CPL GROUP
SINCE 1987

CITY PHARMACY LIMITED AND
SUBSIDIARY COMPANIES

APPENDIX 5B: HALF YEAR REPORT

For the six-month
period ended 30 June 2024

1. REPORTING PERIOD

Reporting period-six months ended	30th June 2024
Previous corresponding period-six month ended	30th June 2023

2. THE DIRECTORS

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

Stanley Thomas Joyce, CSM	Chairman
Kee Lim (appointed 18 August 2024)	Executive Director
Sir Mahesh Patel, OBE	Non-executive Director
Mary Handen	Independent Director
Aru Chellappan	Independent Director
Eunice Parua	Independent Director
Edward Hamilton Ruha	Independent Director
Stephanie Copus Campbell	Independent Director
Flaire Namaliu (appointed 15 February 2024)	Independent Director

Company Secretary

Nazar Shaffee (resigned 18 October 2023)

Aru Chellappan (Interim Board Administrator)

Mohanraj Natarajan (appointed 9 May 2024)

CHAIRMAN'S STATEMENT

Revenue for H1 was K239.5 M representing a decline of -13% on past year. The losses from the closure of four (4) stores due to January 10th riots was further compounded by subdued economic activity being currently experienced across most sectors in the PNG Economy.

H1 Profit before tax is a loss of K13.8M a drop of K11.6 M on same period last year. Although Gross Profit Margins improved by 1.9% to 33.9%, expenses grew by 4.6% the major component being the difference between actual losses and payments received from the National Government for January 10th losses.
SNS Badili has reopened, a new SNS store at 8 mile was reopened in record time and SNS Gerehu has been opened in a new premises. We continue to review the format of the SNS stores with the view to optimise trading profitability and convenience to our customers.

Pharmacy sales grew by K6.3M (9%) against last year. Our move to develop new Health Platforms for the City Pharmacy Brand continues to deliver results and exhibits exciting opportunities.

Hardware Haus revenue and performance were challenging, being held back by a lack of projects in the rural areas and increasing competition.

Our Joint Ventures Prouds DFS and Jacks of PNG both delivered growth in revenues but experienced increase in overheads thus reducing their contribution to profitability by K728,000 compared with the same period last year.

The events of January 10th have created an opportunity for CPL to consider several strategic moves to better position the Company for longer term Sustainable Growth. The Board announced to the market on 18 August 2024 the appointment of Mr. Kee Lim as Executive Director with CEO enabling powers to advise the Board on a program to maximise efficiencies in the operations.

We are confident that some of these opportunities can be realised in the short term whilst others will take a longer period. Accordingly, we are forecasting a possible break even result for the full year. Considering the consequences of the January 10th event, we believe this approach is achievable.

CPL is proud of the fact that we managed to retain staff despite the store closure in January and sincerely thanks its staff across PNG for their continued loyalty. Unsurprisingly, the January 10th events had a substantial negative impact on our cash flow. We have been able to work with our Bankers and suppliers to manage the situation and likewise thank them for the support they have given.

In closing, we would also like to thank the PNG Government for their financial support to provide some relief for the most unfortunate January 10th events and the further promised support will be forthcoming. We trust that such an occasion will never arise again.

Stan Joyce CSM
Chairman
CPL Group

3. HALF YEAR RESULTS

Name of entity

CITY PHARMACY LIMITED

Company No: Half year end 30 June 2024

1-11575	**30 JUNE 2024**

Results for announcement to the market

		2024 K'000	**2023 K'000**
Revenue from ordinary operations	↓ **13.1%**	**239,508**	**275,664**
Profit (loss) from ordinary operations before tax	↓ **534.7%**	**(13,791)**	**(2,173)**
Profit (loss) from ordinary operations after tax	↓ **489.9%**	**(8,973)**	**(1,521)**
Profit (loss) after tax attributable to shareholders	↓ **466.3%**	**(8,948)**	**(1,580)**

Dividends (distribution)	**Amount per security**
Final Dividend – 2023	(10,314)
Interim Dividend – 2024	Nil

Record date for determining entitlements to the interim dividends,

Not Applicable

4. Financial Statements

4.1 Consolidated Statement of Comprehensive Income

	Consolidated For the 6-months period ended	
	30 June 2024 K'000	30 June 2023 K'000
Revenue from Contract with Customers	239,508	275,664
Cost of sales	(158,282)	(187,890)
Gross profit	**81,226**	**87,774**
Distribution expenses	(5,025)	(4,438)
Marketing expenses	(2,022)	(2,409)
Administration expenses	(67,575)	(63,030)
Finance costs	(6,834)	(6,232)
Finance income	787	905
Depreciation expense	(17,666)	(18,340)
Other income	2,626	1,541
Foreign exchange gains	(636)	-
Total Expenses	(96,345)	(92,003)
Share of profit from joint ventures	1,328	2,056
Profit before income tax expense	**(13,791)**	**(2,173)**
Income tax expense	4,818	(652)
Profit for the period after income tax	**(8,973)**	**(1,521)**
Exchange differences on translating foreign operation	(7)	-
Total comprehensive income for the period	**(8,980)**	**(1,521)**
Profit for the period is attributed to:		
Owners of the parent	(8,948)	(1,580)
Non-controlling interest	(25)	59
	(8,973)	**(1,521)**
Total Comprehensive income for the period is attributed to:		
Owners of the parent	(8,955)	(1,580)
Non-controlling interest	(25)	59
	(8,980)	**(1,521)**
Earnings per share - basic and diluted (toea per share)	(4.35)	(0.74)

4.2 Consolidated Statement of Financial Position

	Consolidated	
	June 2024	**December 2023**
	K'000	**K'000**
ASSETS		
Cash and cash equivalents	8,199	9,699
Trade and other receivables	50,847	55,642
Lease receivable	5,732	6,732
Income tax receivable	3,373	3,491
Inventories	127,078	156,941
Prepayments	10,424	8,826
Total Current Asset	**205,653**	**241,331**
Related party receivables	77	86
Lease receivable	15,967	17,717
Property, plant and equipment	95,822	105,113
Right of use asset	79,573	88,975
Investment in Joint Ventures	11,993	12,043
Deferred tax assets, net	19,802	14,624
Goodwill	4,825	4,825
Total Non-Current Asset	**228,059**	**243,383**
TOTAL ASSETS	**433,712**	**484,714**
LIABILITIES		
Borrowings	9,021	1,154
Bank overdraft	15,029	6,145
Trade and other payables	91,795	135,908
Lease Liabilities	24,273	25,979
Employee provisions	4,834	6,633
Total Current Liabilities	**144,952**	**175,819**
Borrowings	13,561	14,804
Other payables	609	628
Lease liabilities	101,393	112,450
Employee provisions	5,351	3,973
Total Non-Current Liabilities	**120,914**	**131,855**
TOTAL LIABILITES	**265,866**	**307,674**
NET ASSETS	**167,846**	**177,040**
SHAREHOLDERS' EQUITY		
Issued capital	70,867	70,867
Reserves	13,808	13,808
Other reserve	1,441	1,448
Retained earnings	80,073	89,235
Equity attributable to owners of the Parent	**166,189**	**175,358**
Non – controlling interest	1,657	1,682
TOTAL SHAREHOLDERS' EQUITY	**167,846**	**177,040**

4.3 Consolidated Statement of Changes in Equity

	Share Capital	Retained Earnings	Revaluation Reserve	Translation Reserve	Attributable to owners of the parent	Non-Controlling Interest	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Group							
Balance at 01 January 2023	70,867	93,710	13,808	508	178,893	1,518	180,411
Profit for the period	-	(1,580)	-	-	(1,580)	59	(1,521)
Other comprehensive income:							
Translation differences	-	-	-	195	195	-	195
Total comprehensive income for the year	**-**	**(1,580)**	**-**	**195**	**(1,385)**	**59**	**17,746**
Dividends declared	-	(10,314)	-	-	(10,314)	-	(10,314)
Balance at 30 June 2023	**70,867**	**81,816**	**13,808**	**703**	**167,194**	**1,577**	**168,771**
Balance at 01 January 2024	**70,867**	**89,235**	**13,808**	**1,448**	**175,358**	**1,682**	**177,040**
Profit for the Period	-	(8,948)	-	-	(8,948)	(25)	(8,973)
Other comprehensive income:							
Translation difference	-	-	-	(7)	(7)	-	(7)
Revaluation reserve	-	-	-			-	
Total comprehensive income for the year	**-**	**(8,948)**		**(7)**	**(8,955)**	**(25)**	**(8,980)**
Dividends declared	-	(214)	-	-	(214)	-	(214)
Balance at 30 June 2024	**70,867**	**80,073**	**13,808**	**1,441**	**166,189**	**1,657**	**167,846**

4.4 Consolidated Statement of Cash Flows

	Consolidated	
	June 2024	June 2023
	K'000	K'000
Operating Activities		
Cash receipts from customers	250,044	275,664
Cash paid to suppliers and employees	(234,596)	(260,116)
Cash receipts from lessees	2,749	2,772
Cash payments from low value and short-term leases	(1,665)	-
Cash generated from operations	16,532	18,320
Interest paid from borrowings	(2,021)	(569)
Interest paid from lease liabilities	(4,916)	(5,318)
Interest received	787	905
Income tax paid	(243)	(1,504)
Cash generated by operating activities	**10,139**	**11,834**
Investing Activities		
Purchase of plant and equipment	(8,570)	(7,972)
Cash utilised by investing activities	**(8,570)**	**(7,972)**
Financing Activities		
Payment of borrowings	6,624	(1,327)
Repayment of lease liabilities	(16,938)	(9,819)
Receipt/(Payment) of rental bonds	(19)	40
Receipts/(Payment) from related parties	(1,620)	-
Dividend payment	-	(10,313)
Cash utilised by financing activities	**(11,953)**	**(21,499)**
Net decrease in Cash and cash equivalents	**(10,384)**	**(17,637)**
Cash and cash equivalents at beginning of the period	3,554	9,546
Cash and cash equivalents at end of the period	**(6,830)**	**(8,091)**

4..5 Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	June 2024 K'000	June 2023 K'000
Cash on hand and at bank, term deposit	8,199	1,390
Bank overdraft	(15,029)	(9,481)
Total cash at end of period	**(6,830)**	**(8,091)**

5. Commentary

Overview

The CPL Group is Papua New Guinea's (PNG) largest retailing network compromising of six strong retail brands with City Pharmacy, Stop N Shop, Bon Cafe, Hardware Haus, Jacks of PNG and Prouds. The company operates more than 60 retail outlets right across Papua New Guinea.

City Pharmacy generates revenue primarily from its principal activities:
(1) Wholesale and retail of supermarket goods, bakery and pharmaceutical products;
(2) Supply, installation and maintenance of the medical laboratory equipment; and
(3) Wholesale and retail of hardware products.

In addition, the Group is also generating income from the joint ventures whose principal activities comprise the sale of:
(1) Retail clothing, and
(2) Duty free products.

Significant Events

In January 2024, a significant business disruption occurred due to nationwide civil unrest. Four supermarkets were severely affected, with two suffering complete burn-down and one sustaining major damage. This event resulted to loss of inventory worth K15.63m for the Group and loss of fixed assets with written down value of K5.0 million.

The Group applied for the Business Recovery Support Program from the Department of Prime Minister and National Executive Council amounting to K47.9m (based on asset replacement cost), to aid us in recovering from the losses we suffered. In June 2024, the Group received financial assistance of K16.18m from the government to recover the losses incurred from the damaged inventory and debris cleaning and K2.74m towards payroll assistance relating to affected stores. Meanwhile, the outcome of the remaining claim is yet to be received from the government.

Contingent Liability

In February 2023, the Company received the Internal Revenue Commission's (IRC) notice of completion of the Goods and Services Tax Audit and Final Position Paper for the period January 2016 to August 2019. The IRC has calculated a GST Liability of K11.2 million plus penalties. The Directors have reviewed the IRC's Final Position Paper, taken external tax advice and reviewed the processing of GST in the general ledger. As a result, the Directors have recognised a GST liability of K2.6m in the financial statements as at 30 June 2024 in relation to voluntary disclosures by the Company. The Company has objected to the other points raised by the IRC. While the Company believes that it has correctly applied the GST Law, the outcome of the objection process is still inherently uncertain.

In August 2024, the Company received an objection determination letter from IRC in relation to the above matter with alleged tax liability of K11.2 million and penalties with option to appeal within 60 days of receipt of the notice. CPL continues to engage with professional taxation and legal advice to respond IRC.

6 OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6.1 Ratios	**June 2024 K'000**	**June 2023 K'000**
Profit (loss) before tax / revenue Consolidated profit from ordinary activities before tax as a percentage of revenue	(13,791)/239,508= (5.7%)	(2,173)/275,664= (0.8%)
Profit (loss) after tax /equity interests Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarity attributable) at the end of period	(8,955)/166,189= (5.4%)	(1,580)/167,194= (0.9%)

6.2 Earnings Per security (EPS) Calculated of the following in accordance with IAS 33: Earning per share	**June 2024**	**June 2023**
(a) Basic EPS	(4.35t)	(0.74t)
(b) Diluted EPS (if materially different from (a)	(4.35t)	(0.74t)
(c) Weighted average number of ordinary shares outstanding during the period use in the calculation of the Basic EPS	206,277,911	206,277,911

6.3 Net Tangible Asset (NTA) Backing

Net tangible asset backing is determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests etc.).

6.3 NTA Backing	**June 2024**	**June 2023**
Net tangible asset backing per ordinary security	K 0.79	K 0.80

6.4 Equity accounted associated entities and other material interests.

a) Investment in associated entities	**June 2024**	**June 2023**
Statutory carrying value of investment associated entities (SCV)	**11,993**	**14,722**
Share of associated entities retained profits and reserve not included (SCV)	-	-
Retained profits (losses)	-	-
Reserve	-	-
Equity carrying value of investments.	**11,993**	**14,722**

b) Material interest in entities which are not controlled entities.

Name of Entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to operational profit (loss) and extraordinary items after tax	
Equity accounted associated entities	June 2024	June 2023	June 2024	June 2023
Jacks Retail (PNG) Limited	50%	50%	656	1,169
DFS (PNG) Limited	50%	50%	672	270

c) Details of entities over which control has been gained or lost during the period.

Current Period
There were no changes in ownership on non-controlled entities during the period.

Previous Period
There were no changes in ownership on non-controlled entities during the period.

6.5 Segment Reporting

The report below provides information on the industry and geographical segments of the company for the current period.

Segments	**Retail K'000**	**Wholesale & Tender K'000**	**Total K'000**
Sales to customer outside the economic entity	202,025	37,483	239,508
Inter – segment sales	-	-	-
Unallocated revenue	-	-	-
Total revenue	**202,025**	**37,483**	**239,508**
Segment result (including abnormal item where relevant)	(16,196)	2,405	(13,791)
Unallocated expenses	-	-	-
Consolidated operating profit/(loss) before tax	(16,196)	2,405	(13,791)
Segment asset (includes revaluation of fixed assets)	416,833	16,879	433,712
Inter -segment assets			
Unallocated assets	-	-	-
Total assets	**416,833**	**16,879**	**433,712**

6.6 Dividends

	Record Date	**Date Payable/Paid**	**Amount per security**
Dividends declared in 2024	N/A	N/A	N/A
Dividends declared in 2023	30th March 2023	30th May 2023	K0.05 toea.

Details of any dividend or distribution reinvestment plans in operation, the record date and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

		Amount per *security
	(Preliminary final report only) Final dividend: 2024 2023	 0.00 toea 0.00 toea
	(Half yearly and preliminary final reports) Interim Dividend: 2024 2023	 N/A N/A

Total dividend (distribution) per security (*interim plus final)*

	June 2024	**June 2023**
Ordinary securities	K Nil	K Nil
Preference securities	K Nil	K Nil

Half yearly report – interim dividend (*distribution*) on all securities

	June 2024	**June 2023**
Ordinary securities	Nil	Nil
Preference securities	-	-
Total	Nil	Nil

The dividend or distribution plans shown below are in operation.

Not Applicable

The last date(s) for receipt of election notice for the dividend or distribution plans.

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Any other discussion in relation to dividends (distribution)

Not Applicable

Compliance statement

1 This report has been prepared under accounting policies which comply with International Financial Reporting Standards approved by the Accounting Standards Board pursuant to the Companies Act 1997.

2 This report does give a true and fair view of the matters disclosed.

3 This report is based on financial statements to which one of the following applies. *(Tick one)*

☐	The financial statements have been audited.	☐	The financial statements have been subject to review.
☐	The financial statements are in the process of being audited or subject to review.	✓	The financial statements have *not* yet been audited or reviewed.

4 The entity has a formally constituted audit committee.

For and behalf of the Board of Directors.

Edward Ruha
Director
Date: 13 Sep 2024

Mohanraj Natarajan
Company Secretary
Date: 13 Sep 2024