CPL GROUP

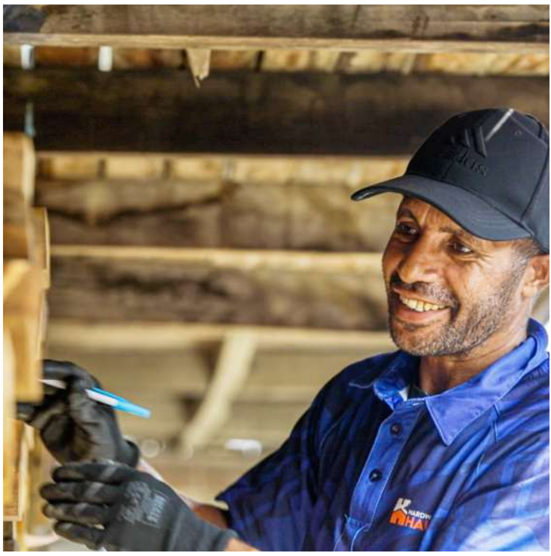
SINCE 1987

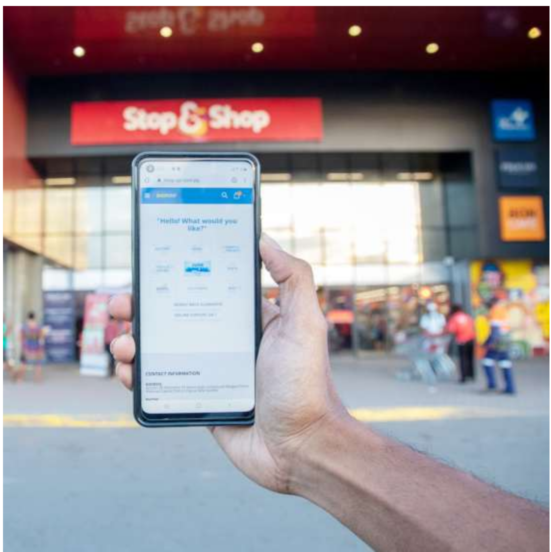
ANNUAL REPORT

TWENTY TWENTY-ONE


City
Pharmacy

Contents





Chairman's Statement

With the COVID-19 pandemic still raging across the globe and Papua New Guinea, the operations of CPL Group continued to be seriously impacted. From restrictions in the movement of people, increased logistical and operational costs and, a fair degree of uncertainty. We were, however, able to offset some of these restraints with higher demand for medicines and the introduction of other new products in our portfolio. CPL Group maintained a close relationship with the Covid-19 Control Centre, and we take the opportunity to praise the Commander and his staff for maintaining a level-headed approach in what are unprecedented times.

Sales for the group was K579.6m representing a 0.3% decrease over the previous year. Despite increased competition, and substantial increases in the cost of purchases and freight, we were able to achieve a net GP of 32 % which is in line with the previous year.

At the start of the year, Mr Navin Raju took over the reins as Group CEO from company founder, Sir Mahesh Patel, who had returned to the business as part of the stabilization and turnaround phase after the fires. Sir Mahesh remains on the Board as a Non-Executive Director and continues to chair the CPL Foundation. Navin who was previously running the Project Management Office has been able to identify several efficiency opportunities for the business and, developed strategy for each of the Brands which are fully endorsed by the Board.

We are pleased to announce that the Gerehu Distribution Centre is now operational, which was a challenging task in the COVID-19 environment. The New Bakery is completed and operational while the Meat Processing facility will complete the Distribution Centre project enabling provision of quality products for consumers through improved Supply and Cold Chain.

> "Training of our staff across the business continues to provide best in class customer service."

Pharmacy sales generated a 12.3% revenue growth compared to 2020. This growth translated to substantial increase in GP and into the bottom line. Pharmacy sales were boosted by additional agencies.

Following the takeover of the Papua New Guinea business arm of top Australasian medical, pet and health care supplier, EBOS Group in 2021, the PNG subsidiary registered as EBOS Health & Science (PNG) Limited is now officially called: City Pharmacy Medical & Lab Supplies.

❝ The Board remains confident that despite the operational challenges, future growth prospects for the business remain positive. We look forward to competition on a level playing field and will continue to promote opportunities for sustainable business in our day-to-day operations and advocacy through the CPL Foundation. ❞

This acquisition by CPL Group brings with it over 30 years of experience in quality sales and, after-sales service of world renowned medical and laboratory equipment and supplies to the public and private healthcare systems in the country.

Due to changes in consumer shopping habits, revenue for Stop & Shop was challenged. We have developed several strategies to ensure S&S remains the preferred retail outlet for grocery shoppers in Port Moresby.

Despite increased competition, Hardware Haus was able to deliver a 4.2% increase in revenue which was also maintained through to the bottom line.

Joint Venture Operations all performed within expectations and are important additions to our portfolio generating unique and, profitable retail footprints.

I would like to also thank our customers and suppliers for their continued support. And finally, I would like to extend my appreciation to the Management, staff and fellow board members for your dedication and support to our company over many years.

Thank you.

Sincerely,

Stanley Thomas Joyce, CSM
Chairman
Board of Directors
CPL Group


Buk bilong Pikinini
Children's Libraries
123 ABC
www.bukbilongpikinini.org
PNGAus Partnership
Deloitte.
STEAMSHIPS
PNG LNG
ExxonMobil
PNG Air
SWIRE
nasfund
MARY MACKILLOP today
Oil Search Foundation
SIR THEO FOUNDATION
HEBOU
MONIER
Hastings Deering
CAT
THEODIST
THE STATIONERY SUPERMARKET
oldplantation
Deloitte. Digital
COGNISS
DENTONS
PADDYS
PUMA
MOORE PRINTING
Select PNG
NIUNET
Digicel Foundation
University of PNG - Port Moresby
PNG University of Technology - Lae
University of Goroka
Tatana Araira Church
Hagara Primary School
Surfing Association of Papua New Guinea
Lelehoa Primary School
Evedahana Primary School
ATS Community
Red Cross Inclusive Education Resource Centre
SP Hunters
Manus Provincial Government
Milne Bay Chamber of Commerce
Google
PNGFP
Manus Telikom
Savcor Art
OXFORD UNIVERSITY PRESS
THE HOBART BOOK SHOP
Lifeline Canberra
alliance
City Pharmacy

Achievements

2021 KEY STATISTICS

K580M
Total CPL Group Sales

15%
Profitability

33.3%
Shareholder Dividends

100+
Farmers & SME Member Network

50K+
Real Rewards Loyalty Members

Key Developments

Gerehu Distribution Centre commences operations

Launched E-commerce Ecosystem
Online store, Delivery service, and Mobile phone application

ISO Accreditation
ISO 9001:2015 Quality Management Systems
ISO 45001:2018 Occupational Health and Safety Management System

Launch of City Pharmacy Medical & Lab Supplies

Completion of New Bakery

CEO's Perspective

2021 was an incredibly challenging year and was deeply affected by the combined health and economic challenges of COVID-19. Despite the challenges faced, the CPL team showed tremendous resilience, responsibility and resolve to support one another, our customers, our communities, and our suppliers, and in doing so, have served our shareholders.

We are fortunate to have entered this environment with a solid financial position, and the agility to support our business through unprecedented times. Our financial performance for fiscal 2021 reflects the underlying strength, stability, and resilience that we have achieved across all our businesses in the last two years.

> “During the year, we focused on improving Customer experience across our brands by increasing employee training.”

We started the financial year with innovative, customer-focused brand engagement campaigns like the EDLP (Every Day Low Prices) specials, BOGO (buy one get one free) campaigns and other similar campaigns to add value to their shopping experience. The same approach was extended to our other core brands of City Pharmacy and Hardware Haus.

We are proud to support initiatives that promote healthy living and nutrition. Mobile Vaccination clinics were set up, in partnership with the St John's Ambulance, for our shoppers, the general public and our staff, where a significant number was vaccinated against the dreaded COVID-19. While in addition, we also promoted the first line of defense by nutritious food through the campaign: the Eat Smart Campaign. It was aimed at encouraging healthy and clean eating habits in PNG families and communities with local produce.

We also improved our fresh produce supply chain with 80 percent of our fruit and vegetables being sourced locally. Our SME and Farmer Network Support Program, into its 3rd year, was established to support consistency in supply. Our technical staff and government agriculture development partners in the Fresh Produce Development Agency (FPDA) and the National Agricultural Research Institute's (NARI) Aiyura Research Centre in the Eastern Highlands Province have proven invaluable towards quality control for the soil-to-shelf journey.

Our Real Rewards Plus loyalty program has amassed 50,000 more members in the last financial year. We also have expanded our redeemable goods offer to over 200 quality branded products. The RR program have also been listed with Hardware Haus and our joint-venture brand in Prouds of PNG, to allow our loyal customers to attain more points when shopping with all our brands.

As Papua New Guinea's leading and largest multi-format retailer, we commissioned a series of e-commerce initiatives to comprise an integrated system of end-to-end customer experience and satisfaction for our brands such as Prouds, Stop & Shop and City Pharmacy. We recorded an increase in online sales and traffic since the relaunch of the e-commerce website and we continue to build our e-commerce portfolio based on product development, and partnerships.

We have partnered with SMEs such as the GoFood Delivery services, PGO! mobile application, and ODESH taxi cabs for our shopping delivery and staff drop offs to continue building and improving our customer experience.

Our partnership with the Port Moresby Nature Park means that school age children can learn about PNG's extensive flora and fauna through fun activities and an exclusive collector card series. We also supported the Port Moresby General Hospital in-patient kitchen when fresh produce, meat and other rations was at a historical low due to COVID-19.

As part of our community responsibility, CPL Foundation, continued to support our long-time partners in the Buk Bilong Pikinini, Ginigoada Foundation and, the Cheshire Homes for People living with disabilities.

> “All our decisions will be guided by our long-term values, and we will continue to manage our business for stability and predictability.”

No matter what the environment presents, we are driven to aggressively add value for our customers and create long- term shareholder value as we strive to emerge from the current economic climate as a stronger company.

I would like to close by thanking our teams of employees and directors for their ongoing commitment to our long-term strategy and, thank everyone for their continued support.

Regards,

Navin Raju
Group Chief Executive Officer

Vision and Mission of CPL Group

We are driven as a business to deliver and serve the people of Papua New Guinea and are guided by our Mission, Vision and Promises to ourselves and those in our circle of influence.

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

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

OUR PROMISES and VALUES

BE CUSTOMER FOCUSED
The customer always comes first.

BE RESPONSIBLE
To our people, our community and our environment.

WIN TOGETHER
Working and winning as a team.

DELIVER ON COMMITMENTS
We do what we promise.

DELIVER QUALITY
We are committed to quality through continuous improvement.

CPL Group Brands

Brands Portfolio

City Pharmacy

This is the pioneer retail brand for the CPL Group. More than 34 years ago, Sir Mahesh Patel, and his wife Lady Usha Patel, established the first City Pharmacy outlet with the assistance of the late Mr Alan Jarvis. It entered the market as a maverick to trial a co-location scheme, and the rest is history.

The brand had a humble start with four employees in the very first Stop & Shop (formerly, Stop n Shop) outlet in Port Moresby's first mall, Garden City. It has grown to over 900 employees serving in 32 pharmacies located around Papua New Guinea. Synonymous with being the most sought after health and beauty retail chain and is one of the most recognizable brands 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 8 supermarkets and one 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.

In 2021, after 15 years of development of SMEs and PNG farmers, SNS continues to grow the local content of fresh fruit and vegetables in our fresh produce range and is closing the gap in the supply chain from the field to packaging, and transportation. It also supports the farmers and SMEs through providing financial literacy training such as education, budgeting and banking in rural communities.

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 tradesperson's 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 11 outlets in mostly Stop and Shop and City Pharmacy outlets in Port Moresby and Madang.

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 favorite, 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. Six 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.

In 2020, the brand launched the well-known PNG Design Awards, giving local fashion designers and artists a platform to express themselves and an opportunity to earn an income through royalty payments.

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.

Shop CPL Online Store

This brand saw its relaunch in December 2020. It is CPL Group's response to demands for easy, efficient and innovative ways shoppers can shop. The online store has VISA card payment options and customers can choose from home delivery or select pick up points at Stop & Shop brands. This product is popular with our time poor customers in Port Moresby and, also to the PNG diaspora overseas.

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 customer loyalty program has been operating for over a decade rewarding and retaining over 200,000 active and satisfied members. It is PNG's longest and biggest customer loyalty program and includes participating Hardware Haus, Stop & Stop and City Pharmacy outlets nationwide. To date, hundreds of 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 also around the Pacific Region. The distribution is supported by over 1,000 suppliers worldwide.

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
Non-Executive Director
and
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.

Mr. Graham John Dunlop
Independent Director

Mr Dunlop is a chartered accountant with over 39 years in the region. He was CPL's Group Chairman for two years.

His corporate experience in Papua New Guinea first started with Steamships Trading Company and expanded to the Solomon Islands, Fiji, and New Zealand.

He now serves on the board of Mainland Holdings Limited, John Swire and Sons (PNG) Ltd and Group of Companies, Credit Corporation, and CPL Group.

Ms. Mary Handen
Independent Director

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.

Ms. Mary Johns
Independent Director

Ms Johns is a lawyer with 25 years of dedicated service to compliance, audit and risk management in the Papua New Guinean banking and finance, and oil and gas industries.

She is currently the Board Secretary for PNG's leading bank, BSP and a board committee member for Oil Search Limited. She was recognised in 2015 by the Commonwealth with the honour of the Member of the Logohu for services to community and sports organisations, such as the Badili Club, Leadership PNG, the 2015 Pacific Games Committee, National Soccer League, and the Capital Rugby Union Sporting Club.

Mr. Aru Chellappan
Independent Director

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.

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.

Mr. Nazar Shaffee
Company Secretary and General Manager - Finance

Nazar is CPL Group's Company Secretary. He is a trained accountant and IT Specialist with over a decade of experience in the Banking, Aviation and Retail industries.

He has worked with multinational banking and financial service provider, HSBC Bank, CHM Group, Heli Niugini Limited, PT. Sayap Garuda Indah (Heli SGI) and CPL Group in both fields of computerized data management and finance.

He currently forms the helm of the Senior Management Team as General Manager Finance overseeing all financial functions and dealings for the group.

Leadership Team

Mr. Navin Raju
Chief Executive Officer

Navin commenced this role in October 2020 after working as the Chief Operating Officer of the Group and previously as Chief Executive officer of CPL's subsidiary brand Hardware Haus Limited.

He has held senior executive-level roles within various industries such aviation, retail and manufacturing. He has also worked in major international companies in various countries such as Stokes Australasia Limited, Airwork NZ Limited, Heli Niugini Limited and International Coatings conglomerate: Akzo Nobel Limited.

Navin holds a Bachelor of Commerce (BCom) Degrees in Accounting and Finance, attained from Auckland University, New Zealand and Masters in Business Administration (MBA) from the Southern Cross University in Lismore, Australia. Navin's capabilities lie in business transformation and turnaround, building capacity and developing resilient business cultures.

Officers & Registered Corporate Offices

City Pharmacy Limited (1-11575) is a registered company under the *Papua New Guinea Companies* Act 1997.

Registered Office:	Allotment 33, Section 38 Waigani Drive, National Capital District, Papua New Guinea Telephone: +675 312 0000
Directors:	Stanley Thomas Joyce, CSM, Chairman Sir Mahesh Patel, OBE Graham John Dunlop Mary Handen Mary Ellen Johns Aru Chellappan Eunice Parua (appointed 23 July 2021)
Company Secretary:	Nazar Shaffee
Auditors:	Ernst & Young Level 4, Credit House Cuthbertson St. PO Box 1380, Port Moresby 121 NCD, Papua New Guinea
Bankers:	Westpac Bank PNG Limited Bank of South Pacific Limited Kina Bank Limited
Brokers:	JMP Securites Kina Securities
Stock Exchange:	PNGX Markets Limited (listing code: CPL)
Share Register:	PNG Registries Limited

CPL foundation

Resilience THE YEAR 2021 IN REVIEW

Community Responsibility Highlights

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. When it was formally incorporated in 2014, CPL Foundation had supported hundreds of communities and organisations through donations, sponsorship, start-up mentoring, SME and farmer education in supply chain and production improvements.

In 2021, CPL Foundation had the privilege of engaging and supporting various activities and programs for its core areas of interest hence improving the lives of 1000's of Papua New Guineans. The following outlines a summary of programs and activities where CPL Foundation had provided assistance and support.

Pride of PNG Awards Alumni Support

The CPL Foundation had to defer the flagship program for the last three years but is slated for a relaunch in 2022. It however continues to support trail-blazing women since its inception in 2007. In 2021, it maintained constant communication and commitment with its past winners. The Foundation continued to support the education initiatives of Mrs Magdeleine Pigolo of Bougainville a retired high school teacher. An investment of K30,000 was awarded to build the Lontis Primary School library where Mrs Pigolo is a volunteer. Another education volunteer was also given financial support in Mrs Waira Berua. She is an elementary teacher at Port Moresby's Koki Elementary School, that serves settlement and intra-migrant communities. Apart from education, the Foundation also focused on other areas that are recognised by the Awards such as health, youth, environment, safety, justice and economic empowerment.

Hela Rural Development Book Donation Drive

Fulfilling one of CPL Foundation's major objective to enhance education among Papua New Guineans, CPL along with several other sponsors has played a role through this avenue by providing sponsorship in support of a book donation drive facilitated by the Hela Rural Development Foundation.

> **"The program in partnership with Books4PNG Kids saw more than 2,500 library books donated to 11 remote Schools in the Hela Province. This provides ease of access to learning materials, vital to enhancing the education of children."**

Buk bilong Pikinini

Another education initiative sponsored by CPL includes the ongoing program in partnership with Buk bilong Pikinini. Since 2014, CPL has sponsored Buk bilong Pikinini library Centre on Tatana Island where more than 1,000 children were impacted.

Since the sponsorship of the program, BbP has reported a 30% increase in the graduation of students into primary schools.

Every year as the PNG Education School calendar begins, children leave the safety of their homes and interact in a social setting. A setting where mirroring behaviours of peer groups can either form healthy or unhealthy habits. In the three years of the unprecedented times of COVID-19, CPL Group had identified a solution: teach them young. In a two-pronged approach, its health awareness teams have incorporated song and dance to bring education, and simplified health and hygiene messages to children as young as 6 years old from Tatana and its surrounding communities. In collaboration with this long-time partner, teams visit mostly underprivileged children to teach them about the first step of independence: how to maintain health and hygiene and value the importance of reading, writing, arithmetic and education.

Save the Children e-voucher

This project for disaster relief was called the Cash Preparedness project. It used the concept of a cash voucher assistance (CVA) or an e-voucher where international humanitarian organisation, Save the Children, partnered with CPL Group's supermarket brand, Stop & Shop to provide choice and a flexible avenue in times of emergencies.

The system was developed by local IT entrepreneur, Jaive Smare, of Jaive Market where the mode was designed to be safe, efficient and compliant with the NGO's global standards.

COVID-19 and Cancer Donations to Port Moresby General Hospital

Food is a common connection. During the height of the COVID-19 pandemic food supplies ran low at the Port Moresby General Hospital (Pom Gen) as more patients were being admitted.

CPL Group's response was to provide nutrition. CPL Group through its supermarket brand, Stop & Shop, responded by assisting with supplies worth of K10,000 of fruit, vegetables and meat.

> “The food relief was able to assist in patient care and enabled a significant turnover of beds for those in critical need for healthcare.”

While the bulk of the resources was focused on the COVID-19 operations, other areas of the hospital were in dire need of assistance. The same philanthropy also applied to giving medical consumables and learning materials and discount coupons to the Children's Cancer ward and Labour Wards.

Pikinini Pilai Program

In alignment with CPL Group's vision of helping the people of PNG live healthier and better lives, CPL Foundation had the honour of providing support to the Pikinini Pilai Program, a program aimed at providing refuge and a safe space for underprivileged street children in Port Moresby. CPL had pledged its commitment toward sponsoring meals for children and providing support for similar programs.

Supporting Safe Houses and Orphanages

The immediate need for a vulnerable population such as the survivors of Family Sexual Violence (FSV) and Sorcery-Accusation Related Violence (SARV) is relocation. Thus a home, however temporary, provides much needed relief and a new lease on life that is free from abuse. The Morata Safe House is one organisation that the Foundation supports. Ms Josephine Durua is a survivor of SARV herself, and a winner of the 2015 Courage and Bravery Medal of the Pride of PNG Awards. The Foundation provides technical support and donates in cash and kind to her on-going efforts, being a village court magistrate herself.

Virgin Coconut Oil product development

The CPL Virgin Coconut Oil project had sourced cold pressed oils from Mushu Island in the East Sepik Province. The project initiated by the late Sir Michael Somare, founding Prime Minister of PNG, saw CPL Group engage with women leaders to create product concept, through to logistics, packaging and marketing of the final product. The product and its sustainable production methods captivated Sir Mahesh. The project aims at providing market access to local women entrepreneurs on the island and other sustainable community-based projects in rural areas of PNG.

Bougainville Agriculture and Artisans

The Bougainville partnership was a foray into expanding the farmer and SME supply chain for the Group. A multi-partner and multi-generational collaboration, the sourcing project was facilitated by Jordan Becks, a young tech entrepreneur, driving the development with his mobile phone application called the E-Didiman initiative. This connected the Bougainville Youth in Agriculture Association, the Haku Women's Association and the Bougainville Women in SME organisations.

Moresby Arts Theatre

CPL Foundation had the pleasure of supporting PNG artists through the Moresby Arts Theatre initiative. Three artists were awarded cash incentives totalling up to K4,000. Through such initiatives, this has enabled income generation for women in arts.

Conflict Islands Conservation Initiative

When on a leisure trip to the Conflict Islands in the Milne Bay Province, the founder of CPL Group, Sir Mahesh Patel was introduced to the "guardians of the sea" in sea turtles and their traditional custodians. The Conflict Islands Conservation Initiative (CICI) told of the challenges of environmental change through climate change and littering but also on the need for access to sustainable healthcare. This had inspired Sir Mahesh to think along the interdependency of the supply chain. This is where CPL Group through its pharmacy brand, City Pharmacy, and the Foundation can provide health outreach to these remote group of islands. This will bring conservation, sustainability and access to basic healthcare hand in hand.

Pharmacy Scholarships

Pharmacists comprise of a small community of healthcare professionals, who have a significant role in our communities.

> "As Papua New Guinea develops and more Papua New Guineans demand trustworthy and accessible healthcare services, CPL Group, continues to support the critical need for education and professional training in medicine and health care."

In 2020, CPL Group launched 33 scholarship grants to mark its 33rd Anniversary. This grant was for promising students studying Pharmaceutical studies at the University of Papua New Guinea's School of Medicine. The grants are spread over three years for 11 top tier students in their 3rd and final years of study. The first beneficiaries were the 2021 guild of Pharmacy students. The funding will cover tuition, stipends and book allowances during the duration of study and aims at placing graduates to serve rural communities in Papua New Guinea.

Business Highlights

The CPL Group's operations extends into retail, wholesale and e-commerce. These categories are divided into the subcategories of medicine, food and wellbeing sold through the channels of stores, supermarkets cafes, wholesales and the end-to-end online portals. These segments contribute to the Group's annual returns. In 2021, the following milestones were achieved;

ISO Accreditation
As the year 2021 progressed, the Group was accredited to ISO 9001:2015 - Quality Management Systems and ISO 45001:2018 - Occupational Health and Safety Management System standards. These represented sets of global standards formed from voluntary, consensus-based, market-relevant information from experts around the world for which the business is compliant within.

End-to-End Channels
We relaunched a suite of e-commerce platforms for value-added customer experience. These offerings were for online website orders for same day pick up, and delivery through SME partnerships through Go Food deliveries, and the PGO! mobile application. While for transport, we signed a partnership with another SME, ODESH Transfers, to bring our night shift frontline staff home safely.

Key Categories of Products
These are the key merchandise categories for the 2021 financial year.
i. Grocery/Food items
This comprises retail and wholesale meat, frozen, fruit and vegetable, and dairy, bakery, dry grocery and alcoholic and non-alcoholic beverages.
ii. Health/Medicine
These are over-the-counter and prescription patient-care and wholesale drugs, clinical services and other medical products such as ambulatories, and consumables.
iii. Wellness and wellbeing
These are general categories of merchandise such as home improvement (appliances, cleaning chemicals, homeware, bedding and furnishings), hygiene and cosmetics products, apparel (clothes and accessories for men, women and children) and hard-lines (hardware, stationery, paint, sporting goods, and horticulture and agriculture).

Expansion, Distribution, and Operations (EDO)
We are continuously improving our portfolio by taking strategic actions for consistent long term growth. While an under-maintained and under-developed Papua New Guinea transport system is a disincentive for business opportunities with farmers, SMEs and major suppliers, we have maintained a strong relationship with our network of transportation services.

Our outlets and online portals operate each day, with shift cycles and delivery and pick up times varying for our online customers. We accept a variety of payment options from in-store and online customers and shoppers.

Over the past year, we made strides in making customer service efficient at checkout counters as we endeavour to reduce wait times at our stores, and supermarkets. Especially at our supermarket brand, Stop & Shop, there are now integrated single registry systems for essentials such as mobile airtime and household electricity credits to be purchased in one-off grocery purchases. We observe important PNG calendar events and those of the multi-cultural communities that live and work in the multi-lingual nation.

We reward loyalty for frequent shoppers as in-store incentives include our Everyday Low Prices (EDLP) initiative for large discounts on household essentials such as canned meats, dry and frozen goods, cleaning chemicals and health and beauty essentials. Our weekend specials cater to seasonal calendars as Papua New Guineans celebrate and observe contemporary and traditional signifiers on every other weekend in 2021. We also rewarded customers with giveaway competitions throughout the year with outboard motor boats, vehicles, electronics and appliances and gift cards.

Our pioneering shopper loyalty program, Real Rewards, had also introduced a tier system where it rewards by categories of spending thresholds. Since launch, shoppers have a hierarchy of Gold, Silver, and Bronze by average of their annual spend at one single registry purchase at participating brands of City Pharmacy, Stop & Shop, Hardware Haus, Prouds of PNG, Cash & Carry and Bon Café.

One year after the end of the CPL Group Business Transformation Plan (BTP), notable milestones in the 2021 EDO highlights our portfolio of CPL Group brands, include:

New Hardware Haus Store Opening

The opening of the Maprik Hardware Haus branch to cater to the needs of central Sepik customers from both the West and East Sepik Provinces as the the thriving district town of Maprik is situated in a developing economic hub and lies in the corridor of the Sepik Highway.

Acquisition of Top Medical Supplier

The takeover of the Papua New Guinea business arm of top Australasian medical, pet and health care supplier, EBOS Group in 2021, the PNG subsidiary registered as EBOS Health & Science (PNG) Limited is now officially called: City Pharmacy Medical & Lab Supplies and caters to a wide array of customers in the PNG medical and scientific research communities.

Refurbishing Regional City Pharmacy outlets

Refurbishing of the City Pharmacy Alotau branch saw a refreshed look to the top pharmacy outlet in the Milne Bay province. The re-opening also saw the introduction of the new and improved Bumbum diapers that are biodegradable and dermatologically tested for infants with sensitive skin.

Health Education

The CPL Group Code of Conduct is dictated by the Group Vision Statement of helping Papua New Guinea to lead healthier and better lives. Education is seen as an important channel to convey the aspirations of the Group. 2021 was a continuation of health education and awareness initiatives in our nurse stations across the country.

COVID-19 Mobile Vaccination

The third wave of the COVID-19 pandemic in PNG was one that affected the most vulnerable- the elderly, the frail and the most chronically ill. We met these challenges to bring a better service to our customers, patients and the community. We partnered with the St John's Ambulance service to set up mobile vaccination stations. The service operated for 2 months in 2021 and vaccinated over 3,000 residents. We COVID-proofed our outlets with mandatory masks wearing, social distancing and hand sanitizing. We also incentivized the vaccination efforts of the PNG government with competitions and price discounts for those who had received vaccinations.

Eat Smart Campaign

As part of our health outreach programs for informed personal healthy living choices, we supported the Eat Smart Campaign. These choices are provided by valuable nutritional and contextualized recipes using local produce as supported by our Farmer and SME Support Networking Program and supermarket brand, Stop&Shop. The campaign was a multi-platform and partner program as it presented food choices through the platforms of the mainstream media, social media and on-site trainings. The campaign focused on the use of locally-sourced fresh fruit and vegetables.

Sports Sponsorship

Our support for sports and exercise continued in 2021 as we recognize the enormous benefits it brings to personal development such discipline and time management, and health. This includes local, national and international sporting competitions and fundraisers. For the 2021 Tokyo Games, we sponsored hygiene packs for Team PNG from our pharmacy brand, City Pharmacy. We also participated in inclusively sponsoring and awarding the achievements of para-athletes in the SP Sports Awards 2021 under the category, 'CPL Best Sports Person with a Disability.'

Continuing Medical Education

In our effort to complement Continuing Medical Education, or CME, for our health professionals in Papua New Guinea, we provide platforms to share industry knowledge, best practices and innovations. We began this educational and networking event with the generous support of our regional partners at GlaxoSmithKline (GSK Australia). The one-night event was a highlight on interventions on Pain Management and shared new advances for quality and effective health care delivery for its Panadol brand. The event was part of the Pain Week marked at City Pharmacy outlets nationwide.

SME and Farmer Network Support Program

Partnerships make our local, national and global supply chains stronger. The Farmer and SME Network Support Program is a labour of love and is performed by passionate CPL Group teams and suppliers. We aim to be trusted partner in this national development process, by providing and discussing technical scientific and agricultural advice and ideas to our farmers and artisanal food and non-food producers.

Our network base of farmers and small-to-medium enterprises has grown to over 1,000 suppliers as we aim for long-term relationships. For example, our outreach has been decades-long and rich with history, as we trace our expansion into a post-conflict Bougainville. The founders of the group, Sir Mahesh Patel and Lady Usha Patel, contributed to the region's rebuilding efforts. That passion has developed into a corporate citizenship model that sees SME partnerships with other service providers such as farmers, artisans and creatives working in synergy.

CPL GROUP

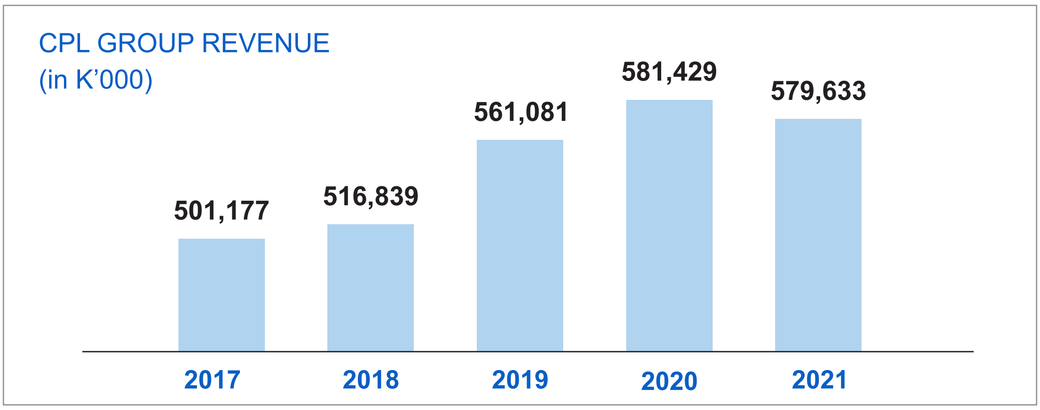
SINCE 1987

ANNUAL REPORT 2021

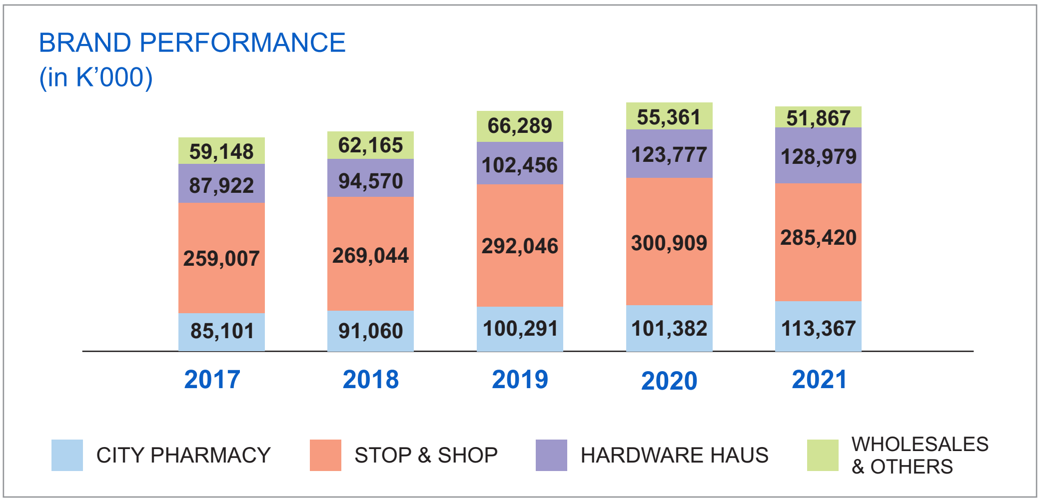
Financial Highlights

	2017	2018	2019	2020	2021
Revenue	501,177	516,839	561,081	581,429	579,633
Comprehensive Profit (Loss)	(28,461)	8,742	14,514	15,528	13,721
Cash generated from operations	13,369	55,630**	31,752	47,757	25,638
Net cash inflow before financing	6,738	57,259**	3,589	21,766	5,990
Gearing ratio	4.9%	5.4%	5.0%	7.1%	11.0%
Interest Cover	(3.12)	4.44	1.68	2.30	2.28
Dividend per share (toea)	0.00	0.00	0.00	3.00	4.00

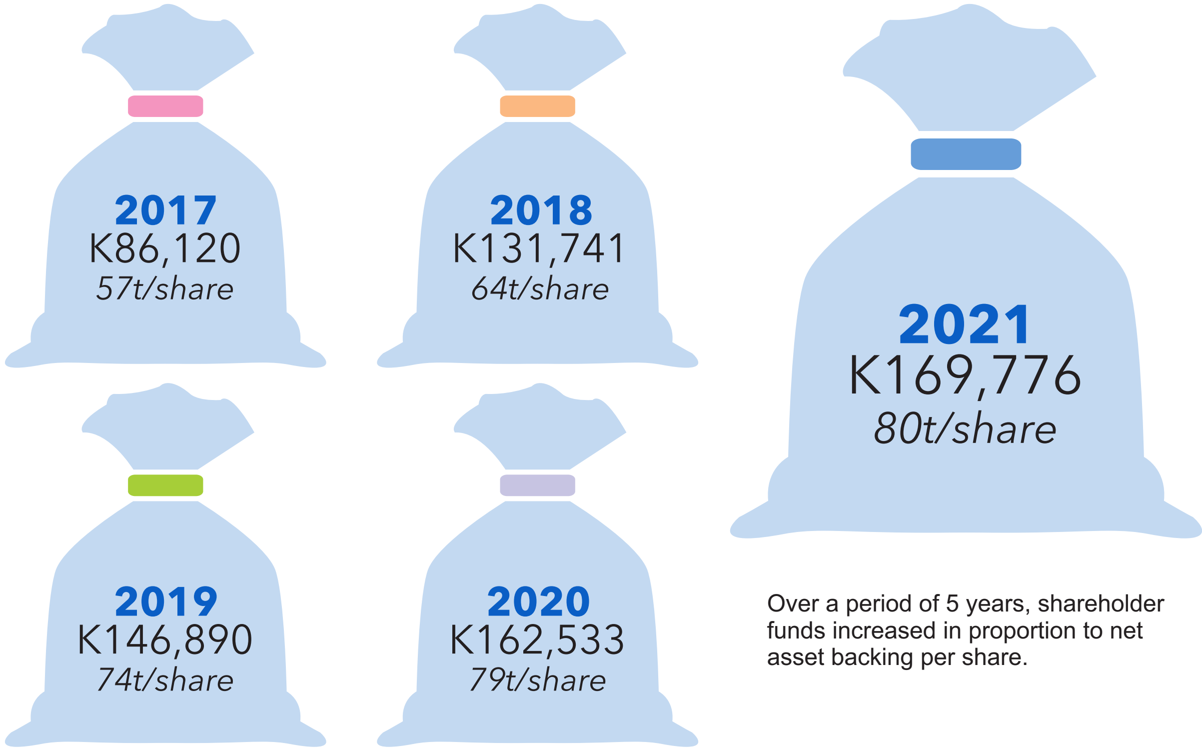
***Includes insurance payouts.*
Gearing =debt/debt+equity
Interest cover=earnings before interest and tax /net finance charge



The revenue on average shows a trend of 3% growth over the last 5 years.

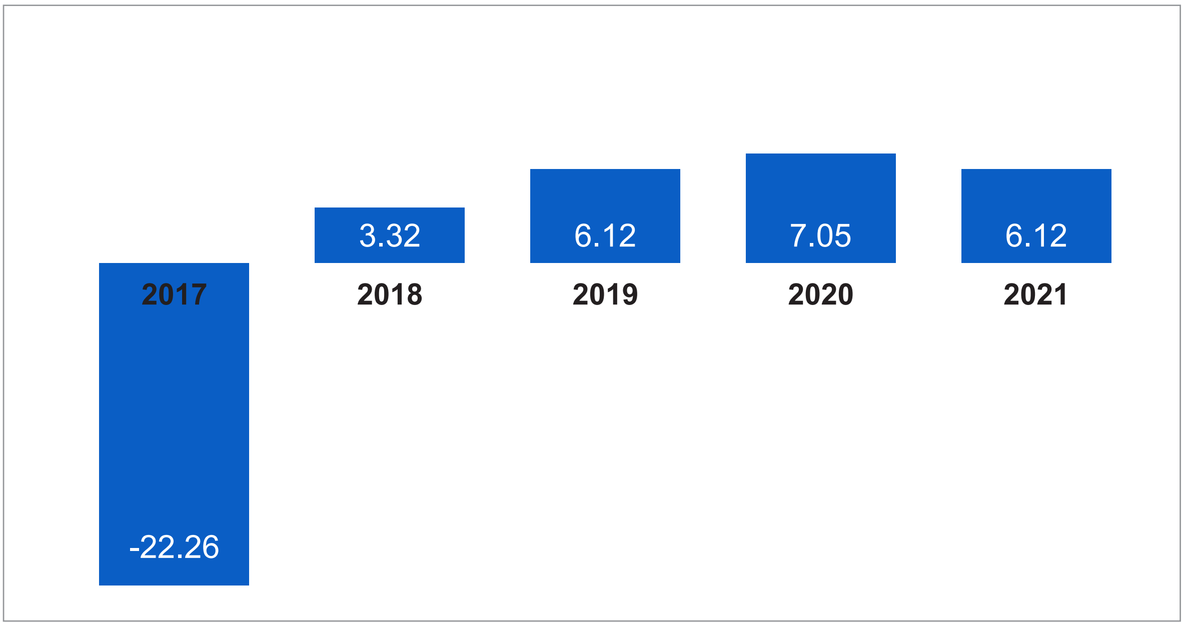


SHAREHOLDERS' FUNDS and NET ASSET BACKING PER SHARE (KINA)



Over a period of 5 years, shareholder funds increased in proportion to net asset backing per share.

EARNINGS PER SHARE (in TOEA)



Financial Statements

CONTENTS

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 2021.

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	Non-executive Director
Graham John Dunlop	Non-executive Director
Mary Handen	Non-executive Director
Mary Ellen Johns	Non-executive Director
Aru Chellappan	Non-executive Director
Eunice Parua (appointed 23 July 2021)	Non-executive Director

Company secretary
Nazar Shaffee

Principal activities
City Pharmacy Limited operates primarily in Papua New Guinea with 70 stores and approximately 2,577 employees at year end. The principal activities of the Group during the year were:

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

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

- Retail clothing; and
- Duty free products.

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 K14.24m (2020: K14.54m). For the Parent Company, net profit after income tax was K4.62m (2020: K8.92m).

A review of the operations of the Group during the financial period and the results of those operations including COVID-19 impact are set out in the Chairman's Report on page 1.

Dividends
The Directors have declared and paid in 2021 amounting to K6.19m (2020: K Nil).

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 2021 are disclosed in Note 18.

Meetings of directors

The table below sets out the number of Board meetings held during the financial period ended 31 December 2021 and the number of meetings attended by each Director.

There were five meetings held during the year ended 31 December 2021.

Directors	Board Meetings attended
Stanley Thomas Joyce	5
Sir Mahesh Patel	5
Graham John Dunlop	5
Mary Handen	4
Mary Ellen Johns	3
Aru Chellappan	5
Eunice Parua	2

Directors' remuneration

Disclosure has been made in Note 17.

Remuneration above K100,000 per annum

Disclosure has been made in Note 17.

For and on behalf of the Board of Directors

Director: ____________________ Director: ____________________

Date: 31 March 2022 Date: 31 March 2022

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: ____________________

Date: 31 March 2022

Director: ____________________

Date: 31 March 2022

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Consolidated**		**Parent Company**	
		2021	**2020**	**2021**	**2020**
		K'000	**K'000**	**K'000**	**K'000**
Revenue from Contract with Customers	4	579,633	581,429	434,527	441,607
Cost of sales		(394,192)	(395,278)	(291,246)	(295,020)
Gross profit		**185,441**	**186,151**	**143,281**	**146,587**
Distribution expenses	5(a)	(2,648)	(2,582)	(3,676)	(3,451)
Marketing expenses	5(b)	(4,900)	(4,111)	(3,687)	(3,108)
Administration expenses		(125,898)	(130,262)	(98,300)	(103,684)
Finance expense		(17,062)	(15,283)	(14,146)	(11,974)
Finance income		2,705	2,981	1,321	1,719
Depreciation expense		(33,696)	(33,868)	(29,993)	(27,338)
Other income		4,755	7,294	5,097	6,650
Foreign exchange gains		5,047	1,075	3,899	342
Total Expenses		(171,697)	(174,756)	(139,485)	(140,844)
Share of profit from joint ventures	11	1,925	1,582	1,925	1,582
Profit before income tax expense		15,669	12,977	5,721	7,325
Income tax (expense) / benefit	6(a)	(1,432)	1,566	(1,101)	1,590
Profit for the period after income tax		**14,237**	**14,543**	**4,620**	**8,915**
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		(516)	985	-	-
Total comprehensive income for the period		**13,721**	**15,528**	**4,620**	**8,915**
Profit for the period is attributed to:					
Owners of the parent		13,947	14,658	4,620	8,915
Non-controlling interest		290	(115)	-	-
		14,237	**14,543**	**4,620**	**8,915**
Total Comprehensive income for the period is attributed to:					
Owners of the parent		13,431	15,643	4,620	8,915
Non-controlling interest		290	(115)	-	-
		13,721	**15,528**	**4,620**	**8,915**
Earnings per share - basic and diluted (toea per share)		**6.90**	**7.05**		

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 41 to 64.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021

	Notes	Consolidated		Parent Company	
		2021	2020	2021	2020
		K'000	K'000	K'000	K'000
ASSETS					
Cash and cash equivalents	7	17,308	21,896	14,010	16,647
Trade and other receivables	8	26,726	22,905	19,348	13,177
Lease receivable	15	3,372	8,796	1,319	6,826
Income tax receivable	6(c)	-	2,123	-	902
Inventories	9	103,198	85,667	63,560	52,019
Prepayments		4,023	1,857	2,962	953
Total Current Asset		**154,627**	**143,244**	**101,199**	**90,524**
Related party receivables		-	63	19,674	24,844
Lease receivable	15	32,762	27,338	15,128	7,651
Property, plant and equipment	10	109,439	102,828	93,452	88,206
Right of use asset	15	144,130	153,416	127,281	134,017
Investment in Subsidiaries	11(a)	-	-	17,901	17,901
Investment in Joint Ventures	11(b)	8,331	6,864	8,331	6,864
Deferred tax assets, net	6(b)	9,362	7,402	8,434	6,410
Goodwill	12	4,825	4,825	3,431	3,431
Total Non-Current Asset		**308,849**	**302,736**	**293,632**	**289,324**
TOTAL ASSETS		**463,476**	**445,980**	**394,831**	**379,848**
LIABILITIES					
Borrowings	13	2,525	1,297	2,525	1,297
Trade and other payables	14	66,934	64,862	47,951	45,789
Lease Liabilities	15	18,617	12,755	12,999	7,269
Income tax liability	6(c)	879	-	2,223	-
Employee provisions	16	8,760	5,588	7,228	4,710
Total Current Liabilities		**97,715**	**84,502**	**72,926**	**59,065**
Borrowings	13	18,600	11,160	18,600	11,160
Other payables	14	691	744	173	218
Lease liabilities	15	173,863	181,389	146,724	148,886
Employee provisions	16	1,691	4,635	1,016	3,559
Total Non-Current Liabilities		**194,845**	**197,928**	**166,513**	**163,823**
TOTAL LIABILITES		**292,560**	**282,430**	**239,439**	**222,888**
NET ASSETS		**170,916**	**163,550**	**155,392**	**156,960**
SHAREHOLDERS' EQUITY					
Issued capital	17	70,867	70,867	70,867	70,867
Reserves	17	11,213	11,213	8,813	8,813
Other reserve	17	896	1,412	-	-
Retained earnings	17	86,800	79,041	75,712	77,280
Equity attributable to owners of the Parent		**169,776**	**162,533**	**155,392**	**156,960**
Non – controlling interest		1,140	1,017	-	-
TOTAL SHAREHOLDERS' EQUITY		**170,916**	**163,550**	**155,392**	**156,960**

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 41 to 64.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital K'000	Retained Earnings (Note 16) K'000	Revaluation Reserve (Note 16) K'000	Translation Reserve (Note 16) K'000	Attributable to owners of the parent K'000	Non-Controlling Interest K'000	Total K'000
Group							
Balance at 01 January 2020	**70,867**	**64,383**	**11,213**	**427**	**146,890**	**1,396**	**148,286**
Profit for the period	-	14,658	-	-	14,658	(115)	14,543
Other comprehensive income:							
Translation differences	-	-	-	985	985	-	985
Total comprehensive income for the year	**-**	**14,658**	**-**	**985**	**15,643**	**(115)**	**15,528**
Dividends declared	-	-	-	-	-	(264)	(264)
Balance at 31 December 2020	**70,867**	**79,041**	**11,213**	**1,412**	**162,533**	**1,017**	**163,550**
Profit for the Period	-	13,947	-	-	13,947	290	14,237
Other comprehensive income:							
Translation difference	-	-	-	(516)	(516)	-	(516)
Total comprehensive income for the year	**-**	**13,947**	**-**	**(516)**	**13,431**	**290**	**13,721**
Dividends declared (Note 22)	-	(6,188)	-	-	(6,188)	(167)	(6,355)
Balance at 31 December 2021	**70,867**	**86,800**	**11,213**	**896**	**169,776**	**1,140**	**170,916**

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 41 to 64.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital K'000	Retained Earnings (Note 16) K'000	Revaluation Reserve (Note 16) K'000	Total K'000
Parent				
Balance at 01 January 2020	**70,867**	**68,365**	**8,813**	**148,045**
Profit for the period	-	8,915	-	8,915
Total comprehensive income for the year	-	8,915	-	8,915
Balance at 31 December 2020	**70,867**	**77,280**	**8,813**	**156,960**
Profit for the period	-	4,620	-	4,620
Total comprehensive income for the year	-	4,620	-	4,620
Dividends declared (Note 22)	-	(6,188)	-	(6,188)
Balance at 31 December 2021	**70,867**	**75,712**	**8,813**	**155,392**

This statement is to be read in conjunction with the notes to and forming part of Consolidated Financial Statements set out on pages 41 to 64.

CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Operating Activities				
Cash receipts from customers	589,848	598,938	428,356	447,662
Cash paid to suppliers and employees	(542,977)	(539,022)	(393,144)	(399,689)
Cash receipts from lessees	3,189	2,613	1,220	796
Cash payments from low value and short-term leases	(9,674)	(9,473)	(6,893)	(8,328)
Cash generated from (used in) operations	40,386	53,056	29,539	40,441
Interest paid from borrowings	(1,607)	(617)	(1,357)	(300)
Interest paid from lease liabilities	(15,455)	(7,416)	(12,789)	(11,674)
Interest received	2,705	2,981	1,077	1,204
Insurance claim received	-	93	-	93
Income tax paid	(391)	(340)	-	-
Cash generated by operating activities	**25,638**	**47,757**	**16,470**	**29,764**
Investing Activities				
Proceeds from sale of equipment	490	53	490	53
Purchase of plant and equipment	(20,138)	(26,044)	(17,620)	(24,684)
Cash utilised by investing activities	**(19,648)**	**(25,991)**	**(17,130)**	**(24,631)**
Financing Activities				
Receipts of borrowings	9,485	4,621	9,485	4,621
Payment of borrowings	(817)	-	(817)	-
Repayment of lease liabilities	(16,173)	(25,091)	(10,940)	(12,031)
Receipt/(Payment) of rental bonds	(47)	100	(47)	100
Receipts from related parties	3,162	4,279	6,530	6,776
Dividend payment	(6,188)	-	(6,188)	-
Cash utilised by financing activities	**(10,578)**	**(16,091)**	**(1,977)**	**(534)**
Net decrease in Cash and cash equivalents	**(4,588)**	**5,675**	**(2,637)**	**4,599**
Cash and cash equivalents at beginning of the period	21,896	16,221	16,647	12,048
Cash and cash equivalents at end of the period	**17,308**	**21,896**	**14,010**	**16,647**

This statement is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 41 to 64.

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 2021, the Group has a combined retail operation of 70 stores (2020: 69 stores) nationwide and employs over 2,577 employees (2020: 2,430 employees) of which 95 percent (2020: 95 percent) are Papua New Guinean citizens.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 29 March 2022.

2 SIGNIFICANT 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 2021. 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.

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.

2.2 Basis of consolidation *continued*

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 Significant 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.

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.

2.3 Summary of Significant accounting policies *continued*

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.

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.

2.3 Summary of Significant accounting policies *continued*

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.

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.

2.3 Summary of Significant accounting policies *continued*

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

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, 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.

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 are met.

Land are 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	50 years
Office equipment	5 – 12 years
Motor Vehicles	3 – 8 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.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. 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 Significant accounting policies *continued*

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

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.

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.

2.3 Summary of Significant accounting policies *continued*

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.

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 Significant 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. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognised immediately in profit or loss in the period in which the investment is acquired.

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

2.3 Summary of Significant 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 Significant 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

Under IFRS 16, the Group has accounted for its sub-lease arrangements as finance 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 Significant 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.

2.4 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.

2.4 Accounting, judgments, estimates and assumptions *continued*

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, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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 that reflect the Group's weighted average cost of capital, adjusted for risks specific to the asset or CGU.

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.

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 K15,258k (2020: K23,428k) of tax losses carried forward. These losses relate to a subsidiary that have history of losses and may not be used to offset taxable income elsewhere in the Group. The Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward and 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 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. The Group's independent valuation specialist confirmed no significant change in the fair value of the Group's land as at 31 December 2021.

The key assumptions used to determine the fair value of the land are provided in Note 10.

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 2021.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The above amendments and interpretations apply for the first time in 2021, but do not have a material impact on the Group's Consolidated Financial Statements.

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

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
Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the ’10 percent’ test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 12: Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2024
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement2: Disclosure of Accounting Policies	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Deferred effectivity

The Group continues to assess the impact of the foregoing new and amended accounting standards and interpretations effective subsequent to 2021 on the Group’s financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Group’s financial statements when these amendments are adopted.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Contract with Customers	579,633	581,429	434,527	441,607

5 OTHER OPERATING EXPENSES

a) Distribution expenses

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Freight and handling	2,648	2,582	3,676	3,451

b) Marketing expenses

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Advertising and promotions	2,899	2,368	2,091	1,522
Decorations and display materials	-	30	-	30
Other marketing expenses	2,001	1,713	1,596	1,556
Total	4,900	4,111	3,687	3,108

6 INCOME TAX EXPENSE

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
(a) Income tax benefit				
Current tax	3,393	816	3,125	427
Deferred tax	(1,961)	(2,380)	(2,024)	(2,017)
Income tax expense/(benefit)	**1,432**	**(1,566)**	**1,101**	**(1,590)**
The prima facie for the period is reconciled to the tax expense as follows:				
Accounting profit before tax	15,669	12,977	5,721	7,325
Tax for the period at 30%	4,701	3,893	1,717	2,197
Share of profit from joint ventures	(578)	(475)	(578)	(475)
Adjustments in respect of current income tax of previous years	(305)	(149)	(61)	(144)
Utilisation of previously unrecognised tax losses	(2,430)	(5,150)	-	(3,274)
Non-deductible expenses	44	315	23	106
Income tax expense (benefit)	**1,432**	**(1,566)**	**1,101**	**(1,590)**

6 INCOME TAX EXPENSE *continued*

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
(b) Deferred taxes				
Deferred taxes assets (liabilities)				
Expected credit loss	593	584	22	6
Provision for inventory losses	1,631	1,518	605	653
Provision for employee benefits	2,899	2,856	2,267	2,280
Lease liability – net	3,806	1,721	4,939	2,641
Others	651	484	761	429
Fixed assets	186	474	186	586
Prepaid expenses	(329)	(225)	(271)	(175)
Unrealised foreign exchange gain	(75)	(10)	(75)	(10)
Net Deferred tax assets	**9,362**	**7,402**	**8,434**	**6,410**

(c) Carry forward losses

Year	Losses	Utilised in 2021	Unutilised	Expiry
	K'000	K'000	K'000	
2015	6,173	(6,173)	-	2035
2016	4,422	(1,926)	2,497	2036
2017	24,777	-	24,777	2037
2018	4,085		4,085	2038
	39,457	(8,099)	31,358	
Less Capital Losses			16,101	
Unutilized Revenue Losses			15,257	

The Group has not recognised deferred tax assets arising from carry forward losses.

7 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Cash and cash equivalents	17,308	21,669	14,010	16,647
Fixed deposits	-	227	-	-
	17,308	**21,896**	**14,010**	**16,647**

8 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Current				
Trade receivables	19,028	18,819	10,283	8,461
Related party receivables	195	-	1,008	196
	19,223	18,819	11,291	8,657
Less: Expected credit losses	(1,982)	(1,953)	(73)	(19)
Total trade and related party receivables	17,241	16,866	11,218	8,638
Other receivables	9,485	6,039	8,130	4,539
Net current receivables	**26,726**	**22,905**	**19,348**	**13,117**

Breakdown of other receivables is as follows:

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Medical Claims	-	2	-	2
Insurance Claims	403	292	377	249
Employee loans	112	83	77	76
GST receivable	4,922	1,139	4,363	666
Various deposits	2,931	2,852	2,535	2,440
Other	1,117	1,671	778	1,106
Total Other Receivables	**9,485**	**6,039**	**8,130**	**4,539**

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.

8 TRADE AND OTHER RECEIVABLES *continued*

Consolidated	Not past due K'000	Past due not impaired K'000	Impaired K'000	Total K'000
2021				
Balance as at 31 December 2021	13,050	4,191	1,982	19,223
Expected Credit Losses	-	-	(1,982)	(1,982)
Total trade and related party receivables	**13,050**	**4,191**	**-**	**17,241**
2020				
Balance as at 31 December 2020	11,105	5,761	1,953	18,819
Expected Credit Losses	-	-	(1,953)	(1,953)
Total trade and related party receivables	**11,105**	**5,761**	**-**	**16,866**

Parent Company	Not past due K'000	Past due not impaired K'000	Impaired K'000	Total K'000
2021				
Balance as at 31 December 2021	7,556	3,662	73	11,291
Expected Credit Losses	-	-	(73)	(73)
Total trade and related party receivables	**7,556**	**3,662**	**-**	**11,218**
2020				
Balance as at 31 December 2020	5,290	3,348	19	8,657
Expected Credit Losses	-	-	(19)	(19)
Total trade and related party receivables	**5,290**	**3,348**	**-**	**8,638**

Rollforward of expected credit losses:

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Balance at the beginning of the year	1,953	1,660	19	127
Impairment recognised on receivable	29	401	54	-
Reversals recognised on receivables	-	(108)	-	(108)
Balance at the end of the year	**1,982**	**1,953**	**73**	**19**

9 INVENTORIES

	Consolidated		Parent Company	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Inventory for resale	108,656	90,750	65,576	54,195
Provision for inventory shrinkage	(5,458)	(5,083)	(2,016)	(2,176)
Total	**103,198**	**85,667**	**63,560**	**52,019**

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 shrinkage has been made based on past experience. The carrying value of the inventory is below the selling price less costs necessary to sell the inventory as at 31 December 2021 and 2020.

10 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 2021	20,400	-	19,340	124,464	164,204
Additions	1,302	-	3,547	4,282	9,131
Disposals	-	-	(1,876)	(871)	(2,747)
Work in progress	-	-	-	11,355	11,355
Transfers	-	42,257	-	(42,257)	-
At 31 December 2021	**21,702**	**42,257**	**21,011**	**96,973**	**181,943**
Accumulated Depreciation					
At 01 January 2021	-	-	12,853	48,523	61,376
Charge for the period	-	804	2,608	10,374	13,786
Disposals	-	-	(1,840)	(818)	(2,658)
At 31 December 2021	**-**	**804**	**13,621**	**58,079**	**72,504**
Net Carrying Value					
At 31 December 2021	**21,702**	**41,453**	**7,390**	**38,894**	**109,439**
At 01 January 2021	**20,400**	**41,453**	**6,487**	**75,941**	**102,828**

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 2020	20,400	-	19,996	106,059	146,455
Additions	-	-	2,590	6,102	8,692
Disposals	-	-	(3,246)	(5,085)	(8,331)
Work in progress	-	-	-	17,388	17,388
Transfers	-	-	-	-	-
At 31 December 2020	**20,400**	**-**	**19,340**	**124,464**	**164,204**
Accumulated Depreciation					
At 01 January 2020	-	-	13,893	44,840	58,733
Charge for the period	-	-	2,026	8,359	10,385
Disposals	-	-	(3,066)	(4,676)	(7,742)
At 31 December 2020	**-**	**-**	**12,853**	**48,253**	**61,376**
Net Carrying Value					
At 31 December 2020	**20,400**	**-**	**6,487**	**75,941**	**102,828**
At 01 January 2020	**20,400**	**-**	**6,103**	**61,219**	**87,722**

10 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 2021	10,000	-	13,536	112,761	136,297
Additions	-	-	2,674	4,473	7,147
Disposals	-	-	(1,536)	(1,055)	(2,591)
Work in progress	-	-	-	11,355	11,355
Transfers	-	42,257	-	(42,257)	-
At 31 December 2021	**10,000**	**42,257**	**14,674**	**85,277**	**152,208**
Accumulated Depreciation					
At 01 January 2021	-	-	7,729	40,362	48,091
Charge for the period	-	804	2,310	9,707	12,821
Disposals	-	-	(1,437)	(719)	(2,156)
At 31 December 2021	**-**	**804**	**8,602**	**49,350**	**58,756**
Net Carrying Value					
At 31 December 2021	**10,000**	**41,453**	**6,072**	**35,927**	**93,452**
At 01 January 2021	**10,000**	**41,453**	**5,807**	**72,399**	**88,206**

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 2020	10,000	-	12,858	90,623	113,481
Additions	-	-	1,816	5,634	7,450
Disposals	-	-	(1,138)	(730)	(1,868)
Work in progress	-	-	-	17,234	17,234
At 31 December 2020	**10,000**	**-**	**13,536**	**112,761**	**136,297**
Accumulated Depreciation					
At 01 January 2020	-	-	7,083	33,624	40,707
Charge for the period	-	-	1,630	7,069	8,699
Disposals	-	-	(984)	(331)	(1,315)
At 31 December 2020	-	-	**7,729**	**40,362**	**48,091**
Net Carrying Value					
At 31 December 2020	**10,000**	**-**	**5,807**	**72,399**	**88,206**
At 01 January 2020	**10,000**	**-**	**5,775**	**56,998**	**72,774**

10 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. According to CJ Valuers Ltd., formerly Yagur Property Valuers, an independent valuer who is not related to the Group and valued the land in 2019, there is no significant change in the fair value of the Group's freehold land as at 31 December 2021.

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.

Capitalised borrowing costs

The Group started the re-construction of the Gerehu Warehouse on May 2019. This has been completed in June 2021. The carrying amount transferred from Work-in-progress to Building amounted to K42.26m. The warehouse is financed by Westpac in a facility agreement as discussed below in Note 13. The amount of borrowing costs capitalised during the year ended 31 December 2021 was K Nil (2020: K764k). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.95% (2020: 5.95%), which is the effective interest rate (EIR) of the specific borrowing.

Impairment

There are no indications that the assets may be impaired as at 31 December 2021.

11 INVESTMENTS

	Note	Consolidated		Parent Company	
		2021	2020	2021	2020
Non-Current		K'000	K'000	K'000	K'000
Investment in Subsidiaries - at cost	11(a)	-	-	17,901	17,901
Joint Ventures – Equity method	11(b)	8,331	6,864	8,331	6,864
Total		**8,331**	**6,864**	**26,232**	**24,765**

	Note	Country	Ownership	2021	2020
				K'000	K'000
11(a) Subsidiary Companies					
Pharmacy Wholesales Pty Limited		Australia	71%	2,105	2,105
Hardware Haus Limited		PNG	100%	15,796	15,796
City Property Limited	17	PNG	100%	-	-
Real Rewards Limited	17	PNG	100%	-	-
				17,901	**17,901**
11(b) Joint Ventures					
Paradise Cinemas (PNG) Limited		PNG	46.2%	-	-
Jacks Retail (PNG) Limited		PNG	50%	5,135	4,275
DFS (PNG) Limited		PNG	50%	3,196	2,589
				8,331	**6,864**

11 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*

	2021 K'000	2020 K'000
Current assets	15,482	11,384
Non-current assets	17,719	15,851
Current liabilities	(22,838)	(3,841)
Non-current liabilities	(94)	(14,844)
Net assets	10,269	8,550
Total Revenue	30,931	27,304
Total Profit / (Loss)	2,637	1,372
Group's share of Profit / (Loss)	1,319	686
Carrying amount of the investment (50%)	**5,135**	**4,275**

**Jack Retail (PNG) Limited declared dividends amounting to PGK917,736 (50% PGK458,867), which is accounted for as a deduction in Investment.*

DFS PNG Limited

	2021 K'000	2020 K'000
Current assets	7,310	7,805
Non-current assets	10,782	10,972
Current liabilities	(3,131)	(3,929)
Non-current liabilities	(8,568)	(9,669)
Net assets	6,393	5,178
Total Revenue	12,373	10,493
Total Profit / (Loss)	1,213	1,792
Group's share of Profit / (Loss)	606	896
Carrying amount of the investment (50%)	**3,196**	**2,589**

12 GOODWILL

	Consolidated		Parent Company	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Net 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 15% per annum (2020: 15%).

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% (2020: 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% per annum (2020: 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% (2020: 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.

13 INTEREST BEARING LOANS AND BORROWINGS

	Note	Consolidated		Parent	
		2021 K'000	2020 K'000	2021 K'000	2020 K'000
Current					
Bank overdraft	13(a)	-	-	-	-
Bank Loans	13(b)	2,525	1,297	2,525	1,297
Non-Current					
Bank Loans	13(b),13(c)	18,600	11,160	18,600	11,160
Total loans and borrowings		**21,125**	**12,457**	**21,125**	**12,457**

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.

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 principle and interest. The facility is secured by the following assets:
- Interlocking guarantee between CPL and HHL supported by:
  - First ranking fixed and floating charge over the current and future assets and undertakings of the Obligors; and
  - First ranking registered mortgages over the two (2) commercial properties plus all improvements thereon, properties being:
    1. Lot 18 Section 342 Uduka Street Hohola; and
    2. Allotment 2, Sec 163, Orion Rd, Taraka, Lae

c) At 31 December 2021, the Group had available K15.87m (2020: K24.54m) of undrawn committed borrowing facilities.

14 TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Current				
Trade payables	43,275	44,065	34,386	32,171
Related party payables	-	-	208	2,141
Other payables	23,659	20,797	13,357	11,477
	66,934	**64,862**	**47,951**	**45,789**
Non-current				
Security bond	691	744	173	218
Total payables	**67,625**	**65,606**	**48,124**	**46,007**

Breakdown of other payables is as follows:

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Contract liability*	8,142	6,222	1,721	699
Withholding taxes	3,769	3,770	3,704	3,707
Accruals	7,916	6,519	4,875	4,246
Wages payable	217	398	128	287
Other accruals	3,615	3,888	2,929	2,538
Total other payables	**23,659**	**20,797**	**13,357**	**11,477**

**Includes deferred revenue under the real rewards loyalty program*

15 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 2020	**158,579**	**192,777**	**38,746**
Additions	16,409	18,408	-
Sub-lease	-	-	327
Modification	4,277	4,277	
Depreciation	(22,597)	-	-
Lease termination	(3,252)	(3,476)	-
Interest expense	-	14,755	-
Interest income	-	-	2,927
Collections from sublessee	-	-	(5,866)
Payment of lessee	-	(32,597)	-
As at 31 December 2020	**153,416**	**194,144**	**36,134**
Additions	2,303	2,303	-
Sub-lease	-	-	-
Modification	9,015	12,205	3,190
Depreciation	(20,604)	-	-
Lease termination	-	-	-
Interest expense	-	15,510	-
Interest income	-	-	2,681
Collections from sublessee	-	-	(5,871)
Payment of lessee	-	(31,682)	-
As at 31 December 2021	**144,130**	**192,480**	**36,134**

15 LEASES *continued*

Parent	Right-of-use assets – Buildings	Lease liabilities	Lease receivable
	K'000	K'000	K'000
As at 1 January 2020	**137,352**	**151,994**	**15,274**
Additions	16,410	18,410	-
Sublease	-	-	327
Modification	1,259	1,259	
Depreciation	(17,752)	-	-
Lease termination	(3,252)	(3,476)	-
Interest expense	-	11,674	-
Interest income	-	-	1,170
Collections from sublessee	-	-	(2,294)
Payment of lessee/sublessee	-	(23,706)	-
As at 31 December 2020	**134,017**	**156,155**	**14,477**
Additions	2,303	2,303	-
Sublease	-	-	-
Modification	9,015	12,205	3,190
Depreciation	(18,054)	-	-
Lease termination	-	-	-
Interest expense	-	12,789	-
Interest income	-	-	1,077
Collections from sublessee	-	-	(2,297)
Payment of lessee/sublessee	-	(23,729)	-
As at 31 December 2021	**127,281**	**159,723**	**16,447**

The following are amounts recognised in profit or loss:

Consolidated	2021	2020
	K'000	K'000
Depreciation expense of right-of-use assets	(20,604)	(22,597)
Interest expense on lease liabilities	(15,510)	(14,755)
Interest income on lease receivables	2,681	2,927
Gain from lease termination	-	224
Expense relating to leases of low-value assets	(10,132)	(9,473)
Total amount recognised in profit or loss	**(43,565)**	**(43,674)**

Parent	2021	2020
	K'000	K'000
Depreciation expense of right-of-use assets	(18,053)	(17,752)
Interest expense on lease liabilities	(12,789)	(11,674)
Interest income on lease receivables	1,077	1,170
Gain from lease termination	-	224
Expense relating to leases of low-value assets	(7,352)	(8,328)
Total amount recognised in profit or loss	**(37,117)**	**(36,360)**

Refer to Note 19 for a reconciliation demonstrating the impact of IFRS 16 between Segment profit and Net profit.

15 LEASES *continued*

(a) Classification of lease receivable and liability

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Lease receivables				
Current	3,372	8,796	1,319	6,826
Non-current	32,762	27,338	15,128	7,651
Total lease receivables	**36,134**	**36,134**	**16,447**	**14,477**
Lease liabilities				
Current	18,617	12,755	12,999	7,269
Non-current	173,863	181,389	146,724	148,886
Total lease liabilities	**192,480**	**194,144**	**159,723**	**156,155**

16 PROVISIONS

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Employee provisions				
Current				
Wages Payable	787	702	688	668
Annual Leave	2,583	2,367	1,972	1,807
Employee bonus	2,764	1,766	2,371	1,482
Long service leave	2,626	753	2,197	753
	8,760	**5,588**	**7,228**	**4,710**
Non-current				
Long service leave	**1,691**	**4,635**	**1,016**	**3,559**

17 EQUITY

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

The total number of shares on issue as at 31 December 2021 is 206,277,911 (2020: 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.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

17 EQUITY *continued*

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

	Consolidated	
	2021	**2020**
	K'000	**K'000**
Profit attributable for basic and diluted earnings	14,237	14,543
Weighted average number of shares for basic and diluted EPS*	206,278	206,278
Earnings per share - basic and diluted (toea per share)	6.90	7.05

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares and preference shares during the year*

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 K11.21m and K8.81m, respectively for both year-ended 31 December 2021 and 2020. 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	
	2021	**2020**
	K'000	**K'000**
Balance at beginning of year	1,412	427
Exchange differences arising on translating the foreign operations	(516)	985
Balance at end of year	**896**	**1,412**

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.

Retained earnings and dividend on equity instruments

	Consolidated		Parent	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
Retained earnings	86,800	79,041	75,712	77,280
Balance at beginning of year	79,041	64,383	77,280	68,365
Profit attributable to the owners of the Company	13,947	14,658	4,620	8,915
Dividends declared	(6,188)	-	(6,188)	
Balance at end of year	86,800	79,041	75,712	77,280

Dividends declared and paid

The dividends declared and paid out in 2021 amounts to 3.00 toea per share.

18 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

Transactions with Hardware Haus Limited 'HHL', a wholly owned subsidiary from 1 July 2015, are based on commercial arrangements. The Company's total sales to HHL in 2021 were K487k (2020:K559k) while purchases were K1,328k (2020: K1,227k). As at 31 December 2021, the Company has a receivable from HHL of K24,810k (2020: K29,242k).

The Company has transactions with Pharmacy Wholesalers Pty. Ltd. 'PWL', a subsidiary, based on commercial arrangements. The Company's purchases from PWL in 2021 is K5.47m (2020: K4.38m). The Company has a payable to Pharmacy Wholesalers of K393k (2020: K1,975k).

The Company provides administration assistance to Paradise Cinema (PNG) Limited, a joint venture. As at 31 December 2021, the Company has a receivable from Paradise Cinema of K52k (2020: K5k).

The Company provides administration assistance to Jacks Retail (PNG) Limited, a joint venture. As at 31 December 2021, the Company has a receivable from Jacks Retail of K105k (2020 payable: K29k)

The Company provides administration assistance to DFS (PNG) Limited, a joint venture. As at 31 December 2021, the Company has a receivable from DFS (PNG) of K37k (2020 payable: K129k).

b) Transaction with Directors

Sir Mahesh Patel is a shareholder and non-executive director of the Company and receives a director's fee, and shared accommodation provided to him by the Company.

Sir Mahesh Patel is a director of New World Limited, Fiji, a supplier to the company. In 2021, the Group has a receivable amount of K Nil (2020: K Nil).

Sir Mahesh Patel is related to a director of US All American ENT.INC.USA, a supplier to the Company. In 2021, City Pharmacy Limited's total stocks purchased from US All American was K304k (2020: K576k). The Group has payable of K Nil (2020: K142k) as at year end.

18 RELATED PARTY TRANSACTIONS *continued*

c) Due from / (to) key management personnel

During the period, the key management personnel who are non-company directors received advances from the Group amounting to K Nil (2020: K48k). As at 2021 year end, the balance owed to the Group is K Nil (2020: K Nil).

d) Remuneration of the Directors and key management officers

The total remuneration paid to Directors and key management officers during the year was K7.30m (2020: K6.8m) and consisted of fixed directors' fees, salaries and fees and non-monetary benefits (i.e. accommodation and motor vehicle) as follows:

	2021 K'000	2020 K'000
Short-term employment benefits	7,295	6,833

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

	2021 K'000	2020 K'000
Stanley Thomas Joyce, Chairman	200	241
Sir Mahesh Patel, OBE	415	1,287
Graham John Dunlop	100	121
Peter Robinson (resigned 11 March 2020)	-	36
Mary Handen	100	121
Mary Ellen Johns	100	121
Aru Chellappan (appointed 9 September 2020)	100	50
Eunice Parua (appointed 23 July 2021)	53	-

Sir Mahesh Patel is a full-time employee starting from 1 March 2018 and received the benefit of fully provided vehicle, accommodation and air fares until 31 December 2020. As of 2021, Sir Mahesh Patel is no longer an employee of the Company but serves as a Director.

18 RELATED PARTY TRANSACTIONS *continued*

Interest Register

Name of Director	Interest/Position	Name of entity
Sir Mahesh Patel	Director/Shareholder	Mainsbridge Pty. Limited, Australia
	Director	New World Limited, Fiji
	Shareholder	Manu Nominees Pty. Limited, Australia
	Director/Shareholder	Amar Business Holding Pte Ltd, Singapore
	Director	Mountain Valley Springs (India) Pvt Ltd.
	Related to Director	U.S. All American ENT. Inc., USA
Graham John Dunlop	Director (until 30 June 2021)	Steamships Trading Company Limited
Eunice Parua	Director/Shareholder	LLLS Services No. 2 Limited
	Director/Shareholder	EAE Investments Limited
Mary Handen	Director/Shareholder	KBS Network Limited
	Director/Shareholder	Jedjays 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.
Stanley Thomas Johns	Chairman	South Pacific Brewery Limited
	Director	NGIP Agmark Limited
	Chairman	Mainland Holdings Limited
	Chairman	Westpac Bank PNG Limited

Shareholdings of Directors and Related Parties

Related Party	No. of Shares in the Company	% Holding
Amar Business Holdings Pte Limited, Singapore	21,280,712	10.32%
New World Limited, Fiji	13,887,857	6.73%
Mainsbridge Pty. Limited, Australia	9,458,538	4.59%
Sir Mahesh Patel & Lady Usha Patel	25,148,051	12.19%
Sir Mahesh Patel	9,892,395	4.08%
Manu Nominees Pty. Limited, Australia	3,000,000	1.45%

Remuneration of employees

	2021	2020
K80,001 - K100,000	15	27
K100,001 - K200,000	60	70
K200,001 - K300,000	6	7
K300,001 - K400,000	11	7
K400,001 - K500,000	2	2
K500,001 - K600,000	2	2
K600,001 - K700,000	2	1
K700,001 - K800,000	1	1
K800,001 - K900,000	-	-
K1,200,001 - K1,300,000	-	2
K1,300,001 - K1,400,000	1	-
	100	119

19 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.

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

	Retail K'000	Wholesale and Tender K'000	Total K'000
Assets			
31 December 2021	452,147	11,329	463,476
31 December 2020	432,875	13,105	445,980
Liabilities			
31 December 2021	290,128	2,432	292,560
31 December 2020	278,290	4,140	282,430

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.

2021	**Retail**	**Wholesale and Tender**	**Total Segment**	**Elimination**	**Consolidated**
Revenue					
External customer	539,148	40,485	579,633	-	579,633
Inter-segment	-	14,419	14,419	(14,419)	-
Total revenue	539,148	54,904	594,052	(14,419)	579,633
Cost of sales	(365,953)	(42,658)	(408,611)	14,419	(394,192)
Total Expenses	(155,530)	(5,418)	(160,948)	(57)	(161,005)
Profit before income tax	17,665	6,828	24,493	(58)	24,435
Income tax expense	(987)	(445)	(1,432)	0	(1,432)
Segment profit before impact of IFRS 16 impact	**16,678**	**6,383**	**23,060**	**(58)**	**23,003**
IFRS 16 Impact:					
Amortisation – ROU	(20,166)	(438)	(20,604)	-	(20,604)
Interest expense	(15,455)	(55)	(15,510)	-	(15,510)
Rent expense	31,174	509	31,683	-	31,683
Interest Income	2,681	-	2,681	-	2,681
Rent Income	(7,016)	-	(7,016)	-	(7,016)
Other income	-	-	-	-	-
Total Net Profit	**7,896**	**6,399**	**14,295**	**(58)**	**14,237**

19 SEGMENT INFORMATION *continued*

2020	Retail	Wholesale and Tender	Total Segment	Elimination	Consolidated
	K'000	K'000	K'000	K'000	K'000
Revenue	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
External customer	552,000	29,429	581,429	-	581,429
Inter-segment	-	10,428	10,428	(10,428)	-
Total revenue	552,000	39,857	591,857	(10,428)	581,429
Cost of sales	(374,027)	(31,679)	(405,706)	10,428	(395,278)
Total Expenses	(161,474)	(3,448)	(164,922)	(1,107)	(166,029)
Profit before income tax	16,499	4,730	21,229	(1,107)	20,122
Income tax expense	1,893	(327)	1,566	-	1,566
Segment profit before impact of IFRS 16 impact	**18,392**	**4,403**	**22,795**	**(1,107)**	**21,688**
IFRS 16 Impact:					
Amortisation – ROU	(22,378)	(219)	(22,597)	-	(22,597)
Interest expense	(14,666)	(89)	(14,755)	-	(14,755)
Rent expense	32,343	254	32,597	-	32,597
Interest Income	2,927	-	2,927	-	2,927
Rent Income	(5,541)	-	(5,541)	-	(5,541)
Other income	224	-	224	-	224
Total Net Profit	**11,301**	**4,349**	**15,650**	**(1,107)**	**14,543**

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.

Revenue from external customers

Consolidated	For the years ended 31 December					
	2021			2020		
	Retail K'000	Wholesale and Tender K'000	Total K'000	Retail K'000	Wholesale and Tender K'000	Total K'000
Geographical markets						
Papua New Guinea	539,148	24,357	563,505	552,000	13,383	565,383
Australia	-	1,935	1,935	-	1,975	1,975
Fiji	-	14,193	14,193	-	14,071	14,071
Total revenue	539,148	40,485	579,633	552,000	29,429	581,429

Parent Company	For the years ended 31 December					
	2021			2020		
	Retail K'000	Wholesale and Tender K'000	Total K'000	Retail K'000	Wholesale and Tender K'000	Total K'000
Geographical markets						
Papua New Guinea	410,170	24,357	434,527	428,224	13,383	441,607
Total revenue	410,170	24,357	434,527	428,224	13,383	441,607

Non-current operating assets

	2021 K'000	2020 K'000
Papua New Guinea	256,152	258,345
Australia	2,242	2,724
	258,394	261,069

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

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 carrying amount of each financial asset in the balance sheet.

	Consolidated		Parent	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Cash at bank	17,308	21,896	14,010	16,647
Trade and other receivables	26,531	22,905	18,340	12,918
Related party receivables	195	63	20,682	25,040
Lease receivable	36,135	36,134	16,447	14,477
	80,169	**80,998**	**69,479**	**69,082**

Management does not expect any accountable party to fail 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 2021	On demand K'000	0-3 Months K'000	3 Months – 1 Year K'000	Due more than a year K'000
Trade and other payables	66,934	-	-	-
Borrowings	-	963	2,888	22,325
Lease liabilities	-	10,404	21,846	246,521
	66,934	**11,367**	**24,734**	**268,846**

20 FINANCIAL INFORMATION *continued*

Group 2020	On demand K'000	0-3 Months K'000	3 Months – 1 Year K'000	Due more than a year K'000
Trade and other payables	64,862	-	-	-
Bank overdraft	1,297	-	-	11,160
Lease liabilities	-	9,361	27,996	300,946
	66,159	9,361	27,996	312,106

Parent Company 2021	On demand K'000	0-3 Months K'000	3 Months – 1 Year K'000	Due more than a year K'000
Trade and other payables	47,951	-	-	-
Borrowings	-	963	2,888	22,325
Lease liabilities	-	7,758	16,825	213,668
	47,951	**8,721**	**19,713**	**235,993**

Parent Company 2020	On demand K'000	0-3 Months K'000	3 Months – 1 Year K'000	Due more than a year K'000
Trade and other payables	45,789	-	-	-
Bank overdraft	1,297	-	-	11,160
Lease liabilities	-	5,639	16,828	220,207
	47,086	**5,639**	**16,828**	**231,367**

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 2021, a general increase of one percentage point in interest rates or one percentage point in the value of the Kina against other foreign currencies would not have a significant impact on the Group's profit.

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's policy is to keep the gearing ratio between 20% and 40%. 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.

Gearing Ratio

As at year end, the ratio was as follows:

	Consolidated	
	2021	**2020**
	K'000	**K'000**
Interest-bearing loans and borrowings	21,125	12,457
Trade and other payables	66,934	64,862
Less: cash and short-term deposits	(17,308)	(21,896)
Net debt	**70,751**	**55,423**
Equity (i)	168,880	161,120
Capital and net debt	**239,631**	**216,543**
Gearing rati●	**29%**	**26%**

(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 2021 and 2020.

21 COMMITMENTS AND CONTINGENCIES

Commitments

Future financial charges total K4,635k (2020: K1,833k) in relation to the bank loan and various financial leases of vehicles from the Westpac Bank PNG Limited.

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

Contingencies

a) The Company has a credit facility of K19,750k (2020: 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.

c) In October 2019, the Company received an Issue Paper from the Internal Revenue Commission (IRC) on the treatment of GST. The Directors have reviewed the Issue Paper and have taken external tax advice and are satisfied that no adjustments to the financial statements are required to be recognised by the Company. The Company and its external tax agents are in constant engagement with the IRC. Additional documents to fully support the Company's position have been provided to the IRC and the Company does not believe the Issue Paper will result in any financial settlement.

22 SUBSEQUENT EVENTS

Despite the challenging economic situation and significant ongoing construction projects, the Directors decided to pay dividends of 4.00 toea per share on April 29, 2022.

Independent Auditor's Report

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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 2021;
- 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 a summary of significant accounting policies; 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 2021 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 auditor independence requirements of the *Companies Act 1997* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *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.

Key audit matters

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.

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

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procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Inventory Existence

Why significant	How our audit addressed the key audit matter
At 31 December 2021, the Company and Group held inventories of PGK63,559,564 and PGK103,198,159 respectively which represents 16% (2020:14%) and 22% (2020: 19%) of the Company's and Group's total assets. As one of the most significant balances on the Company and Group's 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 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 Company and Group accounts for inventories in accordance with the policy disclosed in Note 2.3(g) and further disclosure is included in Note 9 of the financial report.	Our audit procedures included the following: ▶ Testing the effectiveness of key controls relevant to the conduct of physical stocktakes, the review and investigation of stocktake variances, and the approval of adjustments made to stock quantities. ▶ In performing our testing, we attended 16 stocktakes conducted at stores and warehouses across Papua New Guinea and Australia during the year and at or around 31 December 2021. ▶ At the stocktakes attended, 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 establish the accuracy of the counts performed by the Company and Group. ▶ Where stocktakes were completed prior to or after the balance sheet date, we performed inventory movement analysis, on a sample basis, to evidence and evaluate changes in inventory quantities between the stocktake date and year end date. ▶ For the retail stores not attended as part of our inventory observation procedures, we inspected the Company and Group's stocktake records to understand the extent of stocktake variances identified and tested whether inventory quantity and quality adjustments had been appropriately recorded in the Company and Group's accounting records. ▶ We obtained details of stock-in-transit at year end, as well as movements either side of the year end date and performed procedures to address the risk of incorrect cut-off of inventory quantities at year end. ▶ We performed analytical procedures over stocktake variances, inventory loss and gross margin for the 2021 financial year and considered whether our other audit procedures provided any contrary evidence as to the existence of the Company and Group's inventory.

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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 2021 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

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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) 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

Ernst & Young

M. Savage

Matthew Savage
Partner

Registered under the Accountants Act 1996
Port Moresby
31 March 2022

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

Top Shareholding

Shareholders	No. of Shares	%
National Superannuation Fund Limited	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 Limited	21,280,712	10.32
Almana Holdings PTE Limited	17,000,000	8.24
New World Limited	13,887,857	6.73
MRL Capital Limited	10,325,510	5.01
Mahesh Patel	9,892,395	4.80
Mainsbridge Pty Limited	9,458,538	4.59
Rolex Investment Limited	4,134,241	2.00
Manu Nominees Pty Limited	3,000,000	1.45
Real Genius Investment Limited	2,737,773	1.33
Even Stronger Investments Limited	2,700,269	1.31
Comrade Trustee Services Limited	2,576,921	1.25
Mineral Resources OK Tedi No.2 Limited	2,500,000	1.21
Mineral Resources Star Mountains Limited	2,500,000	1.21
Laxmi Investments Limited	2,061,317	1.00
Credit Corporation (PNG) Limited	1,953,544	0.95
Mineral Resources Development Company Limited	1,651,119	0.80
TNG Constructions Limited	1,500,000	0.72
Others*	10,106,321	6.66
Total	206,277,911	100.00

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

Shareholding Bands

Shareholders	No. of Shareholders	No. of shares
1 – 1,000	167	102,889
1,001 – 5,000	446	1,075,013
5,001 – 10,000	43	296,247
10,001 – 100,000	44	1,442,550
100,001 and above	49	203,361,212
Total	749	206,277,911

Amounts in PGK'000

	2017 Restated	2018	2019	2020	2021
Statement of Comprehensive Income					
Turnover	579,591	548,425	582,397	592,779	592,140
Operating Profit/(loss) before tax	(28,252)	8,837	5,560	12,977	15,669
Operating Profit/(loss) after tax attributable to the Group	(31,912)	6,633	12,241	14,543	14,237
Dividends proposed	-	-	-	6,188	8,251
Shares on issue (number)	143,381,461	199,972,219	199,972,219	206,277,911	206,277,911
Dividends proposed per share (Kina)	0 toea	0 toea	0 toea	3 toea	4 toea

	2017 Restated	2018	2019	2020	2021
Statement of Financial Position					
Shareholders' Funds	86,120	131,741	146,890	162,533	169,776
Inventories	67,938	84,235	91,234	85,667	103,198
Other assets	217,720	158,292	349,823	360,313	360,278
Borrowings	82,257	7,628	7,836	12,457	21,125
Other liabilities	115,489	101,849	284,935	269,973	271,435
Current Ratio	1.10	1.60	1.26	1.70	1.58
Debt to Net worth	96%	6%	5%	8%	12%
Net asset backing per Share (Kina)	0.57	0.64	0.74	0.79	0.80
Net Profit Margin	(6.37%)	1.28%	2.18%	2.50%	2.40%
Net Profit to Equity	(37.05%)	4.99%	8.25%	8.89%	8.39%
Earnings per Share (Toea)	(22.26)	3.32	6.12	7.05	6.12

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

Staff Appointment and Remuneration

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

Risk Management

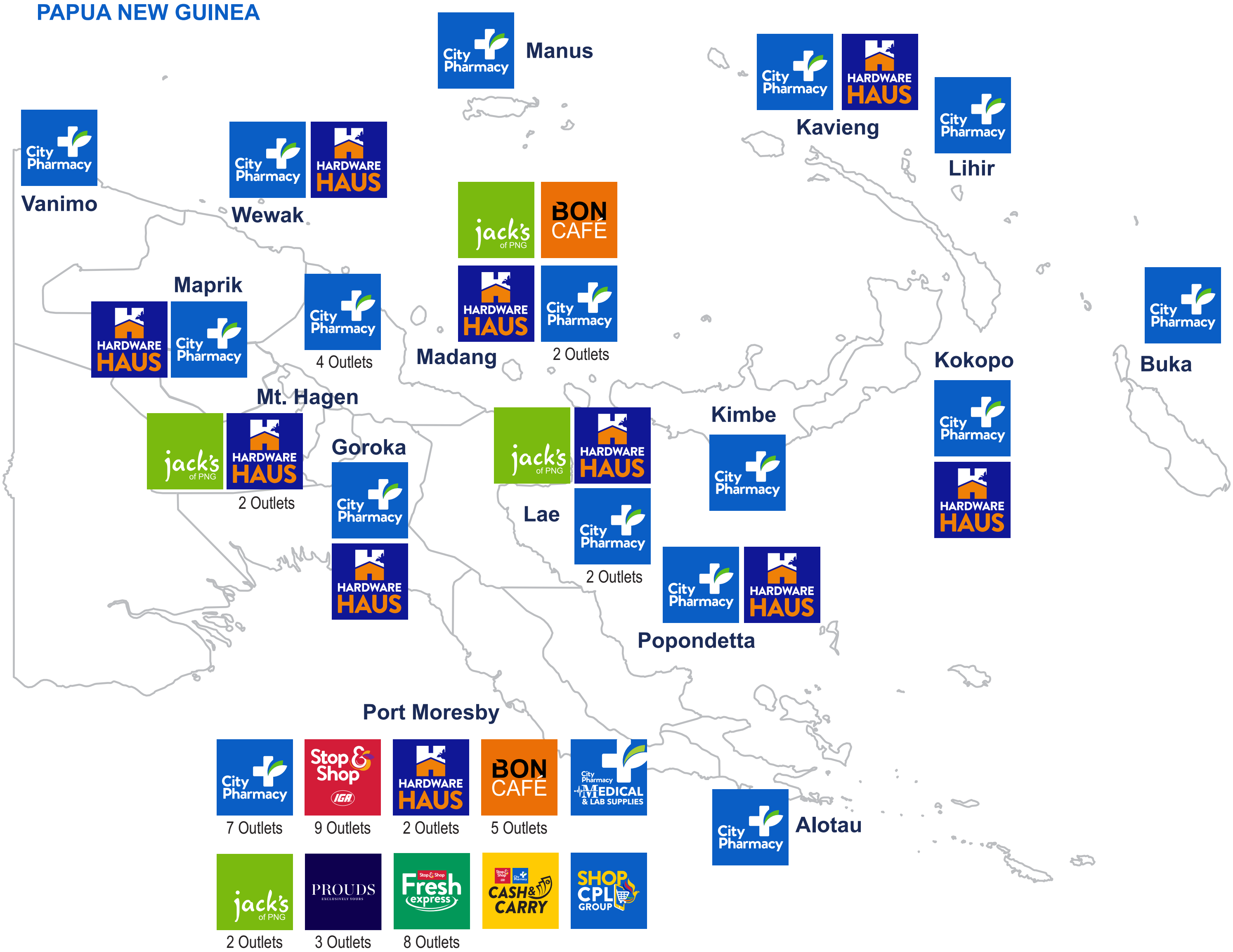
The Board approves an annual budget. Deviation from this budget may be permitted by the Board following detailed submissions from management.

Access to Professional Advice

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

Our Presence

PAPUA NEW GUINEA



AUSTRALIA

In response to high market demands, the Group operates over 60 supermarkets, pharmacies, cafes, eateries and boutiques, wholesales and an online store. These are represented by the brands: City Pharmacy, Stop & Shop, Cash & Carry, Hardware Haus, Jacks of PNG, Prouds, Fresh Express, and Bon Café nationwide.

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