ANNUAL REPORT 2018-19

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 2018-19

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Chairman's Statement

The PG Group attained a turnover of €108.0 million in the year ended 30 April 2019, representing a growth of 6.7% on the previous year, which had registered a turnover of €101.2 million. Operating profit amounted to €12.6 million, compared to €11.7 million in 2018.

This was a challenging year for the group, one in which ongoing operations were inevitably impacted by the temporary closure of our flagship Zara® and Zara Home® store in Sliema for a five month period, and by the ongoing refurbishment of the Pavi Supermarket. Given these circumstances, the growth in turnover was encouraging. It was in part driven by the continued popularity of the Pama Shopping Village, by an increase in turnover at Pavi, and by the sales recorded at the Zara® and Zara Home® store in Sliema after its successful reopening on 28 November 2019.

The overall operating costs of the group increased by €5.9 million (6.6%) in the year ended 30 April 2019, largely in line with sales, but also reflecting various salary, training and other preparatory costs that as expected were incurred during the temporary closure of the Sliema store.

The PG Group commenced this financial year with the objective of fully recovering, by 30 April 2019, the adverse impact of this temporary closure. I am therefore pleased to report that the group's net profit after taxation amounted to €8.9 million, compared to €7.7 million in 2018, representing an increase of 15.6%. This performance goes beyond the board's expectations, and does credit to our management and employees. 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 these positive results.

An interim net dividend of €1.7 million was distributed to shareholders in December 2018, while a second interim net dividend of €2.8 million was distributed in July 2019. These two distributions, totalling €4.5 million, represent 51% of the consolidated net profit for the year and are in line with the group's policy of targeting an annual distribution of not less than 50% of its post tax earnings.

Net cash generated from operating activities totalled €10.0 million, compared to €10.2 million in 2018. Capital expenditure incurred during the period amounted to €10.5 million. Our net borrowings, including capital creditors, increased by €3.8m during the year and remain relatively contained in the context of our business activities.

As expected, a large part of the capital expenditure during the year was incurred on the Zara® and Zara Home® Sliema outlet. This outlet, which is owned by the group, is strategically situated at the heart of a prime shopping district. What was previously a shop spread over two floors is now a large store housing five floors of high quality retail space and a further two floors of storage. This was a technically demanding project given the busy location of the site, and it is commendable that it was completed safely, and on schedule.

The new store enables us to display better and more fully the various ranges offered by Zara® and Zara Home® and to enhance the shopping experience offered to our customers. It has proven to be a popular attraction, justifying the investment made.

At the same time, work continued unabated on the refurbishment of the Pavi Supermarket, which is now at an advanced stage, and which has been successfully managed so as to minimise the disruption to the outlet's operations. This site was also improved through the opening of new ancillary retail outlets, including Zara Home®.

The investments outlined above have brought all our facilities closer to the quality level at which the group would like to operate. They have been complemented by a continued investment in the group's internal infrastructure and governance. We attach particular importance to our procurement relationships, both locally and overseas, and this is supported by ongoing market research aimed at ensuring, inter alia, the competitiveness of our pricing. New improved on-line shopping facilities were launched in late 2018. Sustained attention continues to be given to staff recruitment, development and retention. On governance, our internal audit function has been strengthened and a number of improvements were made to our reporting and control functions.

The environment we operate in remains a highly competitive one. Across the span of our operations, our competitors have also invested heavily to improve and grow their operations, and continue to do so. We plan to do likewise and are actively pursuing opportunities for growth, particularly in the supermarket and associated retail sector. These opportunities could in part seek the better exploitation of our existing sites, but we will also be looking to open or acquire additional stores.

New outlets would enable us to grow the business, and to attain added critical mass when it comes to procurement. However one should note that they would also create added management and operational strains. To manage growth in a controlled environment, we will need to roll out a modern multi-location retail and stock control system across all our outlets. Looking ahead, the operation of enhanced and robust IT systems will hence be a key determining factor in our ability to grow the business profitably. Over the past year, we have accordingly strengthened our IT management resources and our control infrastructure, while progressing our work to upgrade the group's core supermarket systems. This project has now reached the system selection stage, and it is anticipated that contracts would be completed with a preferred supplier by early 2020. This will be followed by an implementation process that is planned to extend to financial year 2020/21.

While your board is satisfied with the results portrayed in this report, and with the progress attained during the year, we remain mindful that our business activities have benefited from the economic conditions and the population growth recorded in Malta in recent years. Our continued success will in part remain dependant on such factors, which by their very nature cannot be expected to last indefinitely. Our competitiveness will however also depend on the quality of our physical facilities; on the versatility of our management leading through change; and on the adequacy of our financial resources and resilience. I am confident that the PG Group remains well positioned on all these attributes.

John B Zarb
Chairman

29 August 2019

Board of Directors

FROM LEFT TO RIGHT

Charles Borg Executive Director & Chief Executive Officer

Dr Emma Grech Company Secretary

Claire Alexia Borg Gauci Executive Director

Paul Gauci Executive Deputy Chairman

John B Zarb Chairman

Dr Ramona Piscopo Non-Executive Director

Lawrence Zammit Non-Executive Director

William Spiteri Bailey Non-Executive Director

Senior Management, Group Services and Operations

FROM LEFT TO RIGHT

Gianluca Borg Head Purchasing
Silvio Carabott Chief Operations Officer
Jackie Micallef Brand Manager - Zara Home
Kevin Azzopardi Head Marketing
Charles Borg Executive Director & Chief Executive Officer
Claire Alexia Borg Gauci Executive Director
Stephen Gauci General Manager - Pama Supermarket
Mark Seguna Head Information Technology
Manuel Caruana General Manager - Pavi Supermarket
Adriana Cassar Brand Manager - Zara
Malcolm Camilleri Deputy Chief Executive Officer
Ian Micallef Chief Financial Officer

Operating review

Composition of the Group

The Group's flagship Zara® and Zara Home® retail outlet in Sliema was refurbished and significantly expanded during the year. As a result, operations at this outlet ceased between July and November 2018 and the income and cash flow statements for the year accordingly do not reflect a full year's operations of this facility.

In other respects, the operations of the Group were in all material respects unchanged during the two years ended 30 April 2018 and 2019 and consisted of supermarket and associated retail operations conducted at Pavi Supermarket and at Pama Shopping Village; and the operation of the Zara® and Zara Home® franchises. The latter included a new Zara Home® outlet which was opened at Pavi in May 2018.

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
- 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.

Conveniently accessible locations, coupled with extensive free car parking, characterise the shopping facilities available both at Pama (pictured above) 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 9.6% when compared to the previous financial year. The total footfall within the two supermarkets totalled 4.6 million persons during the financial year (4.3 million in 2018).

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 of stock directly procured by the business and carried at its own risk is closely controlled to safeguard the competitiveness of our consumer pricing. Procurement is based on 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.

To further enhance operational efficiency and reduce operating risk, 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 section. 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.

Significant progress was attained in the financial year ended 30 April 2019 to upgrade and refurbish the group's outlet at Pavi. This included the removal of the old carwash, which was replaced by additional car parking; the total refurbishment of the butcher, fruit and veg, and fish shop outlets; the replacement of old refrigerated display equipment with more attractive and efficient plant; and the opening of new retail outlets, including Zara Home.

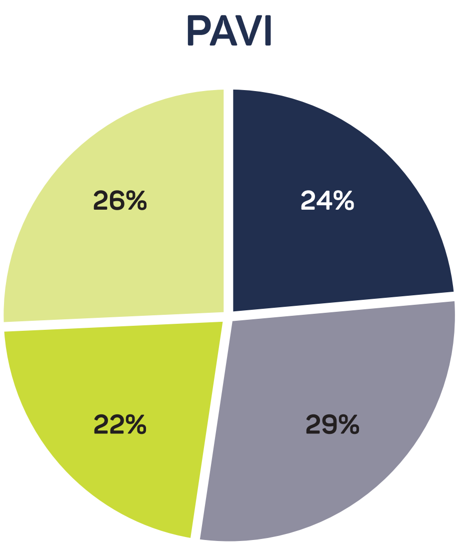
The refurbishment of the remaining outlets, including the deli, the Chinese shop and the bakery, is expected to be completed shortly.

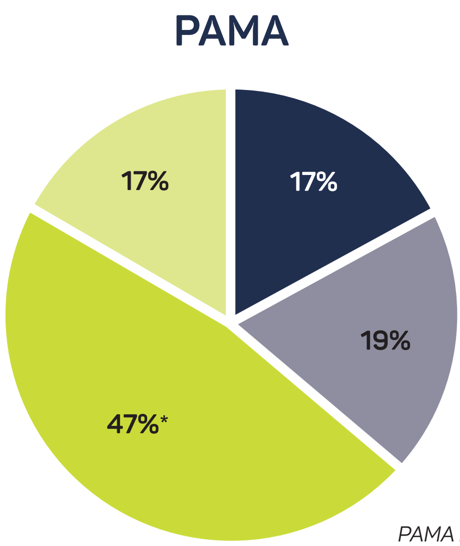
Consumers have responded to the enhanced facilities, and to the store opening on Sundays. Pavi sales recorded double digit growth in the later months of the financial year. An encouraging growth in sales at Pavi has also been recorded in the first four months of the current financial year.

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.

Rentals from the oulets operated by third parties within the complexes is generally set on an income-sharing basis, subject to an appropriate minimum annual rent depending on the size, location and nature of the outlet. Rental income from such outlets increased substantially in the course of 2019. The major part of this increase was recorded at the Pama retail mall, which attained an increase in footfall in excess of 20% as its market standing matured. The group is seeking new opportunities to expand the retail facilities available at the two complexes.

The relative importance of the different sub-segments comprising the group's supermarket and associated retail activity is best illustrated by how space is utilised within the two complexes:





** Including PAMA Retail Mall*

Supermarket - own operations | Supermarket - specialist operations | External retail areas | Administration and stores

The group invests in continual market research to better understand the public's perception of its supermarket activities, to identify weaknesses and potential opportunities and to better target its marketing.

The group's procurement relationships are geared towards enabling Pama and Pavi to offer a varied but price competitive product offering to their customers. Regular market surveys are held to test the group's positioning on this topic. The latest survey, held in January and February 2019, compared the group to four competitors across 2,000 popular products which account for 18% of the group's supermarket turnover. The results, briefly summarised below, give a positive message on the group's price positioning on a 'business as usual' basis.

In addition to its focus on competitive pricing, the group places its customers at the centre of its marketing and communication strategies and a large part of its marketing investment is directly targeted towards them.

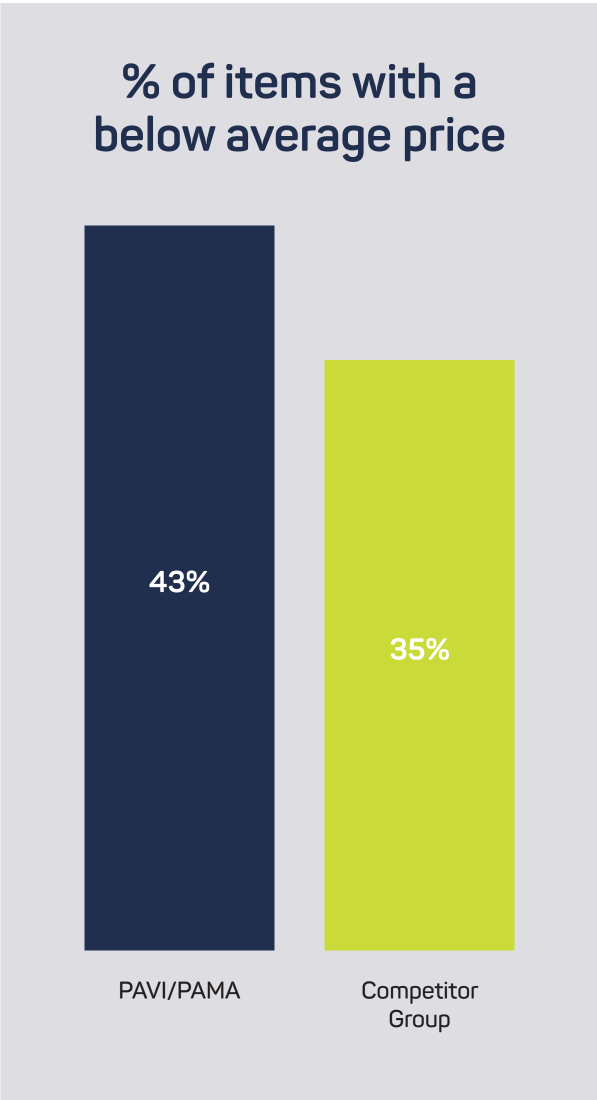
This investment comes in the form of free loyalty scheme points, free cash vouchers and heavily discounted prices on specific items. Other incentives are made available on specific days of the week and can be availed of depending on the customers' value of purchase.

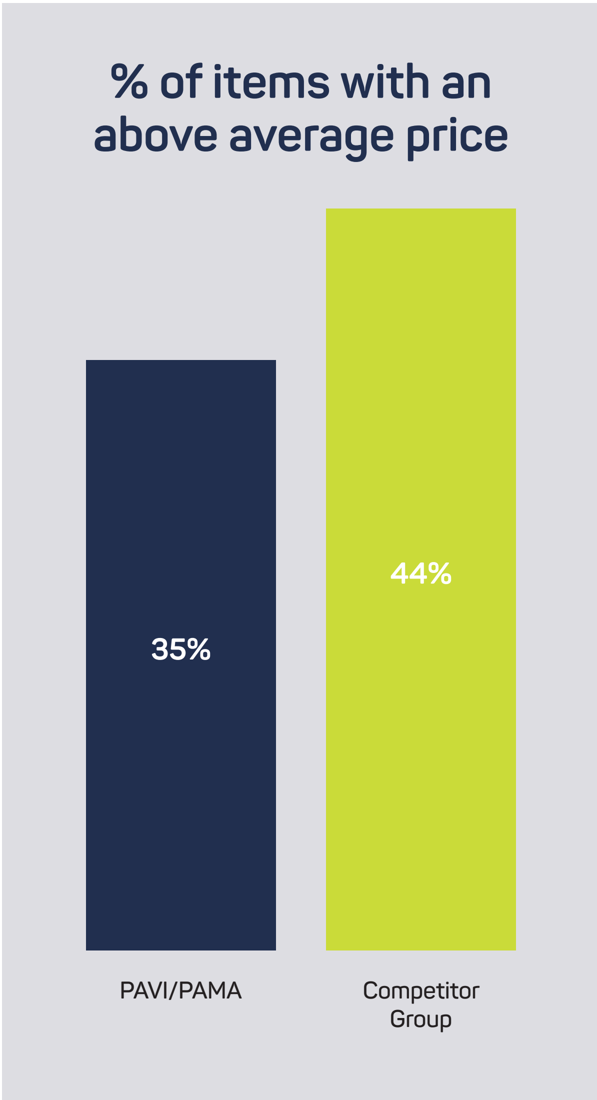
These incentives are complemented by other regular special offers which are available at specific times throughout the year. Such offers are accentuated further during seasonal festivities such as Easter and Christmas.

Most of these offers feature on the group's fortnightly magazine, which is nowadays distributed through the Sunday newspapers as opposed to door-to-door. This change was primarily motivated by distribution inefficiencies and by limitations of alternative local service providers, whilst also serving as a differentiator.

The group continues to offer an entitlement of free mineral water to customers whose purchase exceed a certain value. This remains a popular measure and the group distributed 14.4 million litres of free mineral water during the financial year ended 30 April 2019, an increase of 7% over 2018.

The group's supermarket loyalty points scheme is also being sustained as one of the most advantageous in the industry. It remains the only loyalty scheme which gives customers the opportunity to redeem loyalty points for cash as well as free





mineral water. The group has currently over 100,000 loyalty card holders.

This year the group also invested comprehensively to develop its digital communication channels. Particular attention was given to the content on the group's social media platform which is now providing more added value as well as being more engaging. The group has also embarked on its first marketing campaign promoting its online shop, which was rebranded and relaunched last year.

The group's retail offering at Pama and Pavi is complemented by a comprehensive online shopping facility, supported by a home delivery service.

On-line shoppers are offered a user friendly menu using categories and sub-categories (e.g., groceries ... canned sauces ... caponata) to assist them in searching for a particular stock item. The on-screen description of the products on sale is in turn supported by a photograph of the item concerned for over 21,000 stock items.

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 €26.1 billion in 2018. 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 2,256 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 595 stores in 68 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. A third outlet, measuring 480 sqm, was opened at Pavi in May 2018.

As the franchisee for Zara® and Zara Home®, the Group is responsible, inter alia, for staff recruitment and management, accounting, 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

Mr Paul Gauci, Founder and Executive Vice-Chairman of the group, Dr Joseph Muscat, Prime Minister, accompanied by Mrs Muscat, Mr John Zarb, Chairman, and Mr Charles Borg, Chief Executive Officer, at the inauguration of the Alhambra store.

the brands' owners, Inditex, which 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.

Sliema outlet expansion project

The significant expansion of the group's Zara® and Zara Home® Alhambra outlet in Sliema, at a total capital cost of €10.1 million, constituted a major capital project for the group.

As also explained in the group's annual report for 2018, 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 group's Alhambra outlet. The store consisted of only two floors, which in itself constituted a material under-exploitation of the site. The outlet was moreover scheduled for refurbishment and modernisation. It was recognised that the need for a major overhaul provided an opportune moment for also expanding this store.

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, where the former Alhambra cinema was situated. The project, which was successfully completed in late November 2018, served to increase the retail space within the building from 1,711 to 3,311 sqm, apart from supporting staff and storage facilities. The enlarged outlet houses one of the largest Zara® department

stores in Europe. It also includes one floor dedicated completely to Zara Home®.

The Group worked closely with Inditex specialist architects and craftsmen to design and realise the project. The joint objective was that of creating a modern outlet that is a landmark not only in Malta but also within the wider Zara® stable.

The project inevitably gave rise to an unavoidable business interruption during the latter half of 2018.

The store operated normally in May 2018, but a major discounted sale process was commenced in mid-June, designed to dispose of the maximum amount of stock possible prior to the shop's temporary closure in early July, for a duration of almost five months.

Apart from the earnings forfeited during the temporary closure, the group continued to incur substantial expenses associated with the outlet during this period in terms of the salaries of retained staff, staff recruitment, training courses and trials, restocking and other preparations for the reopening.

The store re-opened for business on 28 November 2018, in time for the peak Christmas season and has proven a popular shopping destination. The new outlet today displays a broad selection from the ranges offered by Zara® and Zara Home®, in an uncluttered environment.

The expanded store has also enabled the business to increase the facilities available to assist with online purchases. Our responsiveness to customers' needs is enhanced by Zara®'s online shopping facilities, in which the Group fully 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.

Pursuing further growth opportunities

During the last two years, the group has successfully launched and brought to maturity the Pama retail mall; undergone a major upgrade at Pavi; and created a virtually new store at the Alhambra in Sliema. This progress has effectively been financed from earnings, without diluting the distribution of dividends. Net bank borrowings at 30 April 2019 stood at the same level as in March 2017, when the group launched its initial public offering.

In terms of its financial resources, the group is therefore well poised for further growth and it is actively pursuing potential opportunities. These could entail the expansion of existing sites; or the acquisition and development of new sites similar to Pama and Pavi. The group is currently working on both these scenarios, and has lodged applications with MEPA on one suitable development, which today however remains at an embryonic stage.

Growth could also be pursued through alternative business models, such as the development at some stage of the investment property that was acquired by the group last year; or by the acquisition or development of smaller supermarkets, which also have a role to play in the marketplace. Such acquisitions would add value to the procurement arrangements of the group and enhance the facilities we offer to our customers.

For such growth to be managed successfully, our financial resources need to be matched by an equivalent in terms of governance, management and IT. The group needs to be able to roll out, at any store acquired or developed, a seamless operating model backed by trained personnel, so as to ensure the same level of operational efficiency and control that is exercised within its two supermarkets today.

A robust IT platform will be key to attaining this objective. The group operates tried and tested systems at Pama and Pavi, which have served it well over the years, but which are nearing the end of their useful life. The group has the opportunity of implementing a more modern, multi-store retailing system – and the challenge that goes with any such project.

Our IT team was accordingly strengthened during the year ended 30 April 2019 in preparation for this project. Certain outsourced processes were brought in-house, and our networking infrastructure, operations monitoring and security were strengthened.

The core systems upgrade project was launched through the issue of a call for offers in March following a process of defining the business's requirements; of identifying the leading market packages that are more likely to meet these requirements; and the suppliers who are hence of more interest to the group. A number of detailed proposals have been received, and are in the course of being evaluated, leading to a selection decision in the near future. It is anticipated that contracts would be completed with a preferred supplier by early 2020. This will be followed by an intensive implementation process that is planned to extend to financial year 2020/21.

The IT project is being mirrored by an added focus on operational efficiency and control. Our stores management complement was increased, to enable staff to better cope with a seven day week operation. We commenced an outsourced internal audit program in 2018, and this operated throughout the financial year just completed. A particular emphasis was given to purchasing and stock control, with encouraging results.

As also stated in our annual report last year, in a market characterised by high employment, staff recruitment, training and retention receive continual management attention. The group also remains conscious in particular of the need to maintain a targeted development programme for its senior employees and to plan for long term continuity and for potential growth. It recognises that if growth opportunities are to be successfully pursued this must in the first instance be done on the basis of a well controlled 'home base' operation; and also on the basis of a degree of redundancy at management levels, creating the ability of launching new initiatives without exposing existing ones to the risk of diluted management attention.

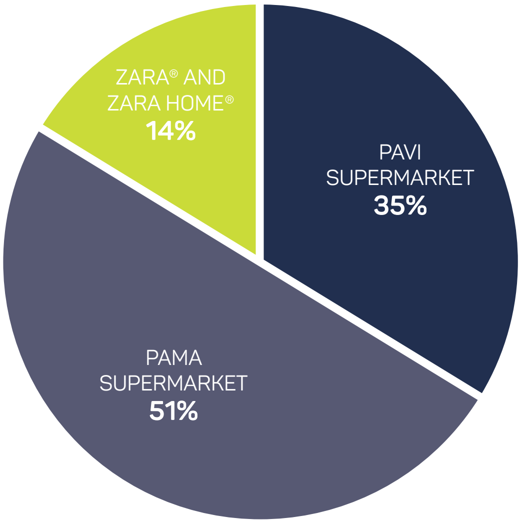
Review of operating performance

The group's operating performance for the year ended 30 April 2019 is summarised below:

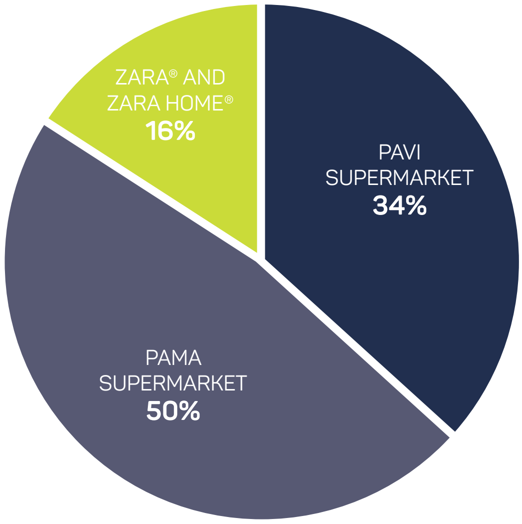
€'000	**Year ended 30 April 19**	**Year ended 30 April 2018**
Turnover	107,977	101,238
Cost of sales	(91,589)	(85,970)
Gross profit	**16,388**	**15,268**
Gross profit percentage	**15.2%**	**15.1%**
Selling and marketing costs	(1,042)	(1,063)
Administrative expenses	(3,627)	(3,284)
Other income	886	771
Operating profit	**12,605**	**11,692**
Operating profit percentage	**11.7%**	**11.5%**
Share of results of associates	10	(26)

The growth in turnover, amounting to 6.7%, has exceeded expectations, reflecting an increase in revenue within the supermarket and associated retail sector that has more than offset the impact of the temporary closure for a five month period of the Zara® and Zara Home® Sliema outlet. Both Pama and Pavi performed strongly.

Turnover analysis



Year ended April 2019



Year ended April 2018

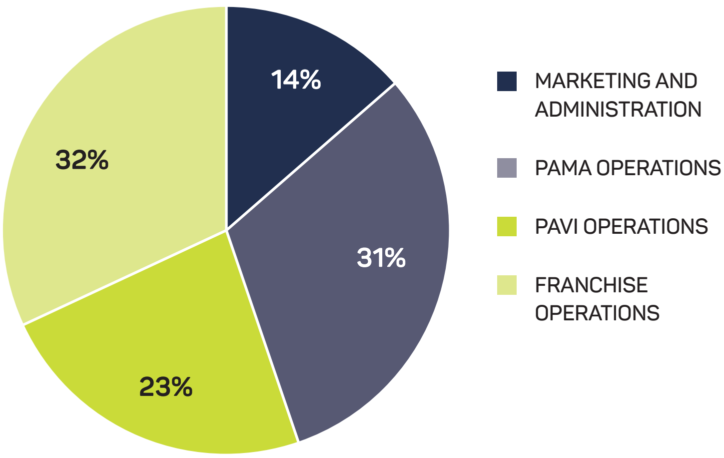
Turnover within the group's franchise operations decreased by 8%, which is a relatively contained reduction given the unavoidable duration of the temporary closure of the Alhambra store. Considerable lost ground was recouped following the store's reopening in November up to the end of the financial year. A particularly positive performance was also recorded at the group's Zara Home® shop at the Pama Retail Mall, which is today the brand's most popular outlet.

During the financial year, overall gross profit percentages increased slightly from 15.1% to 15.2% when compared to 2018. Operating efficiencies were attained within the two supermarkets, driven by the larger sales volumes and enhanced stock control, and these offset the impact of the decrease in sales within our franchise operations, which typically carry higher gross profit margins. Apart from the impact on sales and margins, the group necessarily incurred various ongoing and preparatory costs during the closure of the Alhambra store, and these have also in part impacted our margins.

Marketing and administration costs amounted to 1.0% and 3.4% of turnover respectively (1.1% and 3.2% in 2018). A proportion of our marketing spend is directed at customers in terms of discounted or free goods, and these are reflected within cost of sales. Administration costs were contained in relation to turnover.

The group's overall employment cost increased from €6.7 million in 2018 to €8.0 million in the year ended 30 April 2019. Our average staff complement increased from 329 to 377 persons, with the average cost per employee increasing by 4.5%. These movements in part relate to certain previously outsourced functions, such as security, being brought in-house; and to the investment in additional resources, e.g., in the enlarged Sliema store, and in certain administrative functions such as IT.

Staff occupation as at 30 April 2019



Some staff facts and numbers:

- 58% of employees are female
- 58% of employees are under the age of 30
- 16% of our employees are non-Maltese, reflecting the proportion of expatriats within the Maltese population
- Our employees hail from 25 countries

Finance costs and cash flow

Net finance costs amounted to €632,000 in the year ended 30 April 2019, compared to €589,000 in the previous financial year. Taxation amounted to €3.0 million, representing an effective tax charge of 25.4% (30.8% in 2018), with the group benefiting from the 15% final taxation on rental income. After deduction of taxation, the PG Group attained a profit for the year of €8.94 million, compared to €7.66 million in 2018, an increase of 16.7%.

The group generated a net cash flow from operating activities amounting to €10.0 million (€10.2 million in 2018). This cash flow, together with an increase in net bank borrowings of €4.8 million, was applied, inter alia, towards: Capital expenditure of €10.5 million, including costs incurred during the year in respect of the Zara® and Zara Home® Alhambra store project; and funds spent on ongoing capital works, including the refurbishment programme at Pavi.

Further payments of €1 million were made during the year on the investment property acquired in 2018. At 30 April 2019 the group had an indebtedness of €1.5 million arising on this purchase. This amount is payable, without interest, in three equal six monthly instalments of €0.5 million.

As at 30 April 2019, the group had bank borrowings, net of cash in hand, of €22.0 million (2018 - €17.2m), including term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €2.8 million per annum. The group took out a new term loan early in the financial year to help finance the Alhambra project, but later in the financial year it effected an equivalent repayment on its older term loans.

Dividends

An interim net dividend of €1.7 million was distributed to shareholders in December 2018, while a second interim net dividend of €2.8 million was distributed in July 2019. These two distributions, totalling €4.5 million, represent 51% of the consolidated net profit for the year and are in line with the group's policy of targeting an annual distribution of not less than 50% of its post tax earnings. They represent a gross yield of 4.04% on the market value of the company's shares at 30 April 2019.

The declaration of a second interim dividend paid in July, 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. It represents a pattern of dividend payments that was first introduced in 2018, and 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 2019 showing an increase of 7% over the comparable period in 2018. The outlook for the financial year ending 30 April 2019 is encouraging for both stores, and particularly so in the case of Pavi which continues to benefit from the combined impact of Sunday trading and the refurbishment program.

The expanded Alhambra Zara® and Zara Home® outlet is expected to have a positive impact on the current year's results, which will reflect a full twelve month operation of this key outlet. The results emerging from the investment made are moreover encouraging. During the eight month period between 28 November 2018 and 31 July 2019, sales at this key outlet were 39% higher than in the corresponding period before the project was undertaken, which exceeds the target sought by the group when the project was initiated.

As also stated in the chairman's report, our business activities have

By virtue of two public deeds entered into on 19 July 2019, Mr and Mrs Paul Gauci donated a total of 1.5 million shares in PG plc in equal parts to Caritas and to Dar tal-Provvidenza. This donation is of a capital nature intended to generate an annual dividend income which the two entities would then utilise in the furtherance of their activities.

This generous gesture was made by Mr and Mrs Gauci in their personal capacity, and not by the group, but it remains an act that this group is proud to be associated with. Mr Paul Gauci is the founder and executive vice-chairman of the PG Group. He is the registered owner of 73.6% of the equity of PG plc. He remains actively involved in the overall management of the group and plays a leading role in the identification and actioning of new initiatives, and in the management of capital projects.

benefited from the economic conditions and the population growth recorded in Malta in recent years. Our performance during the financial year ending 30 April 2020, and beyond, will in part remain dependant on such factors, which by their very nature cannot be expected to last indefinitely.

Our contribution to the Community

The PG Group recognises the value of the Community Relations Progamme that is aimed primarily towards the Maltese community.

The main purpose of our community programme is to recognise our responsibility to help strengthen the communities we serve, support them and recognise their efforts and contribution towards our community. During this financial year the group has in fact reorganised its CSR set-up to operate in a more structured and effective manner while adopting a specific focus on four primary pillars - culture and heritage, health, environment and specific areas within the social sector. Various proposals have been received related to these areas. We have evaluated all these requests and agreed to assist a good number of them. Our involvement included institutions such as Caritas, Dar tal-Providenza, Missio, Dar Fra Diego, Hospice and Life Cycle Foundation to mention a few. There were also contributions to Ursolini and, St Therese Home and Dar Merhba Bik. We also actively participated in this year's L-Istrina and also supported the Sliema Local Council with launching its Council Cab service. This service provides free transportation to elderly residents who require to travel for their errands but do not own the means or do not have the physical ability to do so.

The various efforts that the group involved itself in during this year, have no doubt left a positive impact on our brand as a socially responsible organisation that has strong local roots in the Maltese community and a long standing commitment to improve the well-being of the community at large. This is our commitment to our community and we expect to continue this involvement in the years to come.