

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2020**

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**CONTENTS**

	Page No
Company Information	2
Chairman's Statement	3
Directors' Report	4
Independent Auditor's Report	5-6
Condensed Consolidated Statement of Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	9-10
Consolidated Statement of Cash Flow	11
Notes to the Condensed Consolidated Financial Statements	12-24

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
COMPANY INFORMATION  
FOR THE PERIOD ENDED 30 JUNE 2020**

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

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



## CPL Chairman's Statement for the Six Months Ending June 2020

The Global COVID-19 pandemic, which reached PNG in the second quarter of 2020, has severely impacted business conditions across the country, particularly in Port Moresby where the bulk of the cases have been reported. GDP growth is expected to slip into negative territory. Business confidence has eroded over the closure of major mining activities and the general view is bleak for the remainder of the year.

CPL has worked closely with the National Government and its agencies to ensure that we have a realistic COVID safe plan in place for both our customers who are visiting our stores and employees as well. From the initial severe trading restrictions enforced last April, we have now moved on to the "New Normal". High risk areas remain closed, but we continue to strive to ensure the business complies with all regulations. We acknowledge the appropriate approach of authorities in this difficult time which have allowed responsible businesses to self-regulate and remain open to continually provide services and employment to our people.

Despite the very difficult conditions, CPL achieved a consolidated revenue of K286.8 million, a 5.9% increase when compared with the first six months of 2019. This performance was consistent across all divisions. Given the extended closure of some Provincial Pharmacy stores, this achievement is considered significant.

The Group reported an Operating Profit before Tax of K3.6 million, a 94% increase from prior year's results for the first six months. Apart from increased revenues, better buying and controls on costs were achieved.

We have also significantly reduced the outstanding amounts payable to suppliers whilst we optimised inventory levels thereby reducing stocks by K6.5 million.

The Group continues to implement a number of cost saving measures, including a reduction of Director's Fees by up to 30% from 1<sup>st</sup> July 2020 and right-sizing staffing levels across the organisation.

Work continues on the Gerehu Distribution Centre, which will become fully operational by Q4 2020.

We have made a significant upgrade to the Bon Café outlets in several stores which have increased foot traffic and patronage. The inclusion of Hardware Express stores in Stop and Shop outlets has been a popular move with consumers whilst upgrading and expansion of the Gerehu Store continues.

CPL Group continues to invest in our people with customer service training to ensure our shoppers who visit our stores are rewarded with a unique experience.

Given the unknown way in which the COVID-19 pandemic will evolve in PNG and the unlikely availability of a vaccination in the short term, the Directors of CPL remain very cautious for the immediate outlook going forward. We believe that it is prudent to limit expenditure to essential business critical purposes only. We are encouraged by Government plans to introduce stimulus spending. Globally, the retail sector is doing it tough and PNG will be no exception.

  
Stanley Joyce  
Chairman

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



**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
DIRECTORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2020**

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The directors present their half yearly report on the affairs of City Pharmacy Limited ("Parent Company") and its subsidiaries ("Group") including the condensed consolidated financial statements for the half year ended 30 June 2020.

**Activities**

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

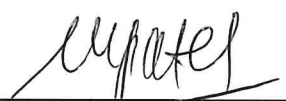
**Results**

The Group reported a profit after income tax expense for the half year ended 30 June 2020 of K4,974k (2019: K5,902k). For the Parent Company, net profit after income tax of K2,398k (2019: K6,771k).

**Dividends**

The Directors have decided that no interim dividend will be paid for the half year ended 30 June 2020 (30 June 2019: KNil).

**For and on behalf of the board of directors**

Director:   
Date: 10/9/2020

Director:   
Date: 10/9/2020



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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of City Pharmacy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statements of financial position as at 30 June 2020, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group does not present fairly, in all material respects, the financial position of the Company and Group as at 30 June 2020 and their financial performance and cash flows for the half-year ended on that date, in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

### Directors Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with International Accounting Standards including: giving a true and fair view of the Company and Group's financial position as at 30 June 2020 and their financial performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 Interim Financial Reporting. As the auditor of the Group, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



## Independence

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

A handwritten signature in black ink that reads 'Ernst &amp; Young'. The signature is written in a cursive style with a long horizontal stroke under the 'Y'.

Ernst & Young

A handwritten signature in black ink that reads 'Madhu Nair'. The signature is written in a cursive style with a long horizontal stroke under the 'N'.

Madhu Nair  
Partner  
Registered under the Accountants Act 1996  
Port Moresby

11 September 2020

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	Notes	Consolidated		Parent Company	
		For the 6 months period ended		For the 6 months period ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		K'000	K'000	K'000	K'000
Revenue	3(a)	286,869	270,937	220,079	208,685
Cost of sales		(193,568)	(184,036)	(144,830)	(139,578)
<b>Gross profit</b>		<b>93,301</b>	<b>86,901</b>	<b>75,249</b>	<b>69,107</b>
Distribution expenses		(1,017)	(1,796)	(1,507)	(1,796)
Marketing expenses		(2,190)	(1,731)	(1,757)	(1,253)
Administration expenses		(64,947)	(63,042)	(53,124)	(50,401)
Finance costs	3(c)	(7,938)	(8,490)	(6,284)	(6,819)
Finance income	3(c)	1,525	1,897	894	1,204
Other income and (expenses)	3(b)	(14,953)	(12,311)	(12,486)	(9,812)
Share of Profit/(Loss)from associates		(139)	447	(139)	447
Total Expenses		(89,659)	(85,026)	(74,403)	(68,430)
<b>Profit before income tax expense</b>		<b>3,642</b>	<b>1,875</b>	<b>846</b>	<b>677</b>
Income tax benefit	4	1,332	4,027	1,552	6,094
<b>Profit for the period after income tax</b>		<b>4,974</b>	<b>5,902</b>	<b>2,398</b>	<b>6,771</b>
Other comprehensive income for the period that may be reclassified to profit and loss:					
Exchange differences on translating foreign operation		(17)	159	-	-
<b>Total comprehensive income for the period</b>		<b>4,957</b>	<b>6,061</b>	<b>2,398</b>	<b>6,771</b>
<b>Profit for the period is attributed to:</b>					
Owners of the parent		5,044	5,822	2,398	6,771
Non-controlling interest		(70)	80	-	-
		<b>4,974</b>	<b>5,902</b>	<b>2,398</b>	<b>6,771</b>
<b>Total Comprehensive income for the period is attributed to:</b>					
Owners of the parent	3(b)	5,027	5,981	2,398	6,771
Non-controlling interest	3(b)	(70)	80	-	-
		<b>4,957</b>	<b>6,061</b>	<b>2,398</b>	<b>6,771</b>
<b>Earnings per share - basic and diluted (toea per share)</b>		<b>2.49</b>	<b>2.95</b>		

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 12 to 24.



**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	Notes	Consolidated		Parent Company	
		June 2020	December 2019	June 2020	December 2019
		K'000	K'000	K'000	K'000
<b>ASSETS</b>					
Cash and cash equivalents		8,840	16,221	2,829	12,048
Trade and other receivables	9	25,352	23,848	13,438	17,231
Lease receivable		3,043	2,919	1,150	1,103
Income tax receivable		2,530	2,594	1,330	1,330
Inventories	7	84,744	91,234	51,282	58,522
Prepayments		1,978	3,460	1,947	2,342
<b>Total Current Asset</b>		<b>126,487</b>	<b>140,276</b>	<b>71,976</b>	<b>92,576</b>
Related party receivables	15	-	3,526	26,892	30,293
Lease receivable		34,264	35,827	13,580	14,171
Property, plant and equipment	5	96,736	87,722	81,714	72,774
Right of use asset		148,304	158,579	129,681	137,352
Investment in Subsidiaries	6(a)	-	-	17,901	17,901
Investment in Joint Ventures	6(b)	5,143	5,282	5,143	5,282
Deferred tax asset, net	14	6,525	5,020	5,944	4,393
Goodwill		4,825	4,825	3,431	3,431
<b>Total Non-Current Asset</b>		<b>295,797</b>	<b>300,781</b>	<b>284,286</b>	<b>285,597</b>
<b>TOTAL ASSETS</b>		<b>422,284</b>	<b>441,057</b>	<b>356,262</b>	<b>378,173</b>
<b>LIABILITIES</b>					
Bank overdraft	11	15,209	7,836	15,209	7,836
Trade and other payables	12	57,629	82,718	34,498	62,893
Lease Liabilities		15,422	17,397	9,651	11,204
Employee provisions	13	4,713	3,557	3,854	2,683
<b>Total Current Liabilities</b>		<b>92,973</b>	<b>111,508</b>	<b>63,212</b>	<b>84,616</b>
Related party payables	15	7	155	-	-
Other payables	12	634	119	119	119
Lease liabilities		169,428	175,380	137,514	140,789
Employee provisions	13	5,999	5,609	4,974	4,604
<b>Total Non-Current Liabilities</b>		<b>176,068</b>	<b>181,263</b>	<b>142,607</b>	<b>145,512</b>
<b>TOTAL LIABILITES</b>		<b>269,041</b>	<b>292,771</b>	<b>205,819</b>	<b>230,128</b>
<b>NET ASSETS</b>		<b>153,243</b>	<b>148,286</b>	<b>150,443</b>	<b>148,045</b>
<b>SHAREHOLDERS' EQUITY</b>					
Issued capital	10	70,867	70,867	70,867	70,867
Reserves		11,213	11,213	8,813	8,813
Other reserve		410	427	-	-
Retained earnings		69,427	64,383	70,763	68,365
<b>Equity attributable to owners of the Parent</b>		<b>151,917</b>	<b>146,890</b>	<b>150,443</b>	<b>148,045</b>
Non - controlling interest		1,326	1,396	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>153,243</b>	<b>148,286</b>	<b>150,443</b>	<b>148,045</b>

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 12 to 24.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	Share Capital K'000	Retained Earnings K'000	Revaluation Reserve K'000	Other Reserve K'000	Attributable to owners of the parent K'000	Non-Controlling Interest K'000	Total K'000
<b>Group</b>							
Balance at 01 January 2019	70,867	51,507	8,813	554	131,741	1,309	133,050
<b>Changes in equity for the period</b>							
Profit for the period	-	5,822	-	-	5,822	80	5,902
Other comprehensive income	-	-	-	159	159	-	159
Impact on adoption of IFRS 16	-	4,503	-	-	4,503	-	4,503
<b>Balance at 30 June 2019</b>	<b>70,867</b>	<b>61,832</b>	<b>8,813</b>	<b>713</b>	<b>142,225</b>	<b>1,389</b>	<b>143,614</b>
Balance at 01 January 2020	70,867	64,383	11,213	427	146,890	1,396	148,286
<b>Changes in equity for the period</b>							
Profit for the period	-	5,044	-	-	5,044	(70)	4,974
Other comprehensive income	-	-	-	(17)	(17)	-	(17)
<b>Balance at 30 June 2020</b>	<b>70,867</b>	<b>69,427</b>	<b>11,213</b>	<b>410</b>	<b>151,917</b>	<b>1,326</b>	<b>153,243</b>

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 12 to 24.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2020**

	Share Capital K'000	Retained Earnings K'000	Revaluation Reserve K'000	Total K'000
<b>Parent Company</b>				
Balance at 01 January 2019	70,867	61,811	8,813	141,491
<b>Changes in equity for 2019</b>				
Profit for the period	-	6,771	-	6,771
<b>Balance at 30 June 2019</b>	<b>70,867</b>	<b>68,582</b>	<b>8,813</b>	<b>148,262</b>
Balance at 01 January 2020	70,867	68,365	8,813	148,045
<b>Changes in equity for 2020</b>				
Profit for the period	-	2,398	-	2,398
<b>Balance at 30 June 2020</b>	<b>70,867</b>	<b>70,763</b>	<b>8,813</b>	<b>150,443</b>

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 12 to 24.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	Consolidated		Parent Company	
	June 2020	June 2019	June 2020	June 2019
	K'000	K'000	K'000	K'000
<b>Operating Activities</b>				
Cash receipts from customers	297,480	270,378	223,872	210,322
Cash paid to suppliers and employees	(282,898)	(260,325)	(219,359)	(199,071)
Cash receipts from lessees	1,439	3,068	544	1,125
Cash generated from (used in) operations	16,021	13,121	5,057	12,376
Interest received/(paid)	560	(274)	115	65
Insurance claim received	60	397	60	397
Income tax paid	(104)	(155)	-	(157)
<b>Cash generated by operating activities</b>	<b>16,537</b>	<b>13,089</b>	<b>5,232</b>	<b>12,681</b>
<b>Investing Activities</b>				
Proceeds from sale of equipment	161	357	161	223
Purchase of fixed assets and payments for right-of-use assets and work in -progress	(16,275)	(11,464)	(15,461)	(10,903)
<b>Cash utilised by investing activities</b>	<b>(16,114)</b>	<b>(11,107)</b>	<b>(15,300)</b>	<b>(10,680)</b>
<b>Financing Activities</b>				
Repayment of borrowings	-	(4,123)	-	(4,123)
Repayment of lease liabilities	(15,177)	(18,072)	(10,613)	(14,221)
Receipt of rental bonds	-	34	-	34
Loans to/(from) related parties	-	117	4,089	(1,505)
<b>Cash utilised by financing activities</b>	<b>(15,177)</b>	<b>(22,044)</b>	<b>(6,524)</b>	<b>(19,815)</b>
<b>Net decrease in Cash and cash equivalents</b>	<b>(14,754)</b>	<b>(20,062)</b>	<b>(16,592)</b>	<b>(17,814)</b>
Cash and cash equivalents at beginning of the period	8,385	29,162	4,212	23,437
<b>Cash and cash equivalents at end of the period, net of overdraft</b>	<b>(6,369)</b>	<b>9,100</b>	<b>(12,380)</b>	<b>5,623</b>
Cash is composed of:				
Cash and Cash Equivalents	8,840	23,565	2,829	20,088
Bank overdraft	(15,209)	(14,465)	(15,209)	(14,465)
	<b>(6,369)</b>	<b>9,100</b>	<b>(12,380)</b>	<b>5,623</b>

This statement is to be read in conjunction with the notes to and forming part of the interim condensed consolidated financial statements set out on pages 12 to 24.

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of compliance**

This half year report is prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at 31 December 2019.

### **(b) Basis of preparation**

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

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### **2.1 Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

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

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

**2.3 Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states “*information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

**2.4 Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

**3 PROFIT AND LOSS**

**(a) Operating Revenue**

	Consolidated		Parent Company	
	June 2020	June 2019	June 2020	June 2019
	K'000	K'000	K'000	K'000
Contract with customers	286,869	270,937	220,079	208,685
<b>2020</b>		<b>Retail</b>	<b>Wholesale and Tender</b>	<b>Total</b>
		<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>Type of goods</b>				
Sale of goods		273,450	13,419	286,869
<b>Total revenue from contracts with customer</b>		<b>273,450</b>	<b>13,419</b>	<b>286,869</b>
<b>Geographical markets</b>				
Papua New Guinea		273,450	5,022	278,472
Australia		-	8,397	8,397
<b>Total revenue from contracts with customer</b>		<b>273,450</b>	<b>13,419</b>	<b>286,869</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

**3 PROFIT AND LOSS (continued)**

2019	Retail	Wholesale and Tender	Total
	K'000	K'000	K'000
<b>Type of goods and services</b>			
Sale of goods	258,479	12,458	270,937
<b>Total revenue from contracts with customer</b>	<b>258,479</b>	<b>12,458</b>	<b>270,937</b>
<b>Geographical markets</b>			
Papua New Guinea	258,479	5,350	263,829
Australia	-	7,108	7,108
<b>Total revenue from contracts with customer</b>	<b>258,479</b>	<b>12,458</b>	<b>270,937</b>

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

	Consolidated		Parent Company	
	June 2020 K'000	June 2019 K'000	June 2020 K'000	June 2019 K'000
Total Comprehensive Income for the period from continuing operations attributable to:				
Owners of the company	5,027	5,981	2,398	6,771
Non-controlling interests	(70)	80	-	-
<b>Total</b>	<b>4,957</b>	<b>6,061</b>	<b>2,398</b>	<b>6,771</b>

*Other income and expenses*

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

	Consolidated		Parent Company	
	June 2020 K'000	June 2019 K'000	June 2020 K'000	June 2019 K'000
<b>Other (income) and expense</b>				
Amortisation of right-of-use asset	12,003	12,164	9,399	9,501
Depreciation on property, plant & equipment	5,382	5,854	4,644	5,354
Profit on sale of asset	(15)	(323)	(10)	(173)
Rental income	(387)	(192)	(186)	(191)
Gain on sublease of right-of use assets	-	(435)	-	(232)
Other income	(2,030)	(4,757)	(1,361)	(4,447)
<b>Total</b>	<b>14,953</b>	<b>12,311</b>	<b>12,486</b>	<b>9,812</b>
Auditors' remuneration – review	<b>163</b>	<b>222</b>	<b>90</b>	<b>127</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

**3 PROFIT AND LOSS (continued)**

**(c) Finance income and cost**

	Consolidated		Parent Company	
	June 2020 K'000	June 2019 K'000	June 2020 K'000	June 2019 K'000
<b>Finance cost</b>				
Interest expense on loans and bank overdraft	(549)	(551)	(434)	(521)
Interest expense on amortisation of lease liability	(7,389)	(7,939)	(5,850)	(6,298)
<b>Total</b>	<b>(7,938)</b>	<b>(8,490)</b>	<b>(6,284)</b>	<b>(6,819)</b>
<b>Finance income</b>				
Interest income	52	277	314	586
Interest income on amortisation of lease receivable	1,473	1,620	580	618
<b>Total</b>	<b>1,525</b>	<b>1,897</b>	<b>894</b>	<b>1,204</b>

**(d) Employees**

The number of employees as at 30 June 2020 employed by the Group was 2,455 (2019: 2,610).

**4 INCOME TAX EXPENSE**

	Consolidated		Parent Company	
	June 2020 K'000	June 2019 K'000	June 2020 K'000	June 2019 K'000
The prima facie for the period is reconciled to the tax expense as follows:				
Accounting profit before tax	3,642	1,876	846	677
Tax for the period at 30%	1,093	563	253	203
Share of profit/(loss) from associates	42	(134)	42	(134)
Adjustments in respect of current income tax of previous years	23	(3,756)	23	(4,729)
Unrecognised deferred tax on Carry Forward Losses	(2,561)	(790)	(1,937)	(1,513)
Non-deductible expenses	71	90	67	79
<b>Income tax benefit</b>	<b>(1,332)</b>	<b>(4,027)</b>	<b>(1,552)</b>	<b>(6,094)</b>
<b>Current Tax</b>				
In respect of the current year	164	(2,486)	-	(3,736)
<b>Deferred tax</b>				
In respect of the current year	(1,496)	(1,541)	(1,552)	(2,358)
<b>Income tax benefit</b>	<b>(1,332)</b>	<b>(4,027)</b>	<b>(1,552)</b>	<b>(6,094)</b>



**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

**5 PROPERTY, PLANT AND EQUIPMENT**

Group	Land and Buildings at valuation	Motor Vehicles at cost	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost	Total
	K'000	K'000	K'000	K'000
<b>Cost or Valuation</b>				
At 01 January 2020	37,304	19,996	89,155	146,455
Additions	-	745	2,607	3,352
Disposals	-	(599)	(263)	(862)
Work in progress	11,075	-	-	11,075
<b>At 30 June 2020</b>	<b>48,379</b>	<b>20,142</b>	<b>91,499</b>	<b>160,020</b>
<b>Accumulated Depreciation</b>				
At 01 January 2020	-	13,893	44,840	58,733
Charge for the period	-	902	4,480	5,382
Disposals	-	(510)	(321)	(831)
<b>At 30 June 2020</b>	<b>-</b>	<b>14,285</b>	<b>48,999</b>	<b>63,284</b>
<b>Net Carrying Value</b>				
At 30 June 2020	<b>48,379</b>	<b>5,857</b>	<b>42,500</b>	<b>96,736</b>
At 01 January 2020	<b>20,400</b>	<b>6,103</b>	<b>61,219</b>	<b>87,722</b>
Group	Land and Buildings at valuation	Motor Vehicles at cost	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost	Total
	K'000	K'000	K'000	K'000
<b>Cost or Valuation</b>				
At 01 January 2019	18,000	18,515	80,438	116,953
Additions	-	2,621	9,125	11,746
Disposals	-	(1,140)	(408)	(1,548)
Work in progress	16,904	-	-	16,904
Asset revaluation	2,400	-	-	2,400
<b>At 31 December 2019</b>	<b>37,304</b>	<b>19,996</b>	<b>89,155</b>	<b>146,455</b>
<b>Accumulated Depreciation</b>				
At 01 January 2019	-	13,133	34,790	47,923
Charge for the period	-	1,801	10,258	12,059
Disposals	-	(1,041)	(208)	(1,249)
<b>At 31 December 2019</b>	<b>-</b>	<b>13,893</b>	<b>44,840</b>	<b>58,733</b>
<b>Net Carrying Value</b>				
At 31 December 2019	<b>37,304</b>	<b>6,103</b>	<b>44,315</b>	<b>87,722</b>
At 01 January 2019	<b>18,000</b>	<b>5,382</b>	<b>45,648</b>	<b>69,030</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

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

	Land and Buildings at valuation	Motor Vehicles At cost	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost	Total
Parent Company	K'000	K'000	K'000	K'000
<b>Cost or Valuation</b>				
At 01 January 2020	26,904	12,858	73,719	113,481
Additions	-	744	1,916	2,660
Disposals	-	(517)	(261)	(778)
Work in progress	11,075	-	-	11,075
<b>At 30 June 2020</b>	<b>37,979</b>	<b>13,085</b>	<b>75,374</b>	<b>126,438</b>
<b>Accumulated Depreciation</b>				
At 01 January 2020	-	7,083	33,624	40,707
Charge for the period	-	765	3,867	4,632
Disposals	-	(453)	(162)	(615)
At 30 June 2020	-	<b>7,395</b>	<b>37,329</b>	<b>44,724</b>
<b>Net Carrying Value</b>				
At 30 June 2020	<b>37,979</b>	<b>5,690</b>	<b>38,045</b>	<b>81,714</b>
At 01 January 2020	<b>10,000</b>	<b>5,775</b>	<b>56,999</b>	<b>72,774</b>

	Land and Buildings at valuation	Motor Vehicles At cost	Leasehold Improvement, Office equipment and Furniture & Fixtures at cost	Total
Parent Company	K'000	K'000	K'000	K'000
<b>Cost or Valuation</b>				
At 01 January 2019	10,000	11,377	66,378	87,755
Additions	-	2,621	7,750	10,371
Disposals	-	(1,140)	(409)	(1,549)
Work in progress	16,904	-	-	16,904
At 31 December 2019	<b>26,904</b>	<b>12,858</b>	<b>73,719</b>	<b>113,481</b>
<b>Accumulated Depreciation</b>				
At 01 January 2019	-	6,427	24,428	30,855
Charge for the period	-	1,697	9,404	11,101
Disposals	-	(1,041)	(208)	(1,249)
At 31 December 2019	-	<b>7,083</b>	<b>33,624</b>	<b>40,707</b>
<b>Net Carrying Value</b>				
At 31 December 2019	<b>26,904</b>	<b>5,775</b>	<b>40,095</b>	<b>72,774</b>
At 01 January 2019	<b>10,000</b>	<b>4,950</b>	<b>41,950</b>	<b>56,900</b>

**Revaluation**

The Group's freehold land and building are stated at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The directors believe that the carrying amount value of property, plant and equipment represents the fair value at 30 June 2020.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

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

The fair value of the freehold land was determined as at 30 June 2020 (based on the market comparable approach that reflects recent transaction prices for similar properties/other method).

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

**Impairment**

There are no indications that the assets may be impaired as at 30 June 2020.

**6 INVESTMENTS**

	Note	Consolidated		Parent Company	
		June 2020	December 2019	June 2020	December 2019
		K'000	K'000	K'000	K'000
Non-Current					
Investment in Subsidiaries - at cost	6(a)	-	-	17,901	17,901
Joint Ventures – Equity method	6(b)	5,143	5,282	5,143	5,282
<b>Total</b>		<b>5,143</b>	<b>5,282</b>	<b>23,044</b>	<b>23,183</b>

	Country	Ownership	June 2020	December 2019
			K'000	K'000
<b>6(a) Subsidiary Companies</b>				
Pharmacy Wholesales Pty Limited	Australia	71%	2,105	2,105
Hardware Haus Limited	PNG	100%	15,796	15,796
			<b>17,901</b>	<b>17,901</b>
<b>6(b) Joint Ventures</b>				
Paradise Cinemas (PNG) Limited	PNG	46.2%	-	-
Jacks Retail (PNG) Limited	PNG	50%	3,505	3,588
DFS (PNG) Limited	PNG	50%	1,638	1,694
			<b>5,143</b>	<b>5,282</b>

**7 INVENTORIES**

	Consolidated		Parent Company	
	June 2020	December 2019	June 2020	December 2019
	K'000	K'000	K'000	K'000
Inventory for resale	90,032	96,625	53,681	60,989
Provision for inventory shrinkage	(5,288)	(5,391)	(2,399)	(2,467)
<b>Total</b>	<b>84,744</b>	<b>91,234</b>	<b>51,282</b>	<b>58,522</b>

Inventory for resale are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bringing them to their existing condition, and net realisable value. Costs of inventories are determined on a weighted average basis. Due to the nature of the business environment and operations, a provision for stock shrinkage has been made based on past experience.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2020**

**8 GOODWILL**

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

As at 30 June 2020, management did not identify any impairment on the two cash-generating units.

**9 TRADE AND OTHER RECEIVABLES**

	Consolidated		Parent	
	June 2020 K'000	December 2019 K'000	June 2020 K'000	December 2019 K'000
<b>Current</b>				
Trade receivables	23,159	17,867	11,543	10,417
Other receivables	3,195	7,641	1,914	6,941
Total receivables	26,354	25,508	13,457	17,358
Less: Provision for doubtful debts	(1,002)	(1,660)	(19)	(127)
Total net receivables	<b>25,352</b>	<b>23,848</b>	<b>13,438</b>	<b>17,231</b>

**10 SHARE CAPITAL**

In accordance with the provisions of the Companies Act 1997, the share capital does not have a par value. In accordance with the provisions of the constitution, the board of directors of the Group may issue shares at its discretion. The Group did not issue any additional shares during the period. The total issued shares is 199,972,219 (2019: 199,972,219).

**11 INTEREST BEARING LOANS AND BORROWINGS**

	Consolidated		Parent	
	June 2020 K'000	December 2019 K'000	June 2020 K'000	December 2019 K'000
<b>Current</b>				
Bank overdraft	15,209	7,836	15,209	7,836
Total loans and borrowings	<b>15,209</b>	<b>7,836</b>	<b>15,209</b>	<b>7,836</b>

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
5. Master Lease Agreement

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2020**

**12 TRADE AND OTHER PAYABLES**

	Consolidated		Parent	
	June 2020 K'000	December 2019 K'000	June 2020 K'000	December 2019 K'000
<b>Current</b>				
Trade payables	40,378	67,349	24,312	53,208
Other payables and accruals	17,251	15,369	10,186	9,685
<b>Non-current</b>				
Security bond	634	119	119	119
<b>Total payables</b>	<b>58,263</b>	<b>82,837</b>	<b>34,617</b>	<b>63,012</b>

**13 PROVISIONS**

	Consolidated		Parent	
	June 2020 K'000	December 2019 K'000	June 2020 K'000	December 2019 K'000
Employee provisions – current	4,713	3,557	3,854	2,683
Employee provisions – non-current	5,999	5,609	4,974	4,604
<b>Total provisions</b>	<b>10,712</b>	<b>9,166</b>	<b>8,828</b>	<b>7,287</b>

**14 DEFERRED TAX**

The components of deferred taxes as of 30 June 2020 and 31 December 2019 are as follows:

	Consolidated		Parent	
	June 2020 K'000	December 2019 K'000	June 2020 K'000	December 2019 K'000
<b>Deferred tax assets</b>				
Provision for doubtful debts	299	501	6	38
Provision for employee benefits	3,103	2,585	2,561	2,071
Provision for inventory losses	1,581	1,612	720	740
Fixed assets	1,086	1,112	1,169	1,167
Others	746	550	707	487
<b>Total deferred tax assets</b>	<b>6,815</b>	<b>6,360</b>	<b>5,163</b>	<b>4,503</b>
<b>Deferred tax liabilities</b>				
Prepaid expenses	(512)	(223)	(349)	(168)
Lease liability	222	(1,117)	1,130	58
<b>Total deferred tax liabilities</b>	<b>(290)</b>	<b>(1,340)</b>	<b>781</b>	<b>(110)</b>
<b>Net deferred tax assets</b>	<b>6,525</b>	<b>5,020</b>	<b>5,944</b>	<b>4,393</b>

## **15 RELATED PARTY TRANSACTIONS**

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

### **a) Transactions with subsidiary and associate companies**

- Transactions with Hardware Haus Limited 'HHL', a wholly owned subsidiary from 1 July 2015, are based on commercial arrangements. The Company's total sales to HHL in 2020 were K73k (2019: K117k) while purchases were K608k (2019: K256k). As at 30 June 2020, the Company has a receivable from HHL of K26,846k (2019: K29,242k).
- The Company provides administration assistance to Pharmacy Wholesalers Pty. Limited, a subsidiary. As at 30 June 2020, The Company has a receivable from Pharmacy Wholesalers of KNil (2019: K579k).
- The Company provides administration assistance to Paradise Cinema (PNG) Limited, a joint venture. As at 30 June 2020, the Company has a receivable from Paradise Cinema of K4k (2019: KNil).
- The Company provides administration assistance to Jacks Retail (PNG) Limited, a joint venture. As at 30 June 2020, the Company has a payable from Jacks Retail of K7k (2019: K162k receivable)
- The Company provides administration assistance to DFS (PNG) Limited, a joint venture. As at 30 June 2020, the Company has a payable from DFS (PNG) of K4k (2019: K47k).

#### Director related entities

- Mahesh Patel is a director of New World Limited, Fiji, a supplier to the company. In 2020, the Group has a receivable amount of K Nil (2019: K Nil)
- Mahesh Patel is a related party of US All American ENT.INC.USA, a supplier to the company. In 2020, City Pharmacy Limited's total stocks purchased from US All American was K857k. The Group has an outstanding balance of K Nil (2019: K873k) as at period end

### **b) Transaction with directors**

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

### **c) Due from / (to) key management personnel**

During the period, the key management personnel who are non-Company directors received advances from the Group amounting to K13k. As at 2020 period end, the balance owed to the Group is KNil.

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2020**

**15 RELATED PARTY TRANSACTIONS (continued)**

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

The total remuneration paid to directors and key management officers during the period was K4,356k (2019: K4,900k) and consisted of fixed directors' fees, salaries and fees and non-monetary benefits such as accommodation, motor vehicle, airfares and education costs.

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

**16 SEGMENT INFORMATION**

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:

	Retail K'000	Wholesale and Tender K'000	Total K'000		
<b>Assets</b>					
30 June 2020	410,479	11,805	422,284		
31 December 2019	428,500	12,557	441,057		
<b>Liabilities</b>					
30 June 2020	265,396	3,645	269,041		
31 December 2019	288,045	4,726	292,771		
<b>30 June 2020</b>	<b>Retail K'000</b>	<b>Wholesale and Tender K'000</b>	<b>Total Segment K'000</b>	<b>Elimination K'000</b>	<b>Consolidated K'000</b>
<b>Revenue</b>					
External customer	273,450	13,419	286,869	-	286,869
Inter-segment	-	4,213	4,213	(4,213)	-
Total revenue	273,450	17,632	291,082	(4,213)	286,869
Cost of sales	(186,602)	(11,179)	(197,781)	4,213	(193,568)
Total Expenses	(84,886)	(902)	(85,788)	(85)	(85,873)
Profit before income tax	1,962	5,551	7,513	(85)	7,428
Income tax expense	1,487	(155)	1,332	-	1,332
<b>Segment profit before impact of IFRS 16 impact</b>	<b>3,449</b>	<b>5,396</b>	<b>8,845</b>	<b>(85)</b>	<b>8,760</b>
<b>IFRS 16 Impact:</b>					
Amortisation – ROU	(11,784)	(219)	(12,003)	-	(12,003)
Interest expense	(7,250)	(48)	(7,298)	-	(7,298)
Rent expense	16,699	255	16,954	-	16,954
Interest Income	1,473	-	1,473	-	1,473
Rent Income	(2,912)	-	(2,912)	-	(2,912)
<b>Total Net Profit</b>	<b>(325)</b>	<b>5,383</b>	<b>5,059</b>	<b>(85)</b>	<b>4,974</b>

**CITY PHARMACY LIMITED AND SUBSIDIARY COMPANIES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 2020**

**16 SEGMENT INFORMATION (continued)**

30 June 2019	Retail	Wholesale and Tender	Total Segment	Elimination	Consolidated
	K'000	K'000	K'000	K'000	K'000
<b>Revenue</b>					
External customer	258,479	12,458	270,937	-	270,937
Inter-segment	-	4,914	4,914	(4,914)	-
Total revenue	258,479	17,372	275,851	(4,914)	270,937
Cost of sales	(178,496)	(10,454)	(188,950)	4,914	(184,036)
Total Expenses	(80,820)	(1,162)	(81,982)	-	(81,982)
Profit before income tax	(837)	5,756	4,919	-	4,919
Income tax expense	5,493	(104)	5,389	(1,362)	4,027
<b>Segment profit before impact of IFRS 16 impact</b>	<b>4,656</b>	<b>5,652</b>	<b>10,308</b>	<b>(1,362)</b>	<b>8,946</b>
<b>IFRS 16 Impact:</b>					
Amortisation – ROU	(11,945)	(219)	(12,164)	-	(12,164)
Interest expense	(7,879)	(60)	(7,939)	-	(7,939)
Rent expense	17,818	254	18,072	-	18,072
Interest Income	1,620	-	1,620	-	1,620
Rent Income	(3,068)	-	(3,068)	-	(3,068)
Gain on sublease	435	-	435	-	435
<b>Total Net Profit</b>	<b>1,637</b>	<b>5,627</b>	<b>7,264</b>	<b>(1,362)</b>	<b>5,902</b>

**17 FINANCIAL INFORMATION**

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

**a) Credit risk**

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

**b) Liquidity risk**

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

**c) Interest risk**

The Group monitors the interest rate exposure on a regular basis. However, the Group is restricted in its ability to mitigate the risks associated with interest rate movements.

**d) Sensitivity analysis**

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



**17 FINANCIAL INFORMATION (continued)**

At 30 June 2020, 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.

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**18 COMMITMENTS AND CONTINGENCIES**

**Commitments**

- a) Future financial charges total K142k (2019: KNil) in relation to various financial leases of vehicles, bakery, freezer and computer equipment from the Bank South Pacific Limited, Westpac Bank PNG Limited & Kina Bank.

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

- b) Contractual commitments for the completion of the Gerehu warehouse as at 30 June 2020 amounts to K14,683k.

**Contingent liabilities**

- a) The Company has a credit facility of K24,750k (2019: 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 Kina Bank. 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 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.
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**19 SUBSEQUENT EVENTS**

*Bank Loan Facility*

On 10th of August 2020, the Company has signed a PGK22 million banking facility with Westpac Bank (PNG) Limited for the purpose of funding the construction of the Gerehu Warehouse.