ANNUAL REPORT **2017/18**

PAVI SHOPPING COMPLEX QORMI
PAMA SHOPPING VILLAGE MOSTA

A member of PG Group

ZARA

ZARA HOME

PG plc

A member of PG Group

PG PLC
ANNUAL REPORT 2017/18

CONTENTS

CHAIRMAN'S STATEMENT

The PG Group attained a turnover of €99.8 million in the year ended 30 April 2018, representing a growth of 8.9% over the previous financial year, which had registered a turnover of €91.7 million. Operating profit amounted to €11.7 million, compared to €11.4 million in 2017.

The growth in turnover has fully met the board's expectations, and was in part driven by the continued maturity of the Pama Shopping Village. Our results at Pama moreover reflected a full year's income from the retail mall, including the group's Zara Home® outlet, which was inaugurated in October 2016.

The overall operating costs of the group increased by €7.9 million (9.7%) in the year ended 30 April 2018, slightly overtaking the growth in sales. This was the first year of operations of the group as an enterprise listed on the Malta Stock Exchange, and the increase in costs in part represents an added investment in governance, management resources and business continuity. The business has also been impacted by higher employment costs within its outlets.

The group's net profit before taxation amounted to €11.1 million, compared to €10.8 million in 2017. The profit after tax for the year amounted to €7.7 million, compared to €7.4 million in 2017, representing an increase of 4.1%.

An interim net dividend of €1.7 million was distributed to shareholders in December 2017. I am pleased to report that a second interim net dividend of €2.55 million has been approved by the board, and will be distributed on 5 September 2018. These two distributions, totalling €4.25 million, are in line with the indications set out in the group's prospectus dated 27 March 2017, and represent 55% of the consolidated net profit for the year.

Cash flow generated from operating activities totalled €10.2 million, compared to €6.8 million in 2017. As highlighted in our annual report last year, our immediate investment priorities have been the commencement of the expansion project in the Alhambra, Sliema, and the continued refurbishment of the Pavi Supermarket. Both these investments are today well underway, and will enlarge and upgrade our establishments at Pavi and in Sliema. They will serve to enhance the facilities we offer to our customers, who remain the main focus of our operations, and auger well for the future growth of the business.

Our larger financial commitment remains the significant expansion project in our flagship Zara® and Zara Home® Alhambra outlet in Sliema. This development has inevitably necessitated the temporary closure of this outlet, and this will have an impact on our turnover and results in the current financial year. Work on the project is proceeding at a fast pace, driven by our management team and closely supported by our partners within the Inditex Group. Your board is confident that the new enlarged outlet will quickly become a landmark within the local retail sector and on this basis, also assuming a continuation of the prevailing favourable economic environment, expects that its future performance will quickly offset the impacts of the store's temporary closure.

Positive returns have already been noted from the refurbishment carried out to date at Pavi. This has contributed to an 8% increase in overall supermarket sales that have been recorded in the period May to July 2018 when compared to the same period last year. The new Zara Home® outlet at Pavi is also gaining traction and will contribute to our turnover in the current financial year.

Beyond these investments in its physical facilities, the group has continued to strengthen its internal infrastructure. We have committed additional resources to marketing, continually seeking to enhance the effectiveness of our significant spend in this area, and to IT. Work has commenced on defining our information needs and processes moving ahead, looking to replace and upgrade our core supermarket IT systems. We are also looking to launch improved online shopping facilities later this year. At the same time, increased attention is being given to staff recruitment, development and retention across the organisation.

The group had a total staff complement of 329 at 30 April 2018 and I would like to extend my thanks and congratulations to all of them, to our various partners, and to my colleagues on the board, for their contribution to the positive results attained last year.

The PG Group continues to work on identifying new growth opportunities. A property purchase was concluded during the year, and this property is earmarked for development in due course. The board is also seeking opportunities that may be pursued by expanding the group's existing complexes, or by securing additional locations. In all such initiatives, your board will ensure appropriate funding arrangements such that new projects could be brought to maturity without impeding the dividend flows resulting from existing businesses.

At 30 April 2018, the PG Group had a market capitalisation of €140 million, well in excess of its IPO valuation of €108 million, with a shareholder base comprising over seven hundred individual, corporate and institutional investors. It has an ongoing obligation to provide a varied and competitive offering to its customers, in an attractive environment; to safeguard and enhance the well being and prospects of all its employees; and to meet the legitimate expectations of its investors, tenants and concessionaires. I am confident that the group has in place the facilities, management and financial resources that will ensure its continued ability to perform well and to meet these varied obligations.

John B Zarb
Chairman

28 August 2018

Directors

John B Zarb
Chairman

Paul Gauci
Executive Deputy Chairman

Charles Borg
Executive Director &
Chief Executive Officer

Claire Alexia Borg Gauci
Executive Director

Ramona Piscopo
Non-Executive Director

William Spiteri Bailey
Non-Executive Director

Lawrence Zammit
Non-Executive Director

Emma Grech
Company Secretary

Senior Management

Charles Borg
Executive Director &
Chief Executive Officer

Malcolm Camilleri
Deputy Chief Executive
Officer

Raffaella Busuttil
Chief Financial Officer

Silvio Carabott
Chief Operations Officer

Gianluca Borg
Head Purchasing

Group Services & Operations

Kevin Azzopardi
Head Marketing

Mark Seguna
Head Information Technology

Stephen Gauci
General Manager
Pama Supermarket

Manuel Caruana
General Manager
Pavi Supermarket

Adriana Cassar
Brand Manager
Zara

Jackie Camilleri
Brand Manager
Zara Home

Operating review

Composition of the group

With the sole exception of the retail mall within the Pama Shopping Village, the operations of the group were unchanged during the two years ended 30 April 2017 and 2018 and consisted of supermarket and associated retail operations conducted at Pavi Shopping Complex and at Pama Shopping Village; and the operation of the Zara® and Zara Home® franchises.

The retail mall within the Pama Shopping Village, including the Zara Home® outlet situated therein, commenced operations in October 2016, and the comparative income and cash flow statements for the year ended 30 April 2017 do not reflect a full year's operations of this facility.

Supermarket and associated retail operations

The strategy of the group with respect to the two supermarket complexes is to focus its activities on areas closely aligned to its core expertise and to attain an adequate spread of risk. Revenue is generated from three types of activity, namely:

- the retailing of food and non-food products, directly procured by the business and carried at its own risk;
- rental arrangements with third party operators in respect of certain specialist activities carried out from designated areas within the supermarkets; and

Conveniently accessible locations and single floor layouts, coupled with extensive free car parking, characterise the shopping facilities available both at Pama and at Pavi, and have contributed to the consistent growth in footfall that has driven sales. Turnover within the supermarket and associated retail operations segment increased by 11.4% when compared to the previous financial year.

Growth was recorded both within the supermarkets themselves and within the associated retail outlets. The total footfall within the two supermarkets totalled 4.3 million persons during the financial year; while Pama retail mall recorded 420,000 visitors between January and July 2018.

Mr Stephen Gauci (right above), the general manager of Pama Supermarket, receiving an MCCAA 2017 award from MCCAA recognising an outstanding level of customer service. Pavi Supermarket and the group's Zara outlet were also among the prize winners at this event.

- the management, operation and letting of other retail and commercial outlets within the two complexes.

The overall objective is that of creating destinations that cater for a number of the day-to-day needs of shoppers, going beyond a routine visit to a supermarket, albeit that the latter remains of fundamental importance to the group.

The supermarkets are the key anchors of each complex. In both cases, they are set out on one floor, employing a logical and customer-friendly layout that has proved popular with patrons, supported by numerous check-out points that facilitate customer flows and minimise queues during peak shopping hours. The overall shopping experience is accentuated by high levels of customer service, supported by continual staff training.

The overall commercial strategy is for the supermarkets to carry a wide range of brands aimed at catering for different tastes and means of customers, without compromising the maintenance of margins, while offering patrons highly competitive prices. Purchasing is closely controlled on the basis of supplier negotiations that take advantage of the purchase volumes of the group and of the optimum utilisation of shelf space, while benefiting suppliers through prompt settlement and, where feasible, through efficient logistical arrangements. To maximise efficiency and margins, the group also imports certain products directly.

Our partners within the supermarket business

The delicatessen, bakery and fruit and vegetable stalls at Pama are entrusted to third party operators.

A number of specialist activities within the supermarkets are sub-contracted to such operators. These include, inter alia, the butcher shops, delicatessen counters, fruit and vegetable counters, pasta shops and fish sections. The directors believe that such areas within a supermarket require particular attention to ensure varied, quality and fresh produce and that this focus is better attained through specialist and experienced operators with a known reputation in their markets. The group, therefore, does not operate these sections itself but sub-contracts them to experienced operators. This approach is believed to better ensure the success of the retail food sector and operates to improve overall customer satisfaction, whilst insulating the group from the particular stock expiry and control risks associated with fresh and perishable foods generally.

The group makes retail and storage space available to the third party operators and enters into rental arrangements with them in respect of these facilities. The sales of such operators are invoiced to customers by the supermarkets and are hence included within the group's turnover, with the relative proceeds being passed on to the operators concerned in settlement for the goods acquired, after deducting rents and a margin retained to cover, inter alia, the costs of check out, security, cleaning and other services provided.

The group closely monitors the performance of third party operators to ensure the quality and freshness of all products sold, and to ensure price competitiveness. The group adjourns its arrangements from time to time, seeking to maximise efficiency. One such change was affected in September 2017, when the group terminated its third party operator arrangements on the wines and spirits segment and assumed the direct operation of these lines within both supermarkets.

Operating review CONTINUED

The success of the group's supermarkets and the high level of footfall they generate has in turn enabled the group to maximise its rental income from other retail outlets situated within the complexes. The presence of these outlets is an added convenience to shoppers and serves to enhance the attraction of the complexes as a whole, providing customers with a more comprehensive selection of outlets. The group is accordingly continually seeking new opportunities to expand the retail facilities available at the two complexes.

Rentals from the outlets operated by third parties within the complexes are generally set on an income-sharing basis, subject to an appropriate minimum annual rent depending on the size, location and nature of the outlet. A balanced mix of catering, commercial and retail tenants have been accommodated within each of the complexes.

An investment is currently being undertaken to improve the online shopping facilities available to our customers, and this project is today at an advanced stage of development. A new website is targeted to be launched in October of this year, and this will facilitate the placement and settlement of online orders. The site will be supported by facilities whereby customers may opt for home delivery or to pick up their shopping at either of the two supermarkets, depending on their preference.

The group's supermarket and associated retail business segment invests heavily in marketing.

Pama Shopping Village today includes 4,800 sqm of supermarket space on one floor, 6,230 sqm of retail and catering facilities, spread over 38 outlets, various kiosks and 1,200 free car parking spaces. It has become a popular destination for shoppers, meeting most of a family's daily needs.

Operating review CONTINUED

A major part of the annual marketing spend is pitched directly at customers and includes a daily lottery draw, broadcast on radio and TV, of a prize of €1,000 that is drawn from sales made in the previous 48 hours; an entitlement to free bottles of mineral water that is made available to shoppers based on the value of their purchases; and a regular selection of offers throughout the whole year which vary from substantial price reductions on various products to the giving away of cash vouchers with every purchase. Special offers are also made on Wednesdays and in certain periods of the year, such as the Christmas season.

Loyalty points are moreover made available to holders of a loyalty card where points are added on account with every receipt issued. Loyalty card holders, of which the group has over 100,000, can have their shopping bill reduced when redeeming their loyalty card points.

Importance is also attached by the group to marketing aimed at potential new customers, and regular recourse is made to advertising via newspapers, TV and radio, social media and direct post. This is supported by regular market research carried out in order to better understand the public's perception of the group and to identify weaknesses and potential opportunities. Continual market research is also carried out to ensure that the two supermarkets offer, across all major categories, a product that can match competitors in terms of price for a given quality, while at the same time making alternative choices available to its customers.

Refurbishment of Pavi Supermarket

The process of refurbishing the Pavi Supermarket commenced in early 2018. The refurbishment will be an extensive one that will include the complete modernisation of the fishmonger, butcher, bakery, delicatessen and fruit and vegetable outlets, the replacement of fridges and freezers and the upgrade of various areas within the store.

The project is being approached in a phased manner designed to minimise any inconvenience to our partners and to customers. The first major outlet, the fishmonger, was concluded in February 2018. Work is currently at an advanced stage to complete the butcher shop and the replacement of fridges and freezers, and this will be followed shortly afterwards by the refurbishment of the remaining outlets, that generally entail simpler M&E systems and are quicker to complete. The fruit and vegetable and bakery outlets, our next priorities, are scheduled to be concluded by November 2018, while the delicatessen and Chinese sections will be tackled after the Christmas peak season. The completed process will bring Pavi fully at par with Pama in so far as the quality of its physical facilities are concerned.

The project is being complemented by the addition of added associated retail space aimed to enhance the overall shopper convenience, including a new Zara Home® outlet which commenced operations in May 2018.

The refurbished fish shop at Pavi, opened earlier this year, represented the first step in the supermarket's refurbishment program.

Operating review CONTINUED

The Zara® and Zara Home® franchise operations

The Zara® and Zara Home® brands belong to the Spanish firm Industria de Diseño Textil, S.A., better known as Inditex S.A., one of the world's largest clothes retailers, which reported sales of €25.3 billion in 2017 (€16.6 billion of which comes from the Zara® segment). The Zara® business model is based on organising processes that ensure fast-to-market, quality fashion wear at affordable prices.

Zara® opened its first store in the coastal town of A Coruña in the northwest of Spain in 1975. Zara® today has over 2,250 stores strategically located in leading cities in 96 countries. Zara®'s designers and customers are inextricably linked. Specialist teams receive constant feedback on the decisions its customers are making at every Zara® store. This feedback inspires Zara®'s creative team which is made up of over 200 professionals.

Zara Home® was created in 2003 and specialises in the latest designs for the home. Its textile ranges, which include bedding and bed linen, tableware and bath linen, are complemented by dishware, cutlery, glassware and home decoration objects and accessories. Zara Home® is constantly refreshing its product range throughout the year. Today Zara Home® runs 590 stores in 75 markets.

The PG Group's Zara® franchise operations were initiated in 2001 at the Alhambra store in Tower Road, Sliema. The outlet is owned on a freehold basis and is situated in what is possibly Malta's prime retail location, attracting a high footfall.

A second Zara Home® outlet was opened within the Pama retail mall in November 2016. This second store measures 880 sqm and is an ideal size to exhibit a substantial range of products available from this brand.

As the franchisee for Zara® and Zara Home®, the group, is responsible, inter alia, for staff recruitment and management, accounting and stock control, as well as the security and upkeep of the premises. Operations within the two stores are at the same time conducted in close liaison with the brand owners, Inditex.

Inditex is closely involved in the placement of orders for stock, seeking to ensure that the range of merchandise retailed in Malta at all times represents the current offerings of the two brands. Moreover, Inditex participates in the design and finishing of stores and in setting standards for the displays adopted. The Inditex group is characterised by a highly responsive supply chain that ensures that all stores are kept adequately stocked with goods that satisfy current consumer trends and demand.

Responsiveness is enhanced by Zara®'s online shopping facilities, in which the group also participates. Delivery of Zara® online orders to Malta may be made directly to the customers' address of choice or may be delivered at any of the two outlets. Product returns are awarded the same treatment irrespective of whether an article was acquired at an outlet or online, offering customers a seamless service.

Zara® and Zara Home® expansion projects

A significant program of expansion is currently underway with respect to the group's Zara® and Zara Home® operations.

This program commenced earlier this year with the creation of a new Zara Home® outlet within the Pavi complex. This outlet, measuring 500 sqm of retail space, in addition to staff facilities and storage, was opened in May 2018, and its results will first be reflected by the group in the financial year ending 30 April 2019. The shop has further served to enhance the overall shopper convenience and ambience within the complex.

The more important development on which the group is currently engaged relates to its flagship Alhambra outlet in Sliema.

As the Zara® range expands, Inditex is favouring the opening of larger stores that permit the stocking and display of a wider selection of products than was possible within the existing Alhambra outlet. It was recognised as well that this outlet had been in operation for a number of years and required modernisation.

An agreement was accordingly reached between the group and Inditex for the expansion of the Sliema outlet through the construction of five additional levels on the back of the building, which was previously constructed up to two floors. This will increase the retail space within the building from 1,711 to 3,311 sqm, apart from supporting staff and storage facilities, and circulation areas such as stairways, lifts and escalators. The enlarged outlet will house one of the largest Zara® department stores in Europe. It will also include one floor dedicated completely to Zara Home®.

Over the past year, the group has worked closely with Inditex specialist architects to develop the detailed designs for the project. The joint objective remains that of creating a modern outlet that will be a landmark not only in Malta but also within the wider Zara® stable.

Development work commenced in January 2018, utilising a steel structure to target the shortest possible development timescale and to minimise the disturbance caused by the development. At the date of concluding this review, all construction work has been completed (apart from alterations to the facade) and work is moving at a fast pace on M&E installations and finishes. The group aims to reopen the finished store in November of this year, in time for the Christmas season.

As already noted in the chairman's statement, this development has inevitably necessitated the temporary closure of the outlet. This temporary closure was preceded by an extensive sale designed to dispose of the maximum amount of stock possible. The group has redeployed a number of the staff employed at the store; other members of staff, mainly expatriats, have opted for a sabbatical; whilst a number of the store's senior employees have been seconded to similar stores in a number of countries overseas in order to better prepare for the larger scale of the operation that will result from the development.

The store will feature various improvements and innovations for the added convenience of shoppers. It will also display an enlarged variety of stock, and entail new operating procedures in key areas, eg., in the interaction between the retail and storage floors. Our senior Zara® and Zara Home® management, supported by Inditex specialists, are playing a key role in the preparations required. Staff recruitment is well underway, locally and overseas, and a series of preparatory training courses and trials are scheduled for September and October. In the meantime management is working with Inditex to ensure that the store is fully stocked upon its reopening.

Operating review CONTINUED

Property acquisition

During the course of the financial year, the group acquired the property known as the United Macaroni factory, in Qormi Road, Marsa.

As a result of this acquisition, the group is the sole and exclusive owner of this property. The purchase price of the property was €3.5 million, of which €1 million was paid immediately upon signing of the contract. The remaining balance will be paid, without interest, in five equal instalments of €500,000, an outlay that can be comfortably met from the group's ongoing operating cash flow. No financial commitments have yet been entered into with respect to the potential development of this site.

The board believes that this site is a very attractive property for commercial activities. To maximise its potential value, a planning application was submitted, and was subsequently approved by the Planning Authority, which defines the volume of permitted development. The site can accommodate an office/commercial development with a net rentable area of circa 13,000 sqm, giving a site acquisition cost of €265 per sqm; in addition to four floors of subterranean car parking.

This site will be held for its possible development into commercial premises, or for resale, depending on opportunities identified. The group has no immediate plans for its development. Through this acquisition the group has nevertheless increased the quality assets of its portfolio, which should yield positive returns in the future.

Paul Gauci commenced Zara® franchise operations in 2001, and opened the Pavi Supermarket in 2006, in both instances in partnership with family members. He acquired full control over these operations in 2008 and 2015 respectively, and subsequently launched Pama Shopping Village, that commenced operations in late October 2015.

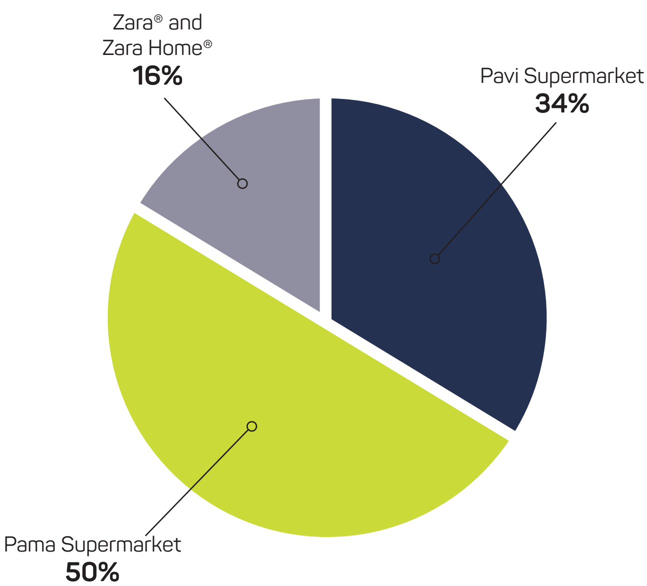
Paul Gauci owns 75% of the equity of PG p.l.c. He remains actively involved in the overall management of the group and plays a leading role in the identification and actioning of new initiatives.

Review of operating performance

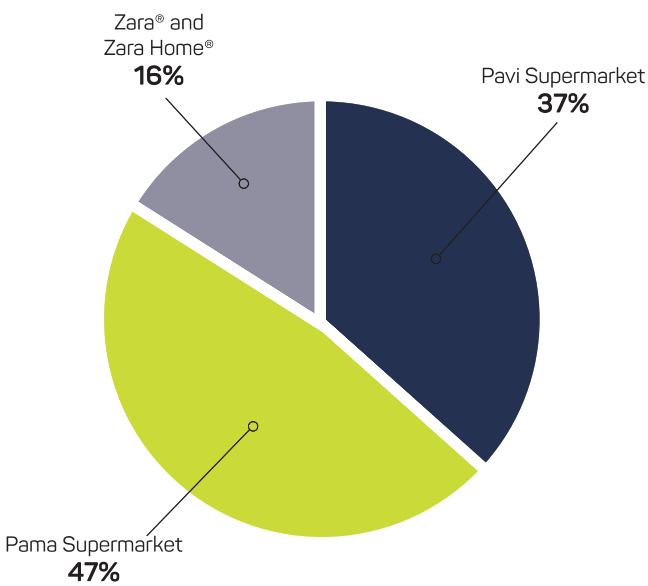
The group's operating performance for the year ended 30 April 2018 is summarised below:

€'000	Year ended 30 April 18	Year ended 30 April 2017
Turnover	99,849	91,686
Cost of sales	(84,581)	(77,425)
Gross profit	**15,268**	**14,261**
Gross profit percentage	**15.3%**	**15.6%**
Selling and marketing costs	(1,063)	(1,195)
Administrative expenses	(3,284)	(2,445)
Other income	771	764
Operating profit	**11,692**	**11,385**
Operating profit percentage	**11.7%**	**12.4%**
Share of results of associates	(26)	(21)

The growth in turnover, amounting to 8.9%, has fully met the expectations of the board. Growth was in large part driven by the increasing maturity of Pama Supermarket's operations, which recorded a 13.5% increase in footfall; by the impact of reflecting a full year's rental income from the retail mall within the village, including the new Zara Home® outlet situated therein; while that sales at Pavi were sustained at 2016/17 levels, reflecting in part a continued rebalancing of customers between the two outlets.



Year ended 30 April 2018



Year ended 30 April 2017

Operating review CONTINUED

Review of operating performance CONTINUED

During the period the consolidated sales mix and overall gross profit percentages remained constant. Operating efficiencies were attained at Pama, driven by the larger sales volumes, but these were offset by an increase in shop operating costs, including the impact of the new Zara Home® outlet at the Pama retail mall and the impact of higher employment costs across the group's operations.

Our annual report last year commented on the unsustainable leanness of the group's marketing and administrative resources, which required additional commitment moving ahead to ensure enhanced corporate governance appropriate to a listed company. A significant investment has been made in this area in the course of 2017/18, in the process safeguarding the continuity of the business and its ability to cope with new projects.

Management and accounting resources have been strengthened, including inter alia a new group chief financial officer, a new head of marketing and a new head of IT. This was also the first full year of operation of the current board of directors.

An external service provider has been engaged to conduct a regular cycle of internal audits, focusing on the controls maintained by the group in key areas such as purchasing, payroll, stock control, sales and cash handling. Our controls and systems in these crucial areas are supplemented by a program of continuous inventory counting that serves both to ensure the accuracy of our records and to give early warning to management on any areas where control procedures appear at risk.

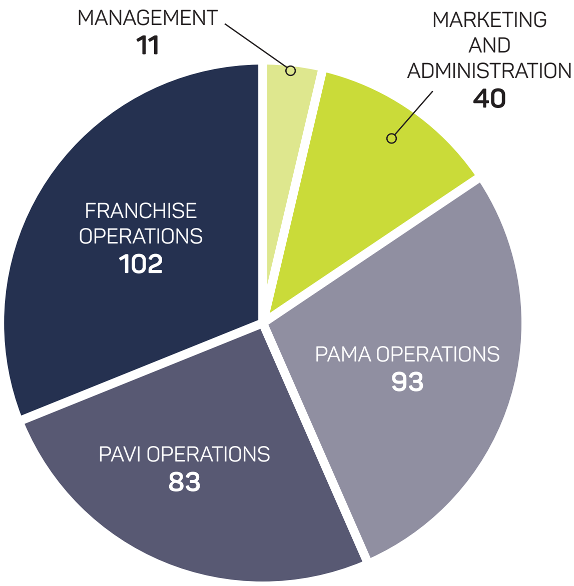
This strengthening of the group's management infrastructure resulted in a step change in administrative expenses, which increased materially during the year. Looking ahead, with the possible exception of IT, the group expects that such costs will now stabilise.

The group has commenced during the year a preparatory program that is intended to lead to an upgrade in its core supermarket infrastructure. Our head of IT, assisted by an experienced specialist consultant, is currently leading a process to better define the core functionalities of the systems required and to conduct a gap analysis to identify existing shortcomings that need to be addressed. This process is expected to be completed later this year, and will help the group in identifying the technical solution most suited to its future needs, looking inter alia at ease of implementation and at the mitigation of the attendant risks. An added investment will no doubt be necessary in this area, albeit one that should yield operational benefits.

The group's overall employment cost increased from €5.5 million in 2017 to €6.7 million in the year ended 30 April 2018. The staff complement increased from 309 to 329 persons, with the average cost per employee increasing by 14%. The increase in the average cost per employee is in part due to the recruitment of higher grade staff and in part due to increases in pay levels.

In a market characterised by high employment, staff recruitment and retention are increasingly areas of management focus. Importance is also given to training at all levels, and to strengthening our human resource functions across the group. The group is conscious in particular of the need to maintain a targeted training programme for its senior employees, looking to develop the skill sets of its management and plan for long term continuity. An assessment and monitoring program focusing on each individual was initiated earlier in 2018, and this will be followed by training, including tailored courses, looking at developing technical, managerial and interpersonal skills.

Staff occupation at 30 April 2018:



Finance costs and cash flow

Net finance costs amounted to €589,000 in the year ended 30 April 2018, compared to €557,000 in the previous financial year. After deduction of taxation, the PG Group attained a profit for the year of €7.66 million, compared to €7.36 million in 2017.

The group generated a net cash flow from operating activities amounting to €10.2 million (€6.8 million in 2017). This cash flow was applied, inter alia, towards:

- Capital expenditure of €3.6 million, including of €1.3 million paid on the property acquisition referred to earlier in this report; €1.1 million on the new Zara Home® outlet at Pavi and on various ongoing replacements at the two supermarkets; and €1.2 million in respect of the Zara® and Zara Home® Alhambra store project.

  The development cost of the Alhambra project is projected at €9.1 million. The group has negotiated a term loan of €9 million to finance this project on a long term basis. No draw downs of this loan had been affected at 30 April 2018.

  The total cost of the property acquisition, inclusive of stamp duty and other costs, amounted to €3.7 million. At 30 April 2018 the group had an indebtedness of €2.5 million arising on this purchase. This amount is payable, without interest, in five equal six monthly instalments of €0.5 million.

- The continued reduction of borrowings. As at 30 April 2018, the group had bank borrowings, net of cash in hand, of €17.2 million (2017 - €22.1m), including term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €1.7 million per annum.

Dividends

An interim net dividend of €1.7 million was distributed by PG p.l.c. in December 2017.

A second interim net dividend of €2.55 million was approved by the board as at the date of this report, and will be distributed on 5 September 2018. With this second dividend, the total net distributions made by the group out of the profits for the year ended 30 April 2018 come to €4.25 million, in line with the indications contained in the group's prospectus dated 27 March 2017. These distributions amount to 55% of the profit for the year, and represent a gross yield of 6.05% on the nominal value of each share.

The declaration of a second interim dividend payable now, in lieu of a final dividend that would otherwise be approved and paid following the annual general meeting planned for October, is designed to attain a reasonable time interval between the two annual dividend distributions that the group would like to sustain moving ahead.

Current year prospects

The two supermarkets have had an encouraging start to the year, with sales for the three months ended 31 July 2018 showing an increase of 8% over the comparable period in 2017. The outlook for the financial year ending 30 April 2019 is encouraging for both stores and should be positively impacted as well by the completion of the refurbishment at Pavi later this year.

But perhaps the factor that will most impact the group's results for the current financial year is the expansion project at the Alhambra complex. As already stated, this outlet was temporarily closed in mid July; the interruption of normal Zara® operations in fact commenced a month earlier, as a heavily discounted sale was launched to clear the stock which would otherwise have remained surplus to the store's requirements.

The expanded Alhambra Zara® and Zara Home® outlets are scheduled to reopen in November 2018 and are expected to result in an increase in the store's turnover when compared to the past. In view of this, the group is aiming to attain an overall outcome, for the current financial year, that is comparable to the positive result attained in the financial year ended 30 April 2018; and will as a consequence be seeking to sustain the dividend levels distributed in this last year.

The attainment of these positive objectives depends in part on the Alhambra project being completed on schedule; on its success meeting at least the expectations of the group which, while prudently set, are subject to the uncertainty inherent in any new project; and to the overall economic environment remaining positive.

Health and safety

The group has a keen interest in all health and safety issues affecting its employees, its customers and all other visitors to its premises.

The board requests regular updates on this subject from senior management, supported by a specialist external consultant, and ensures that adequate resources and attention is devoted to this area. Board updates cover such topics as the maintenance and use of premises, fittings and equipment, adherence to fire and other regulations, the training of staff, and safety drills.

The group is equally concerned to ensure full adherence to all regulations regarding the storage and handling of foodstuffs, including the continual monitoring of expiry dates on its own products. Random checks are also carried out to ensure that third party operators are also adhering to the group's standards, as stipulated in their contractual arrangements.

Particular attention has also been devoted, in recent months, to ensuring adherence to health and safety and other applicable building regulations with respect to the development at the Alhambra outlet; and to minimising as far as possible the external impacts and disturbance caused by the construction site. This was facilitated by the choice of a steel structure. The use of a tower crane mounted behind the building, in premises temporarily rented for the purpose, also helped minimise disruption on Tower Road, a major thoroughfare.

One of the more delicate works entailed in this project was the removal of the old asbestos roof installed when the Alhambra cinema was first built. This was a task entrusted to a specialist contractor, and was conducted under strict supervision of the relevant authorities. It entailed removing the roof, section by section, in a manner that avoids cutting or other processes that would release asbestos particles; hermetically sealing all removed panels prior to any further handling; and the removal of all asbestos material from site.

Operating review CONTINUED

Our contribution to the Community

The PG Group is grateful for the continued trust people place in the group, in the products it sells and the service it provides. All this makes the organisation more aware of its responsibilities to society, and the group is committed to support the community and the environment in a meaningful way.

These efforts anchor the group's commitment to be not just a nation-wide organisation people know and love, but also as a group with deep local roots and a longstanding commitment to making differences in the communities it proudly serves.

This year the group supported various charitable causes with various institutions being the ultimate beneficiaries amongst which L-Istrina, Dar il-Kaptan, Dar Bjorn and the Hospice Movement. The group also supported other local entities such as band clubs, sports clubs and schools by contributing towards the organization of various fund-raising activities. It also contributes by ensuring that goods approaching their optimum sell-by date are distributed to homes and other institutions that require foodstuffs on a regular basis.

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 April 2018.

Principal activities

The group is engaged in the retailing of food, household goods and other ancillary products through the Pavi Shopping Complex and Pama Shopping Village, and the selling of Zara® clothing and Zara Home® household goods as a franchisee of the Inditex Group. The group also leases a number of retail outlets within Pavi Shopping Complex and Pama Shopping Village to third parties.

Review of the business

Development of the business

The retail mall within the Pama Shopping Village, including the Zara Home® outlet situated therein, commenced operations in October 2016, and the comparative income and cash flow statements for the year ended 30 April 2017 accordingly do not reflect a full year's operations. In other respects, the operations of the group were unchanged during the two years ended 30 April 2017 and 2018.

Trading performance

Turnover for the year ended 30 April 2018 amounted to €99,849,000 (€91,686,000 in 2017). The growth of 8.9% in turnover reflects in the main the increased maturity of Pama Shopping Village and the impact of a full year's operations of the retail mall, as commented above.

The increased turnover resulted, as expected, in a corresponding growth in direct costs and in marketing expenses. Administrative overheads reflect an added investment in governance, management resources and continuity. The results of the group have also been impacted by higher employment costs within the outlets.

The resultant operating profit amounted to €11,692,000, an increase of 2.7% over the comparative of €11,385,000 recorded in 2017.

Net finance costs amounted to €589,000, compared to €557,000 in the previous financial year.

The resultant profit before taxation amounted to €11,077,000, an increase of 2.5% over the 2017 comparative of €10,807,000. The group incurred an effective tax expense of 30.8% (31.9% in 2017), which reflects in part the entitlement of incurring a final tax of 15% on rental income received. The profit for the year after taxation amounted to €7,660,000 compared to €7,360,000 in 2017.

Cash flow

The group generated a net cash flow from operating activities of €10,230,000 (€6,841,000 in 2017), which was applied in the main towards the reduction of borrowings, towards the payment of an interim net dividend of €1,700,000 and towards ongoing capital expenditure and general working capital funding requirements.

Capital projects included a new Zara Home® outlet in the Pavi Shopping Village that commenced operations in May 2018, an initial payment of €1,000,000 on a property acquisition and the commencement of works at the Zara® and Zara Home® Alhambra outlet in Sliema. The Sliema outlet project is expected in total to cost in the region of €9.1 million, and will be financed in part by a term loan facility of €9 million. No draw downs from this facility had been made at 30 April 2018.

As at 30 April 2018, the group had bank borrowings, net of cash in hand, of €17,210,000 (€22,058,000 in 2017), including fixed term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €1,700,000 per annum. The group also had an amount due of €2,500,000 arising from the property acquisition referred to above, payable without interest in five six-monthly instalments of €500,000.

Financial position and associated financial and other risks and uncertainties

Group equity increased by 21.4% to €33,785,000 as at 30 April 2018 as a result of the retained profit for the year.

At 30 April 2018 gearing stood at 34% when measured on a historical cost basis, and at 11% when judged by reference to the group's enterprise value at 30 April 2018, assessed on the basis of the market value of its equity as quoted on the Malta Stock Exchange.

The group operates in a highly competitive business environment and is subject to various risks such as increasing pressures on margins and increased competition to attract and retain customers. In a period of relatively high employment, the market is also characterised by increased difficulty in attracting and retaining staff, with corresponding pressures on compensation levels.

The group is at an advanced stage of its expansion project at its Alhambra store in Sliema. While works have been handled in a manner that minimises interference with the store's operations, a degree of disruption is unavoidable. The outlet temporarily ceased operations in July, following a clearance sale designed to minimise stock wastage, and is scheduled to reopen for business in November 2018. The current year's results will be impacted by the foregone revenues and margins and by the employment, training and other costs that will continue to be incurred during the closure period.

The group is currently operating in a buoyant economy and favourable economic conditions. This has benefited its operations in the periods covered by the financial statements, and there are no indications that the current environment may not persist in the immediate months ahead. No period of economic prosperity is of an indefinite duration and, like all businesses, the group will at some stage face a less favourable economic climate.

The business of the group is accordingly conducted in a prudent manner seeking to avoid undue levels of risk that could impair its resilience when faced with unfavourable market conditions or that could inhibit its ability to capitalise on suitable opportunities that may be identified from time to time. In particular:

- The major part of purchases and other expenditure, and all revenues, are denominated in euro and the group does not maintain any material assets or liabilities denominated in foreign currency. Its exposure to currency risk is negligible.

- The group's term borrowings carry a fixed interest rate and any future increases in interest rates would have a minimal impact on its results.

- The group's annual term loan servicing commitments represented 16.6% of the net cash flow generated from operating activities in the year ended 30 April 2018, and this is considered by the Board of Directors as a relatively contained commitment that does not unduly inhibit business resilience.

- The group operates retail businesses where the granting of credit is limited and the credit risk carried is low in the overall context of the group.

- The group carries a net current liability position that results in part from supplier credit being extended to it in excess of its own investment in working capital, and in part from the use of bank overdraft facilities. The group maintains a healthy relationship with its suppliers and care is taken to respect agreed credit terms.

Further information on the group's financial risk management is set out in note 2 to the financial statements.

Dividends and reserves

The income and equity movements statements are set out on pages 44 and 45 to 46 respectively.

An interim net dividend of €1,700,000 was distributed by the company in December 2017. A second net dividend of €2,550,000 was approved by the Board today, and will be distributed to shareholders on 5 September 2018. The total net dividend distributed from the profits earned in the financial year ended 30 April 2018 will therefore amount to €4,250,000, in line with the indications communicated in the company's prospectus dated 27 March 2017.

Directors' report CONTINUED

Directors

The directors of the company during the financial year ended 30 April 2018 and as at the date of this report are:

Mr John Zarb
Non-Executive Chairman

Mr Paul Gauci
Executive Vice-Chairman

Mr Charles Borg
Executive Director & Chief Executive Officer

Mrs Claire Alexia Borg Gauci
Executive Director

Dr Ramona Piscopo
Non-Executive Director

Mr William Spiteri Bailey
Non-Executive Director

Mr Lawrence Zammit
Non-Executive Director

In accordance with the company's Memorandum and Articles of Association, all directors remain in office.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of PG p.l.c. for the year ended 30 April 2018 are included in the Annual Report 2018 which is published in hard-copy printed form and is available on the parent company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the parent company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the group and the parent company as at 30 April 2018, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face.

Going concern basis

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the group and the parent company have adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Additional information pursuant to Listing Rule 5.64

Details of the company's share capital are disclosed in note 11 of the financial statements on page 73.

The issued share capital consists of one class of ordinary shares with equal voting rights attached. All shares are freely transferable.

Mr Paul Gauci owns 75% of the issued share capital of the company. No other shareholder holds 5% or more of the share capital of the company.

At present, in terms of the Articles of Association of the company, the board of directors shall consist of a minimum of five (5) and a maximum of seven (7) directors, one of whom shall be the Chief Executive Officer. Once appointed to office in accordance with the provisions of the Articles of Association of the Company, a director (not being the Chief Executive Officer, who shall be appointed to the Board of Directors by virtue of his office following his engagement by the company) may serve in office for a minimum period of three (3) years and a maximum period of five (5) years, unless s/he resigns or is earlier removed or is due to retire by rotation in accordance with the Articles of Association of the company, provided that a director whose term of office expires shall be eligible for re-appointment. The term of office of all non-executive directors shall be of three (3) years, following which one third of the board's non-executive directors shall retire by rotation. In every subsequent year, 1/3 of the directors or, if their number is not three (3) or a multiple of three (3), then the number nearest 1/3 shall retire from office, provided that until such time as the number of non-executive directors does not exceed five (5), then two (2) non-executive directors shall retire as aforesaid.

The appointment of the directors (not being the Chief Executive Officer, as aforesaid) shall take place at the annual general meeting of the company. The Articles of Association of the company provide for a mechanism pursuant to which recommendations of prospective directors to the Nominations Committee may be made by any shareholder or shareholders holding in the aggregate not less than €250,000 in nominal value of shares having voting rights in the company. No person shall be or become entitled to act or take office as a director of the company unless approved by the Nominations Committee, which is empowered by the Articles of Association of the company to reject any recommendation made if in its considered opinion, the appointment of the person so recommended as a director could be detrimental to the company's interests or if such person is not considered as fit and proper to occupy that position. Where the number of candidates approved by the Nominations Committee is more than the number of vacancies on the Board of Directors, then an election would take place in accordance with the provisions of the Articles, pursuant to which those candidates obtaining the highest number of votes overall from amongst the candidates listed on the ballot paper distributed in advance of the general meeting shall be elected and appointed directors.

Any director may be removed at any time by the ordinary resolution of the shareholders of the company in accordance with the Act, or in accordance with any other applicable law, or in the specific cases set out in the Articles of Association of the company.

The administration and management of the company shall be conducted by the directors, who shall appoint one of their number to act as chairman. The Articles of Association of the company do not contemplate any specific instances of administration and management of the company which are reserved for the decision, or the prior approval of, the shareholders of the company and/or any committee of the company.

The directors are empowered to act on behalf of the company and, in this respect, have the authority to enter into contracts, sue and be sued in representation of the company. They may transact all business of whatever nature of the company not expressly reserved to the shareholders in general meeting or by any provision contained in any law for the time being in force.

Directors' report CONTINUED

Additional information pursuant to Listing Rule 5.64 CONTINUED

The primary provisions regulating the Board of Directors' workings, as well as the appointment and replacement of directors, may be found in articles 12-15 and 17-23 of the Articles of Association of the company.

In terms of article 3.16 of its Articles of Association, the company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association, however, no deletion, amendment or addition to the Articles of Association shall have effect unless prior written approval has been sought and obtained from the Listing Authority therefor.

It is hereby declared that, as at 30th April 2018, with the exception listed below, the company is not party to any significant agreement pursuant to Listing Rule 5.64.10.

The franchise agreement with Inditex Group re Zara® and Zara Home® requires its prior consent to any change in control of the group. In the absence of such prior consent, Inditex would be entitled to exercise its rights under an option agreement whereby Inditex could terminate the franchise agreements and assume the ownership of the operation of the stores.

The board declares that the information required under Listing Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.11 is not applicable to the company.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board.

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Registered address:

PG Group Head Offices,
PAMA Shopping Village,
Valletta Road,
Mosta,
Malta.

Telephone (+356) 2349 6100

Dr. Emma Grech
Company Secretary

28 August 2018

Corporate governance statement

A. Introduction

PG p.l.c. was incorporated on 25 November 2016 and acquired control of the subsidiaries and associates that constitute the group's business on 10 March 2017. The company's equity was admitted to the Official List of the Malta Stock Exchange on 4 May 2017.

The company is accordingly required to submit a report on its corporate governance pursuant to Listing Rules 5.94 and 5.97 issued by the Listing Authority of the Malta Financial Services Authority, covering the financial year ended 30 April 2018.

Good corporate governance is the responsibility of the Board of Directors, and, in this respect, the board has carried out a review of the company's compliance with the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Listing Rules. It has taken measures for the company to comply with the requirements of the Code to the extent that this is considered appropriate and complementary to the size, nature and operations of PG p.l.c. Notwithstanding the fact that the adoption of the Code is not mandatory, the board has endorsed its principles and ensured their adoption, save as indicated hereunder in section C, entitled, 'Non-Compliance with the Code', where the Board discloses the instances where it has departed from the Code's recommendations.

B. Compliance with the Code

Principle 1: The Board

The board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of PG p.l.c., the affairs of the company are managed and administered by a board composed of up to seven (7) directors.

The board is in regular contact with the Chief Executive Officer, who is a board member, in order to ensure that it is in receipt of timely and appropriate information in relation to the business of the group and management performance. This enables the board to contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

The board delegates specific responsibilities to the Audit Committee and to the RemNom Committee. Further detail in relation to the committees and the responsibilities of the board is found in Principles 4, 5 and 8 of this statement.

Principle 2: Chairman and Chief Executive

The Articles of Association of PG p.l.c. provide for the board to appoint a Chairman from amongst the directors. They also provide for the appointment of a Chief Executive Officer who serves, by virtue of his office, as a director of the company. Mr John Zarb and Mr Charles Borg were appointed Chairman and Chief Executive Officer respectively.

The Chairman is responsible to lead the board and set its agenda, ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company, ensure effective communication with shareholders and encourage active engagement by all directors during board discussions.

The Chief Executive Officer leads the management team of the group. He reports regularly to the board on the business and affairs of the group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the board are timely, give a true and correct picture of the issue or issues under consideration, and are of a professional standard suited to the subject matter concerned.

The Chief Executive Officer is supported by Mr Paul Gauci, the founder and major shareholder of the company, who serves as Executive Vice-Chairman. Mr Gauci also takes a leading role in the business development of the group and in identifying and developing opportunities for expansion.

The Chief Executive Officer chairs a Management Committee composed of the group's senior executives. The committee meets on a weekly basis to review the conduct of operations, to review and discuss monthly management accounts and to review and approve annual plans and budgets prior to their presentation to the board.

Corporate governance statement CONTINUED

B. Compliance with the Code CONTINUED

The heads of the respective business areas are invited to attend the Management Committee and to answer any questions of the members of the committee.

The Deputy Chief Executive Officer, Mr Malcolm Camilleri, chairs a Purchasing Committee charged with assisting the Head Purchasing Officer in the operation of the group's purchasing activities and in negotiations with suppliers. The committee also exercises oversight on the group's relationships with its principal suppliers.

Principle 3: Composition of the Board

The composition of the company's Board of Directors was designed to attain a diverse mix of professional and business skills and backgrounds appropriate to the needs of the group; an appropriate balance between executive and non-executive directors; and the representation of the majority shareholder sufficient to attain continuity in leadership and an ongoing detailed awareness of the operations of the group, so as to ensure the proper exercise of the voting rights, and the associated responsibilities, that are pertinent to such shareholder.

The Board of Directors is composed of:

Non-executive directors

Mr John Zarb FCCA FIA CPA - Chairman
Dr Ramona Piscopo LL.M., LL.D
Mr William Spiteri Bailey FIA CPA
Mr Lawrence Zammit MA (Econ)

Executive directors

Mr Paul Gauci - Executive Vice-Chairman
Mr Charles Borg BA Banking & Finance, MA Financial Services, FCIB - Chief Executive Officer
Mrs Claire Alexia Borg Gauci

All the non-executive directors are considered as independent and they are free from any business or other relationship with the company which could interfere materially with the exercise of their independent and impartial judgment.

Nominations for the appointment of directors must be approved by the Nominations Committee, which is empowered by the Articles of Association of the company to reject any recommendation made if, in its considered opinion, the proposed appointment could be detrimental to the company's interests or if such person is not considered as fit and proper to occupy that position. The Nominations Committee is also empowered on its own initiative to take steps to ensure that the board remains constituted by a diverse mix of professional and business skills and backgrounds appropriate to the needs of the group.

Additional information in relation to the appointment and rotation of directors is included under 'Additional information pursuant to Listing Rule 5.64' in the Directors' report.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The board meets regularly, usually on a monthly basis in addition to other occasions as may be needed from time to time. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below.

During the financial year ended 30 April 2018, twelve (12) board meetings were held. Attendance at these meetings was as follows:

Board member	Meetings attended
Mr John Zarb	12
Mr Paul Gauci	11
Mr Charles Borg	11
Mrs Claire Alexia Borg Gauci	8
Dr Ramona Piscopo	12
Mr William Spiteri Bailey	10
Mr Lawrence Zammit	12

B. Compliance with the Code CONTINUED

The board is entrusted with the overall direction, administration and management of the group. The board, in fulfilling this mandate, assumes responsibility for the following:

- reviewing and approving the business plan and budgets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the group and overseeing the implementation and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the group are in place;
- assessing the performance of the group's executive officers, including monitoring the establishment of appropriate systems for succession planning, and for approving the compensation levels of such executive officers; and
- ensuring that the group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the board.

Principle 6: Information and Professional Development

The directors were made familiar with the key provisions of the company's Memorandum and Articles of Association and its overall objectives before the company was formed, as part of the process of seeking their consent to their proposed appointment. The incorporation of the company was followed by a process whereby the non-executive directors were introduced in more detail to the group's business and its plans, and to its senior management team.

The recruitment and selection of senior management is the responsibility of the Chief Executive Officer in consultation with the board. Likewise, the Chief Executive Officer consults with the board on matters relating to succession planning for senior management within the company. The board considers and discusses succession planning measures at all senior management levels taking into account the size and depth of the management team of the company. The board, acting through the RemNom Committee, is also responsible for ensuring the ongoing training and development of the group's management team.

The directors have access to the advice and services of the Company Secretary, Dr Emma Grech, who is responsible for ensuring that board procedures are adhered to. Additionally, directors may seek independent professional advice on any matter at the company's expense.

Principle 7: Evaluation of the Board's Performance

The board has carried out an evaluation of its own performance together with that of the Committees, the chairman, the individual directors and the Chief Executive Officer. This evaluation was made under the direction of the chairman of the RemNom Committee, Mr John Zarb. The evaluation exercise was conducted through a questionnaire completed by the individual directors and submitted to Mr Zarb.

Principle 8: Committees

The directors have constituted the following board committees, the terms of reference of which are determined by the board from time to time with the purpose of fulfilling the below mentioned purposes:

Audit Committee

The Audit Committee is composed of Mr William Spiteri Bailey (Chairman), Mr John Zarb and Dr Ramona Piscopo, all occupying an independent non-executive director role within the company. In light of their qualifications as well as their valuable experience, Mr William Spiteri Bailey and Mr John Zarb are the Audit Committee members who are considered to be competent in accounting and/or auditing in terms of the Listing Rules.

Corporate governance statement CONTINUED

B. Compliance with the Code CONTINUED

The committee is responsible for reviewing the financial reporting processes and policies, the system of internal control and management of financial risk, the audit process, any transactions with related parties and the company's process for monitoring compliance with laws and regulations. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the board on the action needed to address the issue or make improvements.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the group. Its primary objective is to assist the board in dealing with issues of risk, control and governance and in reviewing the group's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the external audit and facilitates communication between the board, management and external auditors.

The Audit Committee is a committee appointed by the board and is directly responsible and accountable to the board. Its main role and responsibilities are:

(a) to review procedures and assess the effectiveness of the internal control systems, including financial reporting;

(b) to assist the board in monitoring the integrity of the financial statements, the internal control structures, the financial reporting processes and financial policies of the company;

(c) to make recommendations to the board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting;

(d) to monitor and review the external audit functions, including the external auditor`s independence, objectivity and effectiveness;

(e) to establish internal procedures and to monitor these on a regular basis;

(f) to establish and maintain access between the internal and external auditors of the company and to ensure that this is open and constructive;

(g) to review and challenge where necessary, the actions and judgements of management, in relation to the interim (if applicable) and annual financial statements before submission to the board, focusing particularly on:

- (i) critical accounting policies and practices and any changes in them;
- (ii) decisions requiring a major element of judgement;
- (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- (iv) the clarity of disclosures and compliance with International Financial Reporting Standards;
- (v) significant adjustments resulting from the audit;
- (vi) compliance with stock exchange and other legal requirements; and
- (vii) reviewing the company's statement on Corporate Governance prior to endorsement by the board;

(h) to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;

(i) to establish and exercise oversight upon the internal audit function of the company, and to review its plans, activities, staffing and organisational structure;

(j) to monitor the statutory audit of the annual and consolidated accounts;

(k) to discuss company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the company; and

(l) to consider other matters that are within the general scope of the committee that are referred to it by the Board of Directors.

B. Compliance with the Code CONTINUED

The Audit Committee met eight (8) times in the financial year ended 30 April 2018, and the attendance at these meetings was as follows:

Committee member	Meetings attended
Mr William Spiteri Bailey	8
Mr John Zarb	7
Dr Ramona Piscopo	8

RemNom Committee

In view of its size, the company has taken the view that whilst it considers the role and function of each of the remuneration committee and the nomination committee as important, it would be more efficient for these committees to be merged into one committee ("RemNom Committee") that would serve a dual role.

The RemNom Committee is composed of Mr John Zarb (Chairman), Mr Paul Gauci and Mr Lawrence Zammit. In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the company with respect to its management and employees. Its objectives are those of deciding a remuneration policy aimed to attract, retain and motivate directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the company. It is responsible for making proposals to the board on the individual remuneration packages of directors and senior management and is entrusted with monitoring the level and structure of remuneration of the non-executive directors.

In its function as nomination committee, the RemNom Committee's task is to propose to the board candidates for the position of director, including persons considered to be independent in terms of the Listing Rules, whilst also taking into account any recommendation from shareholders. It is to periodically assess the structure, size, composition and performance of the board and make recommendations to the board regarding any changes, as well as consider issues related to succession planning. It is also entrusted with reviewing the board's policy for selection and appointment of senior management.

The RemNom Committee met twice during the financial year ended 30 April 2018 and these meetings were attended by Mr John Zarb, Mr Lawrence Zammit and by Mr Charles Borg as substitute for Mr Paul Gauci.

Remuneration of directors and senior management

The group was formed as a result of a restructuring exercise whereby, on 10 March 2017, PG p.l.c. acquired a number of entities which operated the two main business activities of the PG Holdings group of companies namely the supermarkets and associated retail operations and the franchise operations. The remuneration of the company's directors was established at the time in the following manner:

a) Continuity was assured in the salaries payable to executive directors after these were reviewed by the board and judged appropriate in the context of the responsibilities and experience of the individuals concerned.

b) The remuneration of the non-executive directors was set by reference to the time they are expected to dedicate, annually, to the affairs of the group, remunerated at a rate that recognizes the professional status and experience of the individuals concerned. The process was designed to attain transparency on the time input that directors are expected to dedicate annually to the group; at the same time creating a basis on which to determine future revisions should directors be required to dedicate more time to the group's affairs.

Mr Charles Borg and Mrs Claire-Alexia Borg Gauci participated in the annual bonuses approved by the RemNom Committee and paid by the group during the financial year. All other remuneration payable to directors is of a fixed nature.

No director has a contract with the company that contains provisions for termination payments and other payments linked to early termination.

Non-cash benefits for two executive directors include the use of a company car.

Corporate governance statement CONTINUED

B. Compliance with the Code CONTINUED

The maximum annual aggregate emoluments that may be paid to the directors as approved by the shareholders in terms of Article 22 of the company's Articles of Association is fixed at an aggregate sum of €750,000 per annum.

The following is an outline of the directors' remuneration for the financial year under review:

Directors' fees	€125,000
Directors' salaries	€414,000

Emoluments of directors and senior management

	Fixed remuneration	Annual bonus	Share options	Others
Directors	€519,000	€20,000	None	Non-cash benefits referred to above
Senior management	€356,000	€38,000	None	Non-cash benefits referred to above

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The company will communicate effectively with shareholders by publishing its results on a six-monthly basis during the year, by way of half yearly and annual reports and financial statements, through Interim Directors' Statements, through periodical company announcements and through press releases in the local media to the market in general. The financial results will be made available on the company's website www.pggroup.com.mt.

Annual general meeting

Within seven months of the end of the financial year, the annual general meeting of the shareholders will be convened to consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors, appoint auditors and to set their remuneration. A presentation will be given to the shareholders present showing how the company operated in the light of prevailing economic and market conditions, and an assessment on future prospects will be given. The chairman arranges for all directors to attend the Annual General Meeting.

More information on general meetings of the company may be found in section E below.

Principle 11: Conflicts of Interest

Directors having conflicts of interest on any matters being discussed at board level are required to disclose the conflict in a timely manner to the board and the director so conflicted will not be allowed to vote on such matters.

None of the directors save Mr Paul Gauci have any shares in the company.

B. Compliance with the Code CONTINUED

Any material transactions with related parties, which pose intrinsic potential conflicts of interests, require the approval of the Audit Committee, which is charged with ensuring that such transactions are necessary for the conduct of the company's business and are transacted on an arms' length basis.

As explained in the prospectus issued by the company on 27 March 2017, the group was re-organised in its current form to include, as far as practicable, all the businesses that are controlled by Mr Paul Gauci, and managed by his management team. This serves to reduce the scope for any future potential conflicts of interests involving the majority shareholder.

Principle 12: Corporate Social Responsibility

The Company recognises the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations the environment is respected. The directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt environmentally responsible practices.

C. Non-compliance with the Code

Principle 9: Relations with Shareholders and with the Market (Code Provision 9.3)

There are no provisions in the company's Memorandum or Articles of Association as recommended in Code Provision 9.3 to resolve conflicts between minority shareholders and controlling shareholders. No such conflicts have arisen during the year under review.

Other than the above, and in the opinion of the board, the company has instituted governance procedures which shall ensure full compliance with the Code.

D. Internal Control and Risk Management in relation to the Financial Reporting Process

The board is ultimately responsible for the company's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute assurance against material misstatement or loss.

The company operates through the Board of Directors and the management team with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. The board plans, controls and monitors business operations in order to achieve the set objectives.

The directors, with the assistance of management, are responsible for the identification, evaluation and management of the key risks to which the company may be exposed. The company has clear and consistent procedures in place for monitoring the system of internal financial controls. The directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the company's set targets. This process is applicable specifically in relation to the company's financial reporting framework.

Through the Audit Committee, the board reviews the effectiveness of the company's system of internal controls, including financial reporting, which is also monitored by an Internal Audit team that was appointed in April 2017. The Audit Committee also determines whether significant internal control recommendations made by the internal and external auditors have been implemented.

Corporate governance statement CONTINUED

E. General Meetings

The manner in which the general meeting is conducted is outlined in article 11 of the company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

As explained above under Principles 9 and 10, within seven months of the end of the financial year, the annual general meeting of the shareholders will be convened to consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors, appoint auditors and to set their remuneration. A presentation will be given to the shareholders present showing how the company operated in the light of prevailing economic and market conditions, and an assessment on future prospects will be given. The chairman arranges for all directors to attend the Annual General Meeting.

In addition, and in terms of article 11.3 of the Articles of Association of the company, the Board of Directors may convene an extraordinary general meeting whenever they think fit. If at any time there are not sufficient directors capable of acting to form a quorum for a meeting of the directors (being four (4) directors), any director, or any two shareholders holding at least ten per cent (10%) of the shares conferring a right to attend and vote at general meetings of the company, may convene an extraordinary general meeting in the same manner.

Adequate notice of general meetings must be given to shareholders as outlined in articles 11.4-11.6 of the company's Articles of Association.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Listing Rules have the right to attend, participate and vote in the general meeting. A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company.

Approved by the board of directors on 28 August 2018 and signed on its behalf by:

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

pwc

Independent auditor's report

To the Shareholders of PG p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- PG p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 30 April 2018, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

PG p.l.c.'s financial statements, set out on pages 42 to 89, comprise:
- the Consolidated and Parent Company statements of financial position as at 30 April 2018;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

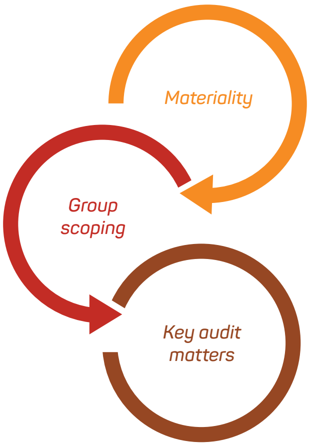
The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 May 2017 to 30 April 2018 are disclosed in the note 17 to the financial statements.

Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

Our audit approach

Overview



- Overall group materiality: €554,000, which represents 5% of profit before tax.

- The Group is composed of 11 reporting units all located in Malta.
- The Group engagement team carried out the audit of the financial statements of the parent company as well as the audit of the financial statements of all the subsidiaries of the company.

- Existence, valuation and cut-off of inventory.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€554,000 (2017: €540,000)
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured. We chose 5% which is within the range of acceptable quantitative materiality thresholds.

pwc Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €27,700 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Existence, valuation and cut-off of inventory Refer to note 8	
Inventory for the group as at 30 April 2018 amounted to €6.9 million and represented 44% of total current assets of PG p.l.c.. This inventory mainly consists of stocks held in the supermarkets and stores and in the fashion retail outlets. Inventory is valued at the lower of cost and net realisable value. The valuation of inventory at cost is based on the weighted average cost per unit of inventory (the AVCO-principle). Due to the nature of the Group's operations, the number of transactions recorded through the inventory cycle during the year is very significant and dependant on the reliability of the Group's operating systems. We focused on this area because of the materiality of these balances and the related impact on working capital as well as on the cost of items sold.	Our audit procedures included testing of the IT general controls. We tested the existence of inventory mainly by attending a selection of inventory cycle counts in the supermarkets and related stores as well as participating in the year-end stock counts in the fashion retail outlets. We performed test counts on a sample basis and compared the quantities counted by us with the results of the counts by the entities. We also checked that variances arising from our test counts were followed up by management and reflected in the accounting records. Our tests of detail on the valuation of inventory included the verification of inventory records against the respective supporting documentation on a sample basis. Furthermore, we also assessed slow moving items. Our audit procedures to assess inventory cut-off consisted of performing substantive procedures to ensure that the transfer of rights and obligations over inventory had been correctly reflected in the books of the Group.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

How we tailored our group audit scope

The Group is composed of 11 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

The group audit team performed all of this work by applying the overall group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, the Operating review, and the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

pwc Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 27 to 34 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed as auditors of the Company on 25 November 2016. Our appointment was renewed on 19 October 2017 by shareholder resolution.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

28 August 2018

Statements of financial position

		As at 30 April			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**55,939**	52,359	**-**	-
Investment property	5	**3,719**	2,500	**-**	-
Investment in subsidiaries	6	**-**	-	**34,506**	34,456
Investment in associates	7	**3,391**	3,417	**3,502**	3,502
Trade and other receivables	9	**-**	-	**5,448**	4,479
		63,049	58,276	**43,456**	42,437
Current assets					
Inventories	8	**6,942**	6,135	**-**	-
Trade and other receivables	9	**5,506**	4,772	**-**	22
Current tax assets		**294**	-	**-**	-
Cash in bank and in hand	10	**3,013**	1,320	**-**	-
Total current assets		**15,755**	12,227	**-**	22
Total assets		**78,804**	70,503	**43,456**	42,459

		As at 30 April			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	11	**27,000**	27,000	**27,000**	27,000
Retained earnings		**6,785**	825	**79**	4
Total equity		**33,785**	27,825	**27,079**	27,004
Non-current liabilities					
Trade and other payables	15	**1,640**	245	**16,329**	15,448
Borrowings	13	**16,535**	17,752	**-**	-
Deferred taxation	14	**3,475**	3,434	**-**	-
		21,650	21,431	**16,329**	15,448
Current liabilities					
Trade and other payables	15	**17,091**	13,161	**38**	7
Borrowings	13	**4,170**	6,159	**10**	-
Current tax liabilities		**2,108**	1,927	**-**	-
Total current liabilities		**23,369**	21,247	**48**	7
Total liabilities		**45,019**	42,678	**16,377**	15,455
Total equity and liabilities		**78,804**	70,503	**43,456**	42,459

The notes on pages 48 to 89 are an integral part of these financial statements.

The financial statements on pages 42 to 89 were authorised for issue by the board of directors of the company on 28 August 2018 and were signed on their behalf by:

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Statements of comprehensive income

		Year/Period ended 30 April			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	16	**99,849**	91,686	**-**	-
Cost of sales	17	**(84,581)**	(77,425)	**-**	-
Gross profit		**15,268**	14,261	**-**	-
Selling and marketing costs	17	**(1,063)**	(1,195)	**-**	-
Administrative expenses	17	**(3,284)**	(2,445)	**(75)**	(65)
Other income	20	**771**	764	**-**	-
Operating profit/(loss)		**11,692**	11,385	**(75)**	(65)
Investment income	21	**-**	-	**2,846**	5,215
Finance income	22	**-**	81	**-**	-
Finance costs	22	**(589)**	(638)	**-**	-
Share of results of associates	7	**(26)**	(21)	**-**	-
Profit before tax		**11,077**	10,807	**2,771**	5,150
Tax expense	23	**(3,417)**	(3,447)	**(996)**	(1,825)
Profit for the year/period		**7,660**	7,360	**1,775**	3,325
Earnings per share for the year attributable to shareholders					
Basic earnings per share	25	**€0.07**	€0.35		

The notes on pages 48 to 89 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €'000	Share premium €'000	Valuation reserves €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 May 2016		15,822	1,932	7,308	-	(3,183)	21,879
Comprehensive income							
Profit for the year		-	-	-	-	7,360	7,360
Transactions with owners							
Issue of share capital (before group restructuring)	11	50	-	-	-	-	50
Increase of issued share capital (after group restructuring)	11	23,629	-	-	-	-	23,629
Capitalisation of reserves	11	3,321	-	-	-	(3,321)	-
Deduction of movements in amounts due by shareholders		-	-	-	(1,464)	-	(1,464)
Transfer between reserves		-	-	-	1,464	(1,464)	-
Total transactions with owners		27,000	-	-	-	(4,785)	22,215
Adjustments related to group restructuring							
Restructuring of the group	12	(15,822)	(1,932)	(7,308)	-	1,433	(23,629)
Balance at 30 April 2017		**27,000**	**-**	**-**	**-**	**825**	**27,825**
Balance at 1 May 2017		27,000	-	-	-	825	27,825
Comprehensive income							
Profit for the year		-	-	-	-	7,660	7,660
Transactions with owners							
Dividends for the year	24	-	-	-	-	(1,700)	(1,700)
		-	-	-	-	(1,700)	(1,700)
Balance at 30 April 2018		**27,000**	**-**	**-**	**-**	**6,785**	**33,785**

Statements of changes in equity CONTINUED

Company	Notes	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 25 November 2016		-	-	-
Comprehensive income				
Profit for the period		-	3,325	3,325
Transactions with owners				
Issue of share capital upon incorporation	11	50	-	50
Increase in issued share capital	11	23,629	-	23,629
Capitalisation of reserves	11	3,321	(3,321)	-
		27,000	(3,321)	23,679
Balance at 30 April 2017		**27,000**	**4**	**27,004**
Balance at 1 May 2017		27,000	4	27,004
Comprehensive income				
Profit for the year		-	1,775	1,775
Transactions with owners				
Dividends for the year	24	-	(1,700)	(1,700)
Balance at 30 April 2018		**27,000**	**79**	**27,079**

The notes on pages 48 to 89 are an integral part of these financial statements.

Statements of cash flows

		Year/Period ended 30 April			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from/(used in) operations	26	**14,308**	10,457	**13**	(80)
Interest received		**-**	81	**-**	-
Interest paid		**(589)**	(638)	**-**	-
Tax paid		**(3,489)**	(3,059)	**(996)**	(1,825)
Net cash generated from/(used in) operating activities		**10,230**	6,841	**(983)**	(1,905)
Cash flows from investing activities					
Net purchases of property, plant and equipment		**(2,377)**	(1,394)	**-**	-
Purchases of investment property		**(1,254)**	-	**-**	-
Net advances to subsidiaries		**-**	-	**(123)**	(3,360)
Proceeds from disposal of non-current assets		**-**	138	**-**	-
Acquisition on investment in subsidiary		**-**	-	**(50)**	-
Net cash used in investing activities		**(3,631)**	(1,256)	**(173)**	(3,360)
Cash flows from financing activities					
Increase in share capital		**-**	50	**-**	50
Repayments of bank borrowings		**(1,138)**	(1,106)	**-**	-
Advances to shareholders		**-**	(1,464)	**-**	-
Payment of finance leases		**(51)**	(36)	**-**	-
Dividends paid		**(1,700)**	-	**(1,700)**	-
Dividend income		**-**	-	**2,846**	5,215
Net cash (used in)/generated from financing activities		**(2,889)**	(2,556)	**1,146**	5,265
Net movement in cash and cash equivalents		**3,710**	3,029	**(10)**	-
Cash and cash equivalents at beginning of year/period		**(3,645)**	(6,674)	**-**	-
Cash and cash equivalents at end of year/period	10	**65**	(3,645)	**(10)**	-

The notes on pages 48 to 89 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated financial statements include the financial statements of PG p.l.c. and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category within property, plant and equipment and investment property, and except as disclosed in the accounting policies below. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the group's accounting policies (see note 3 – Critical accounting estimates and judgements).

PG p.l.c. was incorporated by Mr Paul Gauci on 25 November 2016. On 10 March 2017, PG p.l.c. acquired a number of entities (listed in note 31) which operated the two main business activities of the PG Holdings group of companies. The shareholder of PG Holdings Limited is Mr Paul Gauci. This acquisition by the company was made in exchange for the issue of shares to its shareholder. Effectively the shareholder of PG Holdings Limited, Mr Paul Gauci, restructured the operational entities within PG Holdings Limited under a new entity, PG p.l.c. The substance of this transaction was that of a group restructuring and accordingly the provisions in respect of business combinations set out in IFRS 3 are not applicable. In accordance with generally accepted accounting principles, the transaction has been accounted for in the consolidated financial statements for 2017 as a restructuring, and the 2017 accounts have been compiled as if the company was the parent company of the group from incorporation.

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 May 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 May 2017. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014 and is effective for accounting periods commencing on or after 1 January 2018. The group will adopt the standard with a date of initial application of 1 May 2018.

1. Summary of significant accounting policies CONTINUED

1.1 Basis of preparation CONTINUED

IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. Under IAS 39, all the group's financial assets – which comprise trade and other receivables and cash and cash equivalents – are classified within the loans and receivables category of financial assets. The group has determined that these financial assets meet the conditions set out in IFRS 9 to continue to be measured at amortised cost. Other than a mandatory reclassification from loans and receivables to financial assets held in 'hold to collect' business model, the adoption of IFRS 9 will have no impact on the group's classification and measurement model for financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for issued financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 and have not been changed. The adoption of IFRS 9 will accordingly have no impact on the group's financial liabilities.

The standard also introduces a new expected credit losses model for financial assets that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39.

IFRS 9 introduces a three-stage impairment model ("the general model"). The first step of the general model is to determine which impairment 'stage' a financial asset sits within. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk the financial asset is moved to 'stage 2'. Financial assets are moved to 'stage 3' when they become credit impaired. As allowance that is reflective of lifetime expected credit loss is recognized for financial assets in stages 2 and 3.

Notwithstanding this change in recognising impairment, the group qualifies for certain simplifications afforded in IFRS 9 in recognising impairment losses. The group's trade receivables do not contain significant financing components, and accordingly the group is required under IFRS 9 to provide for lifetime expected credit loss for all trade receivables, irrespective of whether these have demonstrated a significant increase in credit risk; the group will estimate the lifetime expected credit loss using a provisions matrix. Under IAS 39, the group has already recognised specific impairment provisions on those counterparties which have demonstrated objective evidence of being impaired (see note 2.1(b)). The directors are presently assessing the resultant provision from the application of the provisions matrix.

With respect to receivables (other than trade receivables), the group will apply the general model in IFRS 9. In determining whether a significant increase in credit risk has occurred, the group takes into account the third parties' performance and financial position, as well as expected future cash. With respect to these loans, the group is in the process of assessing and evaluating the impact of IFRS 9.

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating. The group will apply the low credit risk simplification allowed by IFRS 9, through which such balances will be classified within 'stage 1' without the requirement to carry out an assessment of whether there has been a significant increase in credit risk. Under the practical expedient, the group will estimate the 12-month expected credit loss. The directors have however determined that the high quality of the financial institutions is such that the adoption of IFRS 9 will not have a material impact on the net carrying amount of these financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies CONTINUED

1.1 Basis of preparation CONTINUED

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018; the group will be applying the standard for the time in its financial statements for the year ending 30 April 2019, and the directors intend to adopt the modified retrospective approach that is allowed by the standard. Under this approach, comparative information in the year of adoption will not be restated.

After taking cognisance of the terms of the group's contracts with customers, including their short-term nature, the lack of variability in the transaction price, the lack of material rights given to customers, and the lack of significant rights of return, the directors do not anticipate a significant impact on the group's results and financial position on adoption of IFRS 15.

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well as leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and although earlier application is permitted, the group does not intend to adopt the standard earlier than its mandatory effective date. As at the reporting date, the group has non-cancellable operating lease commitments as disclosed in note 27 of the Annual Report. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. At this stage, the group is still in the process of assessing and evaluating the impact of IFRS 16 on the group's operating leases where the group is the lessee.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations except as disclosed in note 1.4. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

1. Summary of significant accounting policies CONTINUED

1.2 Consolidation CONTINUED

Inter-company transactions, balances and unrealised gains on transactions between entities forming part of group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

A listing of the subsidiaries is set out in note 31 to the financial statements.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date on which significant influence is acquired. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies CONTINUED

1.4 Business combinations involving entities under common control

As disclosed in the basis of preparation note 1.1 above, PG p.l.c acquired a 100% shareholding in a number of entities as listed in note 31 and 49% shareholding in two associates as listed in note 31 on 10 March 2017, in exchange for the issue of shares to the previous ultimate shareholders of these entities. In accordance with generally accepted accounting principles, the pooling of interest basis of accounting has been adopted and this transaction has been recorded as if it had occurred at the beginning of the earliest period reported.

Business combinations involving entities under common control are transactions in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory. The key feature of a transaction among entities under common control is that there is no change in the ultimate control of the combining entities as a result of the transaction. Control could be exercised by a group of individuals that are all part of the same close family group when they have the collective power to govern the financial and operating policies of the entity.

The group has chosen to apply the pooling of interests method to account for transactions involving entities under common control. The group accounts for business combinations involving entities under common control by recording:

a) the transaction as if it had taken place at the beginning of the earliest period presented;
b) the assets and liabilities of the acquired entity using predecessor book values from the consolidated financial statements of the controlling party, and
c) the difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity as an adjustment to equity.

When the controlling party does not prepare financial statements, the book values from the financial statements of the acquired entity are used.

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown in valuation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the valuation reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the valuation reserves to retained earnings.

1. Summary of significant accounting policies CONTINUED
1.5 Property, plant and equipment CONTINUED

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

	%
Buildings	1 - 2
Improvements to premises	3 - 10
Furniture and fittings	10 - 25
Plant, machinery and equipment	6.67 - 25
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. In particular, the group assesses on a periodic basis the economic useful lives of integral and movable assets directly related to the retailing and fashion sector.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.7).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the valuation reserves relating to the assets are transferred to retained earnings.

1.6 Investment property

Investment property is held for long-term rental yields or for capital appreciation or both, and is not presently occupied by entities forming part of the group. Investment property comprises freehold and leasehold land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed periodically by the group's directors, after taking into consideration valuations prepared by external professional valuers.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other factors, the value of similar properties in the local market. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies CONTINUED

1.6 Investment property CONTINUED

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.8 Investments in subsidiaries and associates

In the company's separate financial statements, investments in subsidiaries and associates are accounted for by the cost method of accounting, that is, at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.9.3. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39.

1. Summary of significant accounting policies CONTINUED

1.9 Financial assets

1.9.1 Classification

The group classifies its financial assets (other than investments in associates and, only in the company's case, investments in subsidiaries) in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 1.10 and 1.13).

1.9.2 Recognition and measurement

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.9.3 Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The group first assesses whether objective evidence of impairment exists.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial regroup.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies CONTINUED

1.9 Financial assets CONTINUED

1.9.3 Impairment CONTINUED

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.10 Trade and other receivables

Trade receivables comprise amounts due from customers for goods sold or services performed and rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.9.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.11 Inventories

Goods held for resale

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of inventories comprises the invoiced value of goods, and, in general, cost also includes freight charges. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

1.12 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Under this method the group is required to make provision for deferred income taxes on the revaluation of certain property assets and provisions on the difference between the carrying values for financial reporting purposes and their tax base.

1. Summary of significant accounting policies CONTINUED
1.12 Current and deferred tax CONTINUED

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statements of financial position at face value. In the statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks, net of bank overdrafts. In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

1.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

1.15 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.16 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.17 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies CONTINUED

1.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.19 Provisions

Provisions for legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

1.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

(a) Sales of goods - retail

Sales of goods are recognised when the group sells a product to the customer. Retail sales are usually in cash or by credit card. Certain retail sales are on credit. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in 'cost of sales'.

It is the group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of goods - wholesale

Sales of goods are recognised when the group has delivered products to the customer, the customer has accepted the products and collectability of the related trade and other receivables is reasonably assured. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer.

(c) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

1. Summary of significant accounting policies CONTINUED

1.20 Revenue recognition CONTINUED

(d) Property related income

Rentals receivable, short-term lets receivable and premia charged to tenants of immovable property are recognised in the period when the property is occupied. Premia are taken to profit or loss over the period of the leases to which they relate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.21 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. Finance income is recognised as it accrues, unless collectability is in doubt.

1.22 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying non-current assets are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed.

Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest bearing borrowings.

1.23 Operating leases

(a) The group is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) The group is the lessor

Assets leased out under operating leases relate to assets being leased from the group under a non-cancellable operating lease agreement. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies CONTINUED

1.25 Finance lease - where the group is a lessee

The group has property, plant and equipment acquired under finance leases. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. Finance leases are recognised at the earlier of the lease's commencement or the time when the group's obligations come into effect.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.26 Earnings per share

1.26.1 Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

1.26.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares.

1.27 Segment reporting

The group determines and presents operating segments based on the information that internally is provided to the board of directors, which is the group's chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision maker.

2. Financial risk management

2.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk, and fair value interest rate risk), credit risk and liquidity risk. The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial periods.

The directors provide policies for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective group's functional currency. The group is not exposed to significant foreign exchange risk arising from the group's financing transactions as assets and liabilities are principally denominated in euro and the group is not exposed to foreign exchange risk arising on trading transactions as these are principally conducted in euro.

The group's cash and cash equivalents, borrowings, loans and receivables, finance lease and payables are denominated in euro.

Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings.

Borrowings issued at variable rates, comprising short-term bank borrowings (refer to note 13), expose the group to cash flow interest rate risk. Certain group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's base rate.

Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. Up to the end of the reporting period, the group did not have any hedging arrangements with respect to the exposure of floating interest rate risk.

The group has considerable bank borrowings issued at fixed rates (note 13). These bank loans do not expose the group to cash flow interest rate risk.

Notes to the financial statements CONTINUED

2. Financial risk management CONTINUED

2.1 Financial risk factors CONTINUED

(b) Credit risk

Credit risk arises on cash and cash equivalents, deposits with banks, loans and receivables, advances to related parties as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Loans and receivables category:				
Trade and other receivables (note 9)	**5,288**	4,593	**5,448**	4,479
Cash and cash equivalent (note 10)	**3,013**	1,320	**-**	-
	8,301	5,913	**5,448**	4,479

The group banks and invests only with local financial institutions or entities with high quality standing or rating. The group's operations are principally carried out in Malta. The group has no concentration of credit risk that could materially impact the sustainability of its operations.

The group sales are mainly generated from retail customers and are made in cash or via major credit cards. Despite credit sales are limited, the group has policies in place to ensure that sales of products and provision of services on credit (mainly related to rental activities) are effected to customers with an appropriate credit history.

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history. The group monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the group's receivables, taking into account historical experience in collection of accounts receivable.

As of 30 April 2018, trade receivables of €2,438,000 (2017: €2,191,000) were fully performing.

Impairment provisions of €4,000 (2017: €25,000) were present at year end in respect of trade and other receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €1,709,000 (2017: €1,451,000). The group holds no security against these receivables. The unsecured overdue amounts consisted of €1,246,000 (2017: €984,000) that were less than three months overdue and €463,000 (2017: €467,000) that were greater than three months.

The company's receivables also include advances to subsidiaries within the group on which no credit risk is considered to arise.

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to notes 15 and 13). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

2. Financial risk management CONTINUED

2.1 Financial risk factors CONTINUED

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that when additional financing facilities are expected to be required over the coming period there are adequate credit facilities in place with external sources and within the treasury function of the group.

The group's liquidity risk is monitored in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the group's committed borrowing facilities and group's treasury support that it can access to meet liquidity needs as referred to previously.

The following table analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €'000	Contractual cash flows €'000	Within one year €'000	Between 1 and 5 years €'000
30 April 2018				
Bank borrowings	20,223	23,475	4,589	18,886
Trade and other payables	18,731	18,731	17,091	1,640
Finance leases	482	547	61	486
	39,436	**42,753**	**21,741**	**21,012**
30 April 2017				
Bank borrowings	23,378	27,132	6,606	20,526
Trade and other payables	13,406	13,406	13,161	245
Finance leases	533	613	61	552
	37,317	41,151	19,828	21,323

2.2 Fair values of financial instruments

The carrying amounts of cash at bank, receivables (net of impairment provisions, if any), payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their exposed realisation. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

As at the end of the reporting period, the fair values of financial assets and liabilities approximate the carrying amounts shown in the statement of financial position.

Notes to the financial statements CONTINUED

2. Financial risk management CONTINUED

2.3 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amounts of dividends paid to shareholders.

The group monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. The aggregated figures in respect of the group's equity and borrowings are reflected below:
The group manages the relationship between equity injections and borrowings, being the constituent elements of capital as

	Group	
	2018	2017
	€'000	€'000
Total borrowings (note 13)	**20,705**	23,911
Less: Cash at bank and in hand (note 10)	**(3,013)**	(1,320)
Net borrowings	**17,692**	22,591
Total equity	**33,785**	27,825
Total capital	**51,477**	50,416
Gearing	**34.3%**	44.8%

reflected above from period to period, with a view to managing the cost of capital. The level of capital of the group, as reflected in the statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period is deemed adequate by management.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, with the exception of the fair valuation of property, plant and equipment and investment property (note 4 and note 5), the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Property, plant and equipment

Group	Land and buildings €'000	Assets in the course of construction €'000	Machinery, motor vehicles and equipment €'000	Furniture, fixtures and fittings €'000	Total €'000
At 1 May 2016					
Cost or valuation	47,281	116	4,762	2,115	54,274
Accumulated depreciation	(991)	-	(429)	(706)	(2,126)
Net book amount	46,290	116	4,333	1,409	52,148
Year ended 30 April 2017					
Opening net book amount	46,290	116	4,333	1,409	52,148
Net transfers including commissioning	-	(116)	(106)	222	-
Additions	301	-	286	1,032	1,619
Disposals	-	-	(182)	(4)	(186)
Depreciation charge	(225)	-	(669)	(376)	(1,270)
Depreciation released on disposal	-	-	47	1	48
Closing net book amount	46,366	-	3,709	2,284	52,359
At 30 April 2017					
Cost or valuation	47,582	-	4,760	3,365	55,707
Accumulated depreciation	(1,216)	-	(1,051)	(1,081)	(3,348)
Net book amount	46,366	-	3,709	2,284	52,359
Year ended 30 April 2018					
Opening net book amount	46,366	-	3,709	2,284	52,359
Transfer from investment property (note 5)	2,500	-	-	-	2,500
Additions	112	1,735	346	184	2,377
Disposals	-	-	-	(106)	(106)
Depreciation charge	(226)	-	(616)	(360)	(1,202)
Depreciation released on disposal	-	-	-	11	11
Closing net book amount	**48,752**	**1,735**	**3,439**	**2,013**	**55,939**
At 30 April 2018					
Cost or valuation	50,194	1,735	5,106	3,443	60,478
Accumulated depreciation	(1,442)	-	(1,667)	(1,430)	(4,539)
Net book amount	48,752	1,735	3,439	2,013	55,939

Notes to the financial statements CONTINUED

4. Property, plant and equipment CONTINUED

Fair valuation of property

The group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The group's land and buildings within property, plant and equipment (note 4) and investment property (note 5) comprises:

- the Zara Complex situated in Sliema, which mainly includes retail outlets selling Zara branded fashion garments and home furnishings. This property is operated by Alhambra Trading Limited and Centre Point Properties Limited (members of the group) and is classified as property, plant and equipment.

- adjacent airspace in the same location of the above noted Complex in Sliema. This is presently being developed as an extension to the current complex and will be used by Alhambra Trading Limited and Centre Point Properties Limited. This has been transferred to property, plant and equipment in 2018.

- the Pavi Shopping Complex situated in Qormi, which operates a supermarket including the management of shared activities within the retailing operations and the concessions of commercial areas that compliment the complex.

- Undeveloped property situated in Qormi acquired during the year which is being held for investment purposes and is classified as investment property.

All the recurring property fair value measurements at 30 April 2018 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 30 April 2018.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above and as disclosed in note 5. The only movements in land and buildings classified as property, plant and equipment and investment property reflect additions, transfers and depreciation charge for the year ended 30 April 2018.

In 2013, the directors assessed the valuation in respect of the Zara Complex and the adjacent airspace in Sliema on valuation reports prepared by a professionally qualified valuer. During 2013, the directors adjusted the carrying amount of this property determined using the noted fair value. Valuations were made on the basis of open market value after considering the returns being attained by the property and its intrinsic value. For 2018 and 2017 the directors reassessed these valuations and in their opinion the carrying amount of this property as at year-end does not differ materially from that which would be determined using fair values.

4. Property, plant and equipment CONTINUED

Furthermore, the directors of PAVI Shopping Complex Limited assessed the valuation of the Pavi Shopping Complex on valuation reports prepared by a professionally qualified valuer issued in 2016. Valuations were made on the basis of open market value after considering the returns being attained by the property and its intrinsic value. The directors of the then associate adjusted the carrying amount of this property using the noted fair value. For 2018 and 2017 directors reassessed these valuations and in their opinion the carrying amount of this property as at year-end does not differ materially from that which would be determined using fair values.

Valuation processes

The valuations of the properties are performed regularly taking into consideration valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the entities operating the complexes which is derived from the group's financial systems and is subject to the group's overall control environment; and

- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the board of directors and top officials within the group's finance function. This includes a review of fair value movements over the period.

Valuation techniques

Given the specific nature of these assets, the valuations of the Level 3 property have been performed by reference to valuation models. These valuation models include:

- in case of the Zara Complex and the Pavi Shopping Complex the directors applied the capitalised rental approach;
- in case of adjacent airspace the adjusted sales comparative was applied by the directors; and
- in the case of the property in Qormi, the fair value equates its transactions costs given that the property was acquired during the year.

The board of directors approved the respective fair values after taking into consideration the intrinsic value of the property and specific tenure conditions.

In using the capitalised rentals approach, the significant unobservable inputs include a rental rate per square metre, the capitalisation rate, and, if applicable, development or refurbishment costs which must be incurred before the property can earn the potential rental cash flows. Information about fair value measurements of property using significant unobservable inputs (Level 3) include average rental rate per square metre of €602 with an average growth rate of 2% discounted at an average rate of 7.5% for the Zara Complex and average rental rate per square metre of €185 with an average growth rate of 2% discounted at an average rate of 9% for the Pavi Shopping Complex.

Notes to the financial statements CONTINUED

4. Property, plant and equipment CONTINUED

As noted above, the adjusted sales comparative approach was applied for the adjacent airspace which is presently being developed. In view of the limited number of sales of similar properties in the local market, the valuations have been performed using unobservable inputs. The significant input to the sales comparison approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the group's property, with significant adjustments for differences in the size, age, exact location and condition of the property. Information about fair value measurements of this property using significant unobservable inputs (Level 3) include net sales price per square metre of €1,550.
For both the capitalised rental approach and the sales comparative approach, the higher the rate per square metre, the higher the resultant fair valuation. Conversely, the lower the capitalisation rate, the higher the resultant fair valuation.

Bank borrowings are secured by the group's property, plant and equipment (note 13).

The charge for depreciation of property, plant and equipment is included in profit or loss as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Direct operating expenses	**1,085**	1,166	**-**	-
Selling and distribution expenses	**12**	6	**-**	-
Administrative expenses	**105**	98	**-**	-
Total depreciation charge (note 17)	**1,202**	1,270	**-**	-

In 2017 and 2016, the group entered into agreements for the supply and leasing of operational equipment installed within the Pama Shopping Village. Due to certain contractual obligations in favour of the lessor which emanate from the lease contract, the directors consider this contract as a financing arrangement. Accordingly, the group has recognised the equipment being installed as an asset with the corresponding amounts due as a finance lease liability (note 27).

5. Investment property

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Year ended 30 April				
Opening cost and net book amount	**2,500**	2,500	**-**	-
Transfer to property, plant and equipment (note 4)	**(2,500)**	-	**-**	-
Additions	**3,719**	-	**-**	-
Closing cost and net book amount	**3,719**	2,500	**-**	-
As at 30 April				
Cost and fair value	**3,719**	2,500	**-**	-

In 2017, investment property comprises property which had been earmarked for re-development within the Alhambra Complex. This project commenced during 2018 and was consequently transferred to property, plant and equipment.

During 2018, the group acquired an undeveloped property in Qormi for investment purposes.

Investment property was not leased out by the group as at 30 April 2018 and 30 April 2017.

Investment property is valued annually on 30 April at fair value comprising open market values approved by the director on the basis of periodic professional valuation prepared by professional valuers.

Borrowings are secured on the group's investment property (note 13).

6. Investments in subsidiaries

	Company	
	2018	2017
	€'000	€'000
Year/period ended 30 April		
At beginning of year/period	**34,456**	-
Additions	**50**	34,456
At end of year/period	**34,506**	34,456
At 30 April		
Cost and net book value	**34,506**	34,456

On 10 March 2017, the company acquired the entire shareholding in a number of entities (listed in note 31) for a consideration of €34,456,000 for subsidiaries and €3,502,000 for associates (note 7). Under the requirements of the predecessor basis of accounting, the difference between the net asset value of these undertakings as at this date and the consideration paid, should be disclosed as an adjustment to equity. The consideration paid by the company to PG Holdings Limited for the transfer of these entities represented the net asset value of these entities as at 31 October 2016. Given that this transaction was considered to be a group restructuring, the directors of the company were of the opinion that effectively the company took control of these entities on 1 November 2016 and therefore did not result in an adjustment to equity.

Notes to the financial statements CONTINUED

7. Investments in associates

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Year/period ended 30 April				
At beginning of year	**3,417**	3,438	**3,502**	-
Additions	**-**	-	**-**	3,502
Share of results of associates	**(26)**	(21)	**-**	-
At end of year/period	**3,391**	3,417	**3,502**	3,502
At 30 April				
Cost	**3,326**	3,326	**3,502**	3,502
Share of results and reserves	**65**	91	**-**	-
Net book value	**3,391**	3,417	**3,502**	3,502

The principal associates all of which are unlisted at year end, together with the nature of their business are disclosed in note 31. These associates have share capital consisting solely of ordinary shares, which are held directly by the group; the country of incorporation or registration is also their principal place of business. The financial year end of these entities is 30 April. Associates are measured using the equity method in accordance with the group's accounting policy and there are no contingent liabilities relating to the group's interest in the associates.

Summarised financial information of associates

Set out below are the summarised financial information for the above noted entities.

Summarised balance sheet

	Group	
	2018	2017
	€'000	€'000
Total current assets	**832**	1,082
Total current liabilities	**(828)**	(1,279)
	4	(197)
Non-current assets	**7,620**	7,912
Non-current liabilities	**(704)**	(741)
	6,916	7,171
Net assets as at year end	**6,920**	6,974

7. Investments in associates CONTINUED

Summarised statement of comprehensive income

	Group	
	2018	2017
	€'000	€'000
Revenue	**1,663**	1,440
Profit before tax	**63**	72
Loss after tax	**(54)**	(43)
Associated results attributable to the group	**(26)**	(21)

The information above reflects the amounts presented in the financial statements of the associates for the period when these entities were considered as associates of the group (note 31).

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates:

	Group	
	2018	2017
	€'000	€'000
Opening net assets	**6,974**	7,017
Loss for the year/period	**(54)**	(43)
Closing net assets	**6,920**	6,974
Carrying value at year end	**3,391**	3,417

8. Inventories

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Goods held for resale	**6,942**	6,135	**-**	-

The amount of inventory write-downs recognised in the income statement categories is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cost of sales	**635**	147	**-**	-

Notes to the financial statements CONTINUED

9. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts owed by subsidiaries	**-**	-	**5,448**	4,479
Current				
Trade receivables	**2,438**	2,191	**-**	-
Indirect taxation	**336**	327	**-**	-
Advance payments to suppliers	**405**	767	**-**	-
Amounts owed by associates and related parties	**129**	23	**-**	22
Advance payments on non-current assets	**678**	-	**-**	-
Other debtors	**155**	302	**-**	-
Prepayments and accrued income	**1,365**	1,162	**-**	-
	5,506	4,772	**-**	22
Total trade and other receivables	**5,506**	4,772	**5,448**	4,501

Trade and other receivables are stated net of provision for impairment charges as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Trade receivables	**4**	25	**-**	-

The movement in impairment provision for trade and other receivables is disclosed in note 17 and is included under administrative expenses in the income statement.

Amounts owed by associates and related parties are unsecured, interest free and repayable on demand. The group's exposure to credit and currency risks relating to receivables are disclosed in note 2. The other classes within trade and other receivables do not contain impaired assets.

10. Cash and cash equivalents

For the purposes of the statement of cash flows, the period-end cash and cash equivalents comprise the following:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**3,013**	1,320	**-**	-
Bank overdraft (note 13)	**(2,948)**	(4,965)	**(10)**	-
Total cash and cash equivalents	**65**	(3,465)	**(10)**	-

11. Share capital

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Issued and fully paid up	**27,000**	27,000	**27,000**	27,000

The company was incorporated on 25 November 2016 with an authorised share capital of €40,000,000, divided into 40,000,000 ordinary shares having a nominal value of €1 each and an issued and fully paid-up share capital of €50,000, divided into 50,000 ordinary shares having a nominal value of €1. The issued share capital consists of one class of ordinary shares with equal voting rights attached.

Subsequent to the group restructuring (note 1.4) whereby the company acquired full ownership and control of the subsidiaries and an interest in the associated companies at their net book carrying amounts as at 31 October 2016, the company owed the amount of €37,955,000 to PG Holdings Limited. From this amount, there was deducted the sum of €14,326,000 due by PG Holdings Limited to the subsidiary companies acquired by PG p.l.c., resulting in a net amount due to PG Holdings Limited of €23,629,000.

By virtue of an agreement dated 10 March 2017, this net debt was assigned by PG Holdings Limited to Mr Paul Gauci. The resultant debt due to Mr Paul Gauci was capitalised by virtue of a shareholders' resolution dated 13 March 2017, thereby increasing the company's issued and fully paid up share capital to €23,679,000 constituted by 23,679,000 shares having a nominal value of €1 each.

A bonus issue of 3,321,000 shares having a nominal value of €1 each was made effective on 13 March 2017, thereby increasing the company's issued and fully paid up share capital to €27,000,000 constituted by 27,000,000 ordinary shares having a nominal value of €1 each.

A 1:4 share split was effected by means of a shareholders' resolution dated 13 March 2017, such that as at 30 April 2017, the company's authorised share capital of €40,000,000 is constituted by 160,000,000 ordinary shares having a nominal value of €0.25 per share and the company's issued share capital of €27,000,000 is constituted by 108,000,000 ordinary shares having a nominal value of €0.25 per share.

On 10 March 2017, the company acquired full ownership and control of the subsidiaries and an interest in the associated companies. The share capital of the group, as disclosed in these financial statements, up to this date is constituted from the aggregate amount of the nominal issued and fully paid up share capital of each acquired entities as noted hereunder.

	No. of shares	€'000
Alhambra Investments Limited	4,001	4,001
PAMA Supermarket Limited	1	1
PAMA Rentals Limited	1	1
Pruna Trading Limited	1	1
PAVI Shopping Complex Limited	3,600	8,387
PAMA Shopping Village Limited	3,431	3,431
Nominal shareholding in acquired entities	**11,035**	**15,822**

Notes to the financial statements CONTINUED

12. Group restructuring in 2017

On 10 March 2017, the company acquired full ownership and control of the subsidiaries and an interest in the associated companies. The ultimate shareholders of the acquired entities are the shareholders of the company and this restructuring has been recognised in accordance with the accounting policy applicable to such transactions (note 1.4). The following table summarises the net adjustment to equity and the amounts of assets acquired and liabilities assumed, that were recognised in the consolidated statement of financial position as at 31 October 2016, being the date of the economic group restructuring.

Recognised amounts of identifiable assets acquired and liabilities assumed

	€'000
Assets	
Non-current assets	54,528
Investment in associate	3,502
Current assets	24,583
Liabilities	
Borrowings	(24,956)
Trade and other payables	(16,218)
Deferred taxation	(3,484)
Net asset value of acquired entities	**37,955**
Less: amounts due by PG Holdings Limited	(14,326)
Total net assets acquired	**23,629**
Equity adjustments to reserve:	
Retained earnings	1,433
Valuation reserve (note 12[a])	(7,308)
Share premium (note 12[b])	(1,932)
Net adjustment to share capital	**15,822**

12 (a) Valuation reserves

In 2016, the group's equity included valuation reserves of €7,308,000 relating to the revaluation of property, plant and equipment amounting to €7,744,000 and unrealized fair value gains reserve amounting to (€436,000). During 2017, as a result of the capitalisation of reserves into share capital these amounts were included as part of the group capital restructuring adjustments.

12 (b) Share premium and Capital reserves

As part of the capital restructuring of the group, amounts due by PG Holdings Limited to the acquired subsidiaries and associates totalling €14.3 million has been deducted from the consideration paid by the company for the acquisition made on 10 March 2017 (note 11). This deduction was recognised directly in equity within a capital reserve given that the transaction is considered to be a transaction carried out with shareholders in their capacity as equity participants. Subsequently, the directors of the company transferred this reserve to retained earnings. The share premium amounting to €1,932,000 recorded in 2016 represents the net difference between the nominal share capital of the acquired share in the Pavi Group and the consideration paid. This reserve was adjusted against equity.

13. Borrowings

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Bank loans	**16,101**	17,265	**-**	-
Finance leases	**434**	487	**-**	-
	16,535	17,752	**-**	-
Current				
Bank overdrafts	**2,948**	4,965	**10**	-
Bank loans	**1,174**	1,148	**-**	-
Finance leases	**48**	46	**-**	-
	4,170	6,159	**10**	-
Total borrowings	**20,705**	23,911	**10**	-

The group's banking facilities as at 30 April 2018 amounted to €23,575,204 (2017: €26,963,000).

The group's bank borrowings are secured by:

(a) a general hypothec over the group's assets and a special hypothec over its property;
(b) general and special hypothecs over the assets of related parties;
(c) pledge over insurance policies; and
(d) guarantees issued by the group and related parties.

The interest rate exposure of the borrowings of the group was as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
At floating rates	**3,430**	5,498	**10**	-
At fixed rates	**17,275**	18,413	**-**	-
	20,705	23,911	**10**	-

Notes to the financial statements CONTINUED

13. Borrowings CONTINUED

Weighted average effective interest rate as at the end of the reporting year were:

	Group		Company	
	2018	2017	**2018**	2017
Bank loan	**2.75%**	2.75%	**-**	-
Bank overdraft	**2.89%**	3.27%	**-**	-
Finance leases	**2.75%**	2.75%	**-**	-

This note provides information about the contractual terms of the group's borrowings. For more information about the group's exposure to liquidity and interest rate risks, see note 2.

Finance lease liabilities of the group relate to the financing of the operational equipment classified under property, plant and equipment. Disclosure of the finance lease arrangements, security and commitments is made in note 27.

14. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2017: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% (2017: 10%) on the carrying amounts of property. The movement on the deferred tax account is as follows:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
At beginning of year/period	**3,434**	3,481	**-**	-
Deferred tax on temporary differences arising on depreciation of property, plant and equipment	**34**	(47)	**-**	-
Provision for impairment on receivables	**7**	-	**-**	-
At end of year/period	**3,475**	3,434	**-**	-

Deferred tax is principally composed of deferred tax assets and liabilities which are to be recovered and settled after more than twelve months.

The balance as at year-end represents temporary differences on or attributable to:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Revaluation of non-current assets	**3,412**	3,412	**-**	-
Deprecation on property, plant and equipment	**64**	30	**-**	-
Provisions for impairment of receivables	**(1)**	(8)	**-**	-
	3,475	3,434	**-**	-

15. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Capital payables	**1,640**	245	**-**	-
Amounts owed to subsidiaries	**-**	-	**16,329**	15,448
	1,640	245	**16,329**	15,448
Current				
Trade payables	**9,877**	7,076	**-**	-
Amounts due to related parties and associates	**48**	1,114	**30**	2
Capital payables	**1,794**	462	**-**	-
Other payables	**404**	343	**-**	-
Indirect taxation	**1,181**	925	**-**	-
Accruals and deferred income	**3,787**	3,241	**8**	5
	17,091	13,161	**38**	7
Total trade and other payables	**18,731**	13,406	**16,367**	15,455

Amounts owed by related parties and associates are unsecured, interest free and repayable on demand. The group's exposure to credit and currency risks relating to trade and other payables are disclosed in note 2.

16. Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The board of directors considers the group's business mainly from a commercial perspective as geographically operations are carried out, predominantly, on the local market. The group's revenue principally arises from the management of supermarket operations including management of shared activities and rental activities and the invoiced value of branded garments, home furnishings and related merchandise. The group's commercial operations are segregated primarily into supermarkets and associated retail operations and franchise operations which are considered to the operating segments of the group.

The group does not have any particular major customer, as it largely derives revenue from a significant number of consumers availing of its products and services. Accordingly, the group has not identified any relevant disclosures in respect of reliance on major customers.

The board of directors assesses the performance of the operating segments based on operating results adjusted for centralised costs. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

Notes to the financial statements CONTINUED

16. Segment information CONTINUED

Sales between segments are carried out at arm's length. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the income statements.

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Segment assets consist primarily of land and buildings, investment property, machinery and equipment, inventories, trade and other receivables and cash and cash equivalents. Taxation is not considered to be segment assets but rather is managed by the treasury function.

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. Segment liabilities comprise trade and other payables and exclude tax and borrowings. The group's interest-bearing liabilities and taxation are not considered to be segment liabilities but rather are managed by the treasury function.

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
2018			
Revenue	90,149	17,794	**107,943**
Less: inter-segmental sales	(6,773)	(1,321)	**(8,094)**
	83,376	16,473	**99,849**
Segment results	8,690	3,002	**11,692**
Net finance costs			**(589)**
Share of associates results			**(26)**
Profit before tax			**11,077**
Tax expense			**(3,417)**
Profit for the year			**7,660**
Segment assets	44,300	31,113	**75,413**
Investment in associates	3,391	-	**3,391**
Total assets	47,691	31,113	**78,804**
Segment liabilities	15,312	3,418	**18,730**
Unallocated liabilities			**26,289**
Total liabilities			**45,019**
Additions to non-current assets	4,256	1,840	**6,096**
Depreciation	(900)	(302)	**(1,202)**

16. Segment information CONTINUED

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
2017			
Revenue	80,940	15,947	**96,887**
Less: inter-segmental sales	(3,923)	(1,278)	**(5,201)**
	77,017	14,669	**91,686**
Segment results	8,416	2,969	**11,385**
Net finance costs			**(557)**
Share of associates results			**(21)**
Profit before tax			**10,807**
Tax expense			**(3,447)**
Profit for the year			**7,360**
Segment assets	39,168	27,918	**67,086**
Investment in associates	3,417	-	**3,417**
Total assets	42,585	27,918	**70,503**
Segment liabilities	10,901	2,509	**13,410**
Unallocated liabilities			**29,272**
Total liabilities			**42,682**
Additions to non-current assets	909	710	**1,619**
Depreciation	(948)	(322)	**(1,270)**

Notes to the financial statements CONTINUED

17. Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Employee benefit expense (note 18)	**6,701**	5,537	**-**	-
Depreciation of property, plant and equipment (note 4)	**1,202**	1,270	**-**	-
Purchases of goods and consumables	**73,822**	68,800	**-**	-
Leases and parking fees	**1,708**	1,434	**-**	-
Movement in inventories	**(806)**	(1,220)	**-**	-
Decrease in impairment provision for trade and other receivables	**(21)**	-	**-**	-
Impairment of receivables	**83**	-	**-**	-
Utility costs	**856**	808	**-**	-
Other expenses	**5,383**	4,436	**75**	65
Total cost of sales, selling and marketing costs and administration expenses	**88,928**	81,065	**75**	65

Audit fees

Fees charged by the auditor for services rendered during the financial periods ended 30 April 2018 and 2017 relate to the following:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**127**	110	**5**	5
Tax advisory and compliance services	**7**	6	**1**	1
Other non-assurance services	**20**	68	**5**	-
	154	184	**11**	6

18. Employee benefit expense

Average number of persons employed during the year:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Wages and salaries	**6,424**	5,263	**-**	-
Social security	**308**	292	**-**	-
	6,732	5,555	**-**	-
Recharged to third parties and related parties	**(31)**	(18)	**-**	-
	6,701	5,537	**-**	-

	Group		Company	
	2018	2017	**2018**	2017
Operational	**273**	267	**-**	-
Administration	**47**	32	**-**	-
Selling and distribution	**9**	10	**-**	-
	329	309	**-**	-

19. Directors' remuneration

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**125**	73	**-**	-
Salaries and bonuses	**414**	397	**-**	-
	539	470	**-**	-

A number of directors availed themselves of an allowance for the use of company cars during the year. The estimated value of this benefit has been included within the directors' salaries, which also includes other allowances.

Notes to the financial statements CONTINUED

20. Other income

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Recharges of expenses to retail operators	**771**	764	**-**	-

21. Investment income

The company's revenue is derived from dividend income from its subsidiaries in accordance with the group's dividend policy. During the year, the company received gross dividends from its subsidiaries totalling €2,846,000 (2017: €5,215,000).

22. Net finance costs

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Finance income				
Bank interest receivable	**-**	1	**-**	-
Interest charged to associate and related parties	**-**	80	**-**	-
	-	81	**-**	-
Finance costs				
Bank interest	**523**	615	**-**	-
Finance lease interest	**14**	9	**-**	-
Other financial charges	**52**	14	**-**	-
	589	638	**-**	-

23. Tax expense

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Current tax expense:				
on taxable profit subject to tax at 35%	**2,904**	3,185	**996**	1,825
on taxable profit subject to tax at 15%	**486**	309	**-**	-
over-provision of current tax in prior year	**(13)**	-	**-**	-
Deferred tax charge/(credit)	**40**	(47)	**-**	-
	3,417	3,447	**996**	1,825

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Profit before tax	**11,077**	10,807	**2,771**	5,150
Tax on profit at 35%	**3,877**	3,782	**970**	1,802
Tax effect of:				
share of results of associates	**9**	7	**-**	-
maintenance allowance on rental income	**(197)**	(193)	**-**	-
expenses and provisions not allowable for tax purposes	**378**	155	**26**	23
unrecognised deferred tax related to prior years	**9**	(21)	**-**	-
over-provision of current tax in prior year	**(13)**	-	**-**	-
income subject to reduced rates of tax	**(648)**	(285)	**-**	-
other differences	**2**	2	**-**	-
Tax expense	**3,417**	3,447	**996**	1,825

Notes to the financial statements CONTINUED

24. Dividends paid

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Gross dividend	**2,615**	-	**2,615**	-
Tax at 35%	**(915)**	-	**(915)**	-
Total net dividend	**1,700**	-	**1,700**	-
Euro per share (net)	**0.02**	-	**0.02**	-

A first net interim dividend of €1,700,000 in respect of the year ended 30 April 2018 was announced on 5 December 2017, and paid to the ordinary shareholders on 11 December 2017. A second net interim dividend of €2,550,000 in respect of the year ended 30 April 2018 was announced on 28 August 2018, and paid to the ordinary shareholders on 5 September 2018.

These financial statements do not reflect the second interim dividend of €2,550,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 April 2019.

25. Earnings per share

Earnings per share is based on the profit for the financial year attributable to the shareholders of PG p.l.c. divided by the weighted average number of ordinary shares in issue during the year and ranking for dividend.

	Group	
	2018	2017
Profit attributable to shareholders (€'000)	**7,660**	7,360
Weighted average number of ordinary shares in Issue (thousands)	**108,000**	20,833
Basic and diluted earnings per share for the year attributable to shareholders	**€0.07**	€0.35

The company does not have any dilutive contracts on own shares in issue.

26. Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Operating profit/(loss)	**11,692**	11,385	**(75)**	(65)
Adjustment for:				
Depreciation on property, plant and equipment (note 4)	**1,202**	1,270	**-**	-
Gain on disposal of property, plant and equipment	**(11)**	-	**-**	-
Changes in working capital:				
Inventory	**(807)**	(1,220)	**-**	-
Trade and other receivables	**(734)**	(1,109)	**22**	(22)
Trade and other payables	**2,966**	131	**66**	7
Cash generated from/(used in) operations	**14,308**	10,457	**13**	(80)

Notes to the financial statements CONTINUED

27. Commitments

(a) Finance lease commitments - where the group is a lessee

In 2017 and 2016, the group entered into finance lease agreements for the supply and leasing of equipment to be installed within the operational premises of the Pama Shopping Village.

The future minimum lease payments under the finance lease liabilities are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**61**	61	**-**	-
Later than 1 year and not later than 5 years	**245**	245	**-**	-
Later than 5 years	**241**	307	**-**	-
	547	613	**-**	-
Future finance charges on finance leases	**(65)**	(80)	**-**	-
Present value of finance lease liabilities	**482**	533	**-**	-

The lease commitments are effectively secured as the rights of the leased asset revert to the lessor in the event of default. The lease commitments disclosed above include the lease payment obligations on the assumption that the group will lease the equipment for the full lease term of eleven years.

(b) Capital commitments

As at 30 April, the group had commitments for capital expenditure relating to its property not provided for in these financial statements as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Authorised but not contracted for	**2,628**	6,000	**-**	-
Contracted but not provided for	**5,562**	-	**-**	-
	8,190	6,000	**-**	-

27. Commitments CONTINUED

(c) Operating lease commitments - where the group is a lessor

The future minimum lease payments receivable under non-cancellable property operating leases are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**729**	1,209	**-**	-
Later than 1 year and not later than 5 years	**643**	1,034	**-**	-
Later than 5 years	**228**	323	**-**	-
	1,600	2,566	**-**	-

(d) Operating lease commitments - where the group is the lessee

In prior years, the group entered into an operating lease agreement in relation to the rental of Pama Shopping Village property with its associate, PAMA Shopping Village Limited.

The total lease and other related payments payable under the property operating lease and car park agreement are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**2,002**	1,196	**-**	-
Later than 1 year and not later than 5 years	**8,472**	8,263	**-**	-
Later than 5 years	**63,420**	65,631	**-**	-
	73,894	75,854	**-**	-

The future minimum lease payments payable under non-cancellable operational equipment operating leases are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**-**	29	**-**	-

Notes to the financial statements CONTINUED

28. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating policy decisions.

As at year end, Mr Paul Gauci owned 75% of the shareholding in PG p.l.c. and hence controls the group. The remaining 25% of the shares are widely held.

The entities constituting the PG Group are ultimately fully owned by PG p.l.c. Other entities on which Mr Paul Gauci can exercise significant influence are also considered to be related parties. Hence, related parties also include subsidiaries and associates of PG Holdings Limited.

In the opinion of the directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the group. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements except for the following:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Interest income from associate and related parties	**-**	80	**-**	-
Rents and parking fees payable to associate	**1,663**	1,440	**-**	-

Year-end balances with associated related parties are disclosed in notes 9 and 15 to these financial statements.

Key management personnel compensation, consisting of directors' and senior management remuneration, is disclosed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Directors	**539**	470	**-**	-
Senior Management	**394**	206	**-**	-
	933	676	**-**	-

29. Contingent liabilities

At 30 April 2018, the group had contingent liabilities amounting to €2,285,000 (2017: €2,035,000) with regards to guarantees mainly in favour of third parties issued by the bank on behalf of the group in the ordinary course of business.

30. Statutory information

PG p.l.c. is a public limited company and is incorporated in Malta.

31. Subsidiaries and associates

The subsidiaries and associates at 30 April 2018 are shown below:

	Registered office	Principal activities	Percentage of shares held 2018	2017
Subsidiaries				
Alhambra Investment Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Investment holding	**100**	100
Alhambra Trading Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of branded fashion retail outlet	**100**	100
Centre Point Properties Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of branded fashion retail outlet	**100**	100
PAVI Shopping Complex Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing	**100**	100
PAVI Supermarkets Limited	PAVI Supermarkets Triq Manuel Dimech, Qormi	Operation of supermarket and management of retail area	**100**	100
PAMA Supermarket Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of supermarket	**100**	100
PAMA Rentals Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing	**100**	100
PG Finance Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing and group treasury function	**100**	100
Pruna Trading Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Importation and wholesale of retail products	**100**	100
PG Developments Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Investment property	**100**	-
Associates				
PAMA Shopping Village Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing	**49**	49
PAMA Carparks Limited	Ta' Clara Farmhouse Ramla Road, Maghtab, Naxxar	Carpark management	**49**	49