



CPL Chairman's Statement

I am very pleased to announce that the Group's financial position has materially improved since the release of the Financial Statements for the six months to June 2017.

The raising of funds from Shareholders, receipt of insurance proceeds and the sale of property will enable the normalisation of trading terms, investment in store upgrades and reduce the level of debt owed to banks.

In November we received a total of K10.60 million from a private share placement to a new Investor and in February 2018 an amount of K37.50 million was raised from a combination of existing and new shareholders. This later issue is not reflected in the financial statements to December 2017 but will increase shareholders funds to approximately K130 million.

In addition to these funds the company has agreed an amount of K83.10 million for the Gerehu Head Office and Warehouse fire claim.

Under the accounting standards the proceeds of Insurance can only be taken to account when there is virtually certainty of the payment being received, in reality upon the receipt of the cash payment. Accordingly we have recorded the cash received of K68.50 million against the assets lost of K53.40 million with the resultant profit of K15.10 million booked in the year.

Business Interruption Insurance of K11.87 million has been agreed for the period to November 2017 and is included in the above figures. Cover under this policy will run till mid December 2018.

The Directors are most appreciative of the professional manner, in which this claim has been handled by Pacific MMI Insurance, and Insurance Partners and also the action of major suppliers who extended additional credit facilities in the months following the fire.

The company has entered into a sale and lease back arrangement for three buildings, which is expected to realise a further K20 million for reinvestment in the business and debt reduction.

Our trading performance deteriorated further in the second half, after the major fire, due to the acute shortage of stock compounded by foreign currency issues, lack of warehousing space and disrupted logistics.



We are currently operating from 5 temporary warehouses scattered around Port Moresby but it is planned that we will be consolidated onto two sites from June 2018. Planning has commenced for a new centralized warehouse and office complex, which will incorporate improved technology. Construction is expected to take 18-24 months.

The operating loss before tax of K28.25 million is unsatisfactory but should be viewed in conjunction with the disruption to the business caused by the fire and the following one off extraordinary adjustments, which have been written off during 2017:

K5.87 million due to the Insolvency of the Insurer of the Waigani Supermarket.

K15.70 million being goodwill upon the purchase of shares in Hardware Haus.

K2.56 million being investment in Paradise Cinemas.

K2.00 million being pre-operating expenses relating to projects that will not proceed at this time.

Joint Venture Companies, Jacks of PNG and Prouds Duty Free have been trading well with increased profits for the year 2017.

The Shareholders continues to explore the sale of the Paradise Cinemas despite the result for 2017 being an improvement on the prior year.

In view of the challenging economic and liquidity situation, the Directors will recommend to the Annual General meeting that no dividend be paid.

While we expect the soft trading conditions to continue this year, we have embarked on a number of store upgrade and refurbishment projects, committing in excess of K15 million to improving refrigeration, IT and our Real Rewards and Digital Marketing programmes.

The much awaited Waigani Central Store will reopen in May of this year, three years after it was destroyed by fire.

In addition the recent completion construction of the "Hagen Central" development allows the opportunity to open an additional Pharmacy and a branch of Jacks of PNG, the first outside of Port Moresby.

Our community program initiatives and Women's Empowerment projects will be re- started after a slow down in the last couple of years and we have recently renewed our commitment to The City Pharmacy Lewas, the National Women's cricket team with an annual sponsorship of K200,000.

I am pleased to welcome back the company's founder Mahesh Patel who as previously announced resumed the role of Managing Director on 1 March 2018.



I wish to acknowledge the contribution of Joe Barberis, who has announced his retirement after serving as the Managing Director for the past, extremely difficult year, and Mr Bob Baily who has indicated he will be retiring at the end of his 3 years appointment, in May 2018.

I am pleased to welcome as Directors Mary Johns, Mary Handen and Stan Joyce whose diverse experience and knowledge of our operations will contribute greatly, I am sure, to the growth of the company.

In most announcements of this nature a passing tribute is paid to the staff for their contribution during the year.

But any tribute for the efforts of the last year is both real and heartfelt.

The exceptional effort made by the staff, at all levels to recover from the fire at Gerehu was truly remarkable for without that effort we would not be operating today.

A handwritten signature in blue ink, appearing to read 'G J Dunlop', written over a faint, larger version of the same signature.

G J Dunlop

Chairman