



CPL Chairman's Statement

I am very pleased to announce that the Group's financial position has materially improved over the last year and the Group has recorded a pre-tax profit of K9.3 million for the year.

There was a substantial improvement in trading during the second half of the year which recorded a profit of K7.8 million.

Included in the results are Insurance receipts of K21.8 million and a profit on the sale of properties of K1.1 million. One-off expenses of K10.3 million have been booked being restructuring costs recommended by the Consultants, Azurium Group, impairment of leasehold assets and K2.6 million arising from lease rental adjustments.

During the year the raising of funds from Shareholders, receipt of insurance proceeds and sale of property enabled the normalisation of trading terms as planned.

While our trading performance improved in the second half of the year as we adjusted our operations to cope with insufficient warehousing, these difficulties will continue until the rebuild of the upgraded Gerehu distribution centre, which is scheduled for completion in Q1 2020.

Stop N Shop and City Pharmacy were the Brands whose performance was most affected by insufficient warehousing. In spite of this both Brands showed an improved profitability over last year, attributed to higher rebate income as a result of prompt payments, rental and other operating costs savings.

The performance of Hardware Haus Limited has been pleasing with a profit recorded for the second half of the year, the first for a number of years.

Joint Venture Company, Jacks of PNG, has reported an increased profit for the year and has commenced its expansion program with the opening of a store in Mt. Hagen in December 2018 and a planned opening in Madang in Q2 2019.

Similarly, DFS (PNG) Limited which operated as Prouds has reported a solid profit in 2018. A 350 square meter store has opened within the Stop N Shop premises at Waigani in February 2019. The store offers a wide range of high quality, authentic, international brands of merchandise including perfumes and cosmetics, travel goods, jewellery, bags and selected clothing.

The Paradise Cinemas business was sold during the year and the company is in the last stages of identifying tenants for the premises in the Waigani Central compound.

The Australian based sourcing business, Pharmacy Wholesalers Ltd, continues to provide services to the Group and has contributed a steady profit.

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A number of store upgrades and refurbishment projects commenced in 2018 and will be completed by December 2019. In addition to the new premises for Hardware Haus, Jacks and City Pharmacy in Madang, a new Pharmacy was opened in Mt. Hagen in October 2018 and a further five Pharmacies are planned to be opened in 2019.

In view of the challenging economic situation, and investments in store upgrades and the new distribution centre re-build, the Directors will recommend to the Annual General meeting that no dividend be paid.

A handwritten signature in blue ink, appearing to read 'G. Dunlop'.

Graham John Dunlop

Chairman

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