0 toea

Amounts in PGK'000

	2019	2020	2021	2022	2023
Statement of Financial Position					
Shareholders' Funds	146,890	162,533	169,776	178,893	175,358
Inventories	91,234	85,667	103,198	113,831	156,941
Other assets	349,823	360,313	360,278	326,319	327,773
Borrowings	7,836	12,457	21,125	18,625	15,958
Other liabilities	284,935	269,973	271,435	241,114	291,716
Current Ratio	1.26	1.7	1.58	1.46	1.37
Debt to Net worth	5%	8%	12%	10%	9%
Net asset backing per Share (Kina)	0.74	0.77	0.80	0.85	0.83
Net Profit Margin	2.10%	2.45%	2.46%	2.56%	1.04%
Net Profit to Equity	8.33%	8.95%	8.39%	8.69%	3.42%
Earnings per Share (Toea)	6.12	7.05	6.9	7.53	2.91

Corporate Governance Statement

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

Composition of the Board

The Board is made up of 1 non-executive director and 7 independent directors. One-third (1/3) of the directors retire on a rotational basis in accordance with the Company's constitution (para. 38(4)). Retiring directors may be eligible for re-election by the shareholders at the Company's Annual General Meeting. The Chairman is responsible for reviewing the Board's membership following consultation with existing Board members.

Staff Appointment and Remuneration

Officers and staff remuneration is handled by the Remuneration Committee, headed by Mr. Aru Chellappan and Ms. Mary Handen. Company performance is assessed to determine the compensation of senior management staff and the directors themselves.

Risk Management

The Risk Committee oversees the risk management policies and practices of the Group, led by Ms. Stephanie Copus-Campbell, and supported by Ms. Eunice Parua and Ms. Flare Namaliu. The Committee ensures that there are policies in place to identify, measure and mitigate the risks faced by the Group, and that these policies are in line with the Company's risk appetite.

Financial Reporting, Internal Control and Compliance

The Audit Committee, led by Mr. Edward Rua and supported by Mr. Aru Chellappan, plays a critical role in safeguarding the Group's financial stability. They achieve this by overseeing the financial reporting process, ensuring the effectiveness of internal controls, and guaranteeing the Group's compliance with relevant rules and regulations.

Access to Professional Advice

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