



CPL Chairman's Statement

This year started off with continued soft trading conditions and was made tougher with the devastating fire at our Head Office and Central Distribution Centre at Gerehu, where everything was lost.

Unlike the previous General Elections, this year's sales were softer and adding to store closures in the Highlands due to public unrest, impacted our trading performance.

As per our plans advised at 2016 year end, our new Managing Director came on board in March this year and officially took the title in June.

Our focus on driving efficiencies and cost reductions continued and we were able to lift our Gross Profit Margins by almost 2%.

The operating loss after tax for the financial period of 51m Kina is after some significant one off costs incurred in the current financial period.

These one off costs included:

- 53m Kina write down of the Gerehu buildings, related plant and equipment and inventory destroyed in the fire there in June. This was offset by 24m Kina of income received in respect of insurance receipts from the inventory policy which had been received post period end. International financial reporting standards require that the impairment of assets destroyed in a fire and the receipt of any insurance proceeds are treated as separate transactions, with the insurance proceeds only being able to be recognised when deemed to be virtually certain.
- As further insurance proceeds are received over the remainder of the 2017 financial year, additional income will be recognised to take account of this which will result in a lower net impact on CPL's profit after tax in the full year financial statements for 2018. PMMI has accepted liability for CPL's claim for the 4 policies and I am confident that these monies will be received in due course.
- 11.2m Kina goodwill impairment expense incurred in respect to the group's investment in Hardware Haus. This was incurred as a result of continued poor trading in that business
- 5.9m Kina bad debt provision arising from non-recoverability of insurance proceeds from the fire at Waigani due to illiquidity of the insurance company.
- 2m Kina impairment expense incurred in respect of the group's investment in Paradise Cinema.

The Group's cash position remained strained due to the continuing delayed payments from the Department of Health, outstanding dues of the insurance payment (PAG insurance) from the Waigani Central fire in 2015, and the depressed economic conditions. This has been exacerbated by temporary out of stock situations in our stores due to the loss of our entire back-up inventory from



the June fire at our Gerehu Warehouse and the continuing shortage of Foreign Currency to replenish our overseas stocks.

Thanks to our Major Suppliers who have been forthcoming and been very supportive with trading terms post the Gerehu fire, and have continued their support to us.

Our new insurance company (PMMI) has also been quick to assist us by starting to settle some of its dues.

Our Bankers and Shareholders have indicated continued support and we are very close to finalising the introduction of new capital into the company. The sale of some of our properties and non-core assets are in progress as well.

The funds raised internally and externally would be applied to:

- Creditor repayments
- Bank debt reductions
- Waigani Central fit-out and Business improvements.

Some of the initiatives the Board and the Management are working on:

- Gross Profit Margin Improvements, by better buying and frequent price reviews,
- Targeted promotions, and clear market positioning and branding
- End to End business review in Fresh , Deli/Meat and Bakery
- Improved shrinkage/losses
- Sales Improvements by being "in-stock" , better ranging , merchandising and Category planning
- Cost improvements
- Exit non-strategic and loss making stores and businesses
- Supply chain improvements and simplifying back office administrative processes
- Improved financial and legal governance
- Find, develop, and promote PNG retailers leading to reduction in Expats.

As the insurance funds flow in, we will start to plan the new warehouse/office requirements.

Finally, I would like to thank again, our team members who helped us bounce back from the tragic fire in June, our suppliers, financiers and our shareholders.

A handwritten signature in black ink, appearing to read 'Mahesh Patel'.

Mahesh Patel, OBE
Chairman.