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 €3.8 million 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 Camilleri 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 2019 and 2018 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.

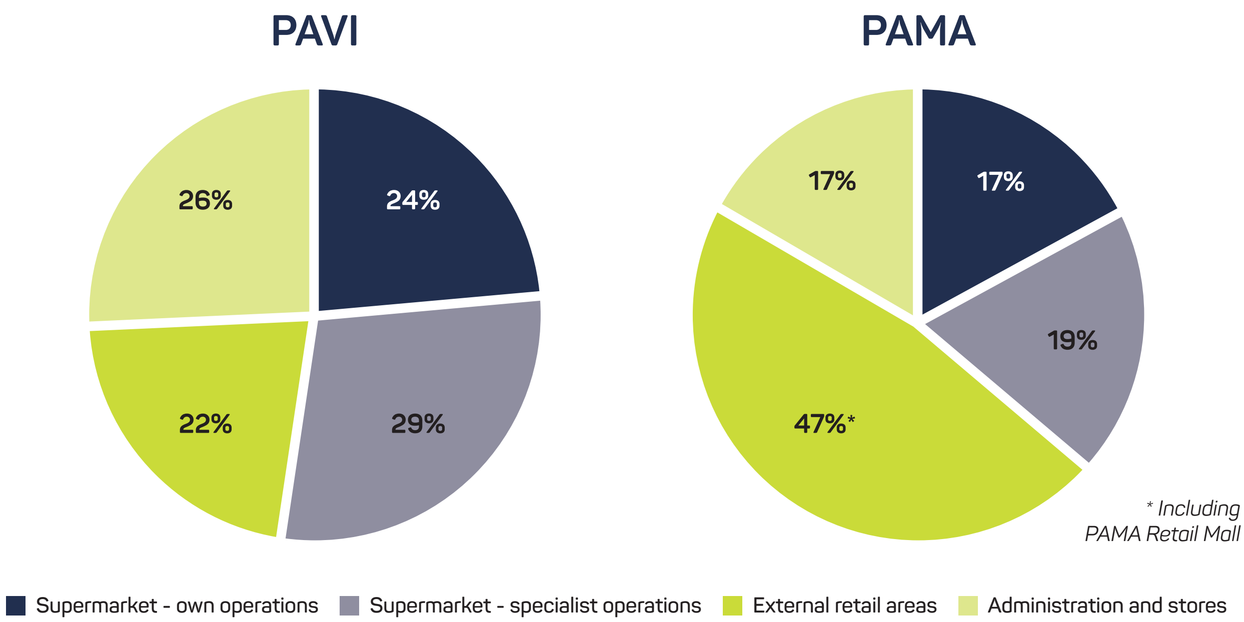
The refurbishment of the remaining outlets, including the deli, the Chinese shop and the bakery, is expected to be completed shortly.

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:



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.

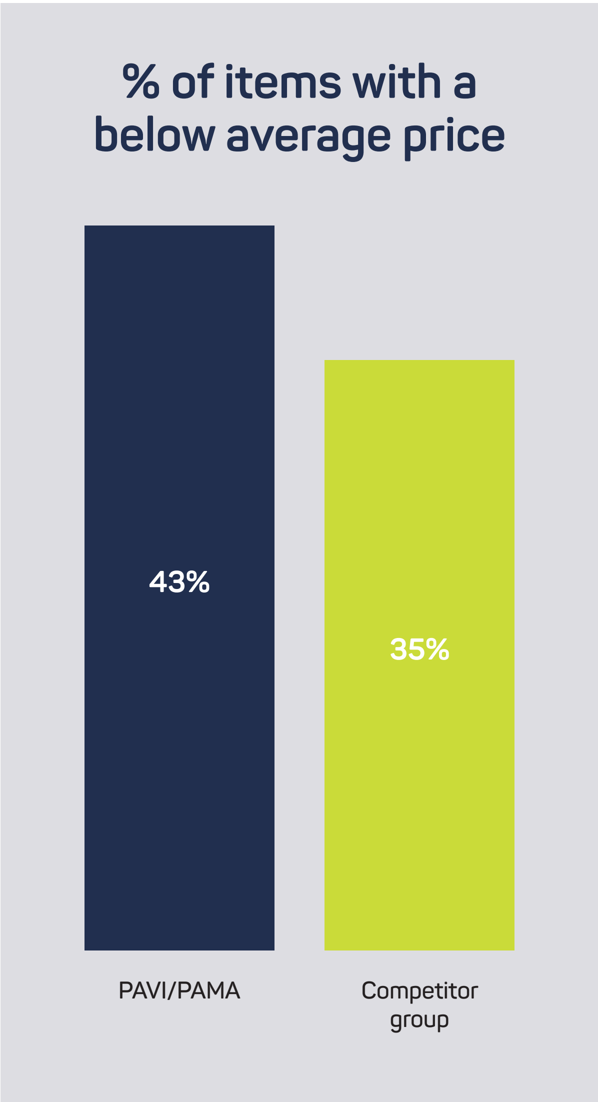
This investment comes in the form of free loyalty scheme points, free cash vouchers and heavily discounted prices on specific items. Other incentives are made available on specific days of the week and can be availed of depending on the customers' value of purchase.

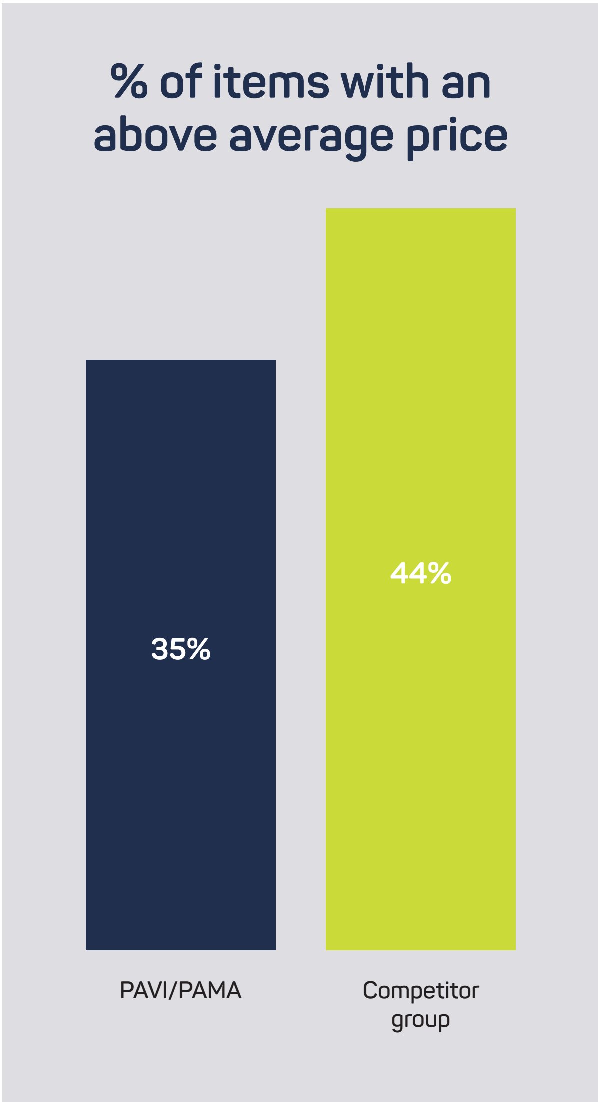
These incentives are complemented by other regular special offers which are available at specific times throughout the year. Such offers are accentuated further during seasonal festivities such as Easter and Christmas.

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 three 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 site 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.

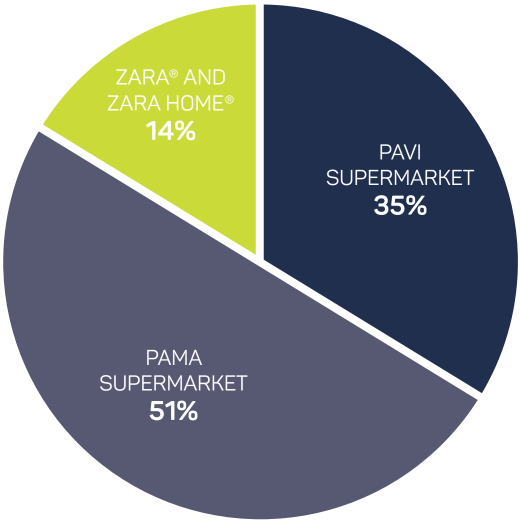
Review of operating performance

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

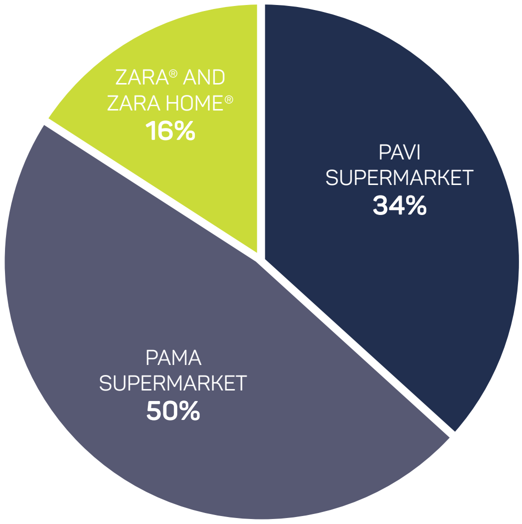
€'000	**Year ended 30 April 2019**	**Year ended 30 April 2018**
Turnover	107,977	101,238
Cost of sales	(91,589)	(85,970)
Gross profit	**16,388**	**15,268**
Gross profit percentage	**15.2%**	**15.1%**
Selling and marketing costs	(1,042)	(1,063)
Administrative expenses	(3,627)	(3,284)
Other income	886	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

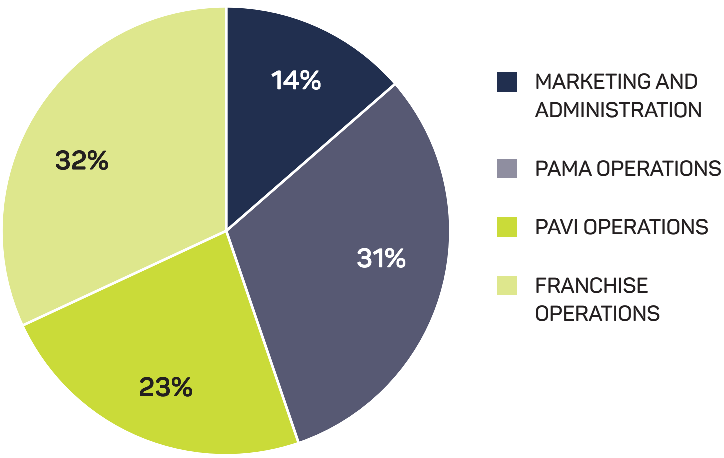
Turnover within the group's franchise operations decreased by 8%, which is a relatively contained reduction given the unavoidable duration of the temporary closure of the Alhambra store. Considerable lost ground was recouped following the store's reopening in November up to the end of the financial year. 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 - €17.2 million), 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 2020 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-Providenza. 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 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.

Directors' report

The directors present their Annual Report and the Audited Consolidated Financial Statements for the year ended 30 April 2019.

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 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 unchanged during the two years ended 30 April 2018 and 2019.

Trading Performance

Turnover for the year ended 30 April 2019 amounted to €107,977,000 (€101,238,000 in 2018). The growth of 6.7% in turnover reflects in the main a continued growth in the group's supermarket activities, which more than offset the impact of the temporary closure of the Zara® and Zara Home® Sliema outlet.

The increased turnover resulted, as expected, in a corresponding growth in direct and other costs. Margins remained constant, in spite of the change in sales mix resulting from the temporary closure of the group's franchise operations in Sliema, which typically carry a higher gross profit margin. Costs incurred during the year also included various salary, training and other preparatory costs that were incurred during the temporary closure of the Sliema store.

The resultant operating profit amounted to €12,605,000, an increase of 7.8% over the comparative of €11,692,000 recorded in 2018.

Net finance costs amounted to €632,000, compared to €589,000 in the previous financial year.

The group's profit before taxation amounted to €11,983,000, compared to €11,077,000 in 2018. The group incurred an effective tax expense of 25.4% (30.8% in 2018), which reflects in part the entitlement of incurring a final tax of 15% on rental income received. The profit after taxation for the year under review amounted to €8,937,000, an increase of 16.7% over the 2018 comparative of €7,660,000.

Cash flow and financing

The group generated a net cash flow from operating activities of €10,026,000 (€10,230,000 in 2018), which was applied in the main towards the reduction of borrowings and towards the payment of net dividends of €4,250,000.

Capital projects included the completion of works at the Zara® and Zara Home® Alhambra outlet in Sliema and further works on the refurbishment at Pavi Supermarket. A term loan facility of €8,440,000 was taken out during the year to help finance the Sliema project.

As at 30 April 2019, PG p.l.c. had bank borrowings, net of cash in hand, of €22,009,000 (€17,210,000 in 2018), including fixed term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €2,800,000 per annum. The group also had an amount of €2,936,000 (€3,916,000 in 2018) due in terms of finance leases and capital creditors, including a sum of €1,465,000 (€2,465,000 in 2018) arising from a property acquisition, and which is 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 14% to €38,472,000 as at 30 April 2019 as a result of the retained profits for the year under review.

At 30 April 2019 gearing stood at 36.8% when measured on a historical cost basis, and at 11.5% when judged by reference to the group's enterprise value at 30 April 2019, assessed on the

Directors' report *continued*

Review of the business *continued*

Financial position and associated financial and other risks and uncertainties continued

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 currently operating in a buoyant economy and favourable economic conditions. This has benefited its operations in the periods covered by the financial statements. 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 in their initial years, when capital outstanding is higher than later on in the term of the loans, and any future increases in interest rates would have a minimal impact on its results.
- The group's annual term loan servicing commitments represented 26% of the net cash flow, before interests, generated from operating activities in the year ended 30 April 2019, 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 42 and 43 to 44 respectively.

An interim net dividend of €1,700,000 was distributed by the company in December 2018. A second net dividend of €2,800,000 was distributed in July 2019. The total net dividend distributed from the profits earned in the financial year ended 30 April 2019 therefore amounted to €4,500,000 (€4,250,000 in 2018).

Directors

The directors of the company during the financial year ended 30 April 2019 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, Mr William Spiteri Bailey and Mr Lawrence Zammit will retire by rotation at the next Annual General Meeting and, being eligible, have been nominated, and accordingly offered themselves, for re-election.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386 of the Laws of Malta) (the "**Companies Act**") 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; and
- 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 Companies Act. 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 2019 are included in the Annual Report 2019 which is published on the group's website (www.pggroup.com.mt) and available in hard copy printed form upon request. 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 group'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 2019, 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 74.

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 73.6% of the issued share capital of the company. No other shareholder holds 5% or more of the share capital of the company.

By means of public deeds executed on 19 July 2019, Mr Paul Gauci donated 1,500,000 ordinary shares, equivalent to 1.4% of the company's issued share capital, to two charitable institutions operated by the Archdiocese of Malta. The terms of the donation stipulate that the ownership of the shares should be retained by the institutions, whereas the dividend income therefrom would be freely applied by them to meet their ongoing needs. The institutions concerned have expressed their preference not to be involved in the decision making of a commercial concern, and the voting rights of the shares in question will accordingly continue to be exercised by Mr Gauci.

At present, in terms of the Articles of Association of the company, the board of directors shall consist of 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 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 directors (except the Chief Executive Officer) shall be of three (3) years, following which one third of such 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.

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 Remuneration Committee and Nominations Committee (the "**RemNom 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 RemNom 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 RemNom Committee is more than

Directors' report *continued*

Additional information pursuant to Listing Rule 5.64 *continued*

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 Companies Act, 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.

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 Companies Act 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 30 April 2019, 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 regarding 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 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

29 August 2019

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.

Pursuant to the Listing Rules issued by the Listing Authority, the company should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "**Code**"). In terms of Listing Rule 5.94, the company hereby reports on the extent of its adoption of the principles of the Code covering the financial year ended 30 April 2019.

The company acknowledges that the Code does not prescribe mandatory rules, but recommends principles of good practice. However, the board strongly believes that such practices are generally in the best interests of the company and its shareholders, and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the directors' and the company's commitment to a high standard of good governance.

Good corporate governance is the responsibility of the board of directors, and in this regard the board has carried out a review of the company's compliance with the Code for the financial period being reported upon.

B. General

The company's governance lies principally with its board of directors, which is responsible for the overall determination of the company's business strategies and policies. The company has adopted a corporate decision-making and supervisory structure that is tailored to suit its requirements and designed to ensure the existence of adequate controls and procedures within the company, whilst retaining an element of flexibility essential to allow the company to react promptly and efficiently to circumstances arising in respect of its business, taking into account its size and the economic conditions in which it operates. The directors are of the view that it has employed structures which are most suitable and complementary for the size and operations of the company. Accordingly, in general the directors believe that the company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of control in line with the company's requirements.

This corporate governance statement (the "**Statement**") sets out the structures and processes in place within the company and explains how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the directors believe that these have been adhered to. Where the company has not complied with any of the principles of the Code, this Statement will provide an explanation for non-compliance.

C. 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 statute of PG p.l.c. provides for the board to appoint a Chairman from amongst the directors. It also provides for the appointment of a Chief Executive Officer who serves, by virtue of his office, as a director of the

Corporate governance statement *continued*

C. Compliance with the Code *continued*

Principle 2: Chairman and Chief Executive continued

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

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.

Independence of Non-Executive Directors

In line with supporting principle 3 (iii) of main Principle 3, at least one third of the board consists of non-executive directors, and all the non-executive directors are considered as independent within the meaning of the Code. Indeed, none of the non-executive directors:

(a) are or have been employed in any capacity by the company;
(b) receive significant additional remuneration from the company;
(c) have close family ties with any of the executive members of the board;
(d) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the company; and
(e) have a significant business relationship with the company.

In terms of Code Provision 3.4, each non-executive director has declared in writing to the board that he/she undertakes:

(a) to maintain in all circumstances his/her independence of analysis, decision and action;
(b) not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
(c) to clearly express his/her opposition in the event that he/she finds that a decision of the board may harm the company.

Appointment and Removal of Directors

Pursuant to generally accepted practices, as well as the company's Articles of Association, the appointment of directors to the board is reserved exclusively to the company's shareholders, except in so far as an appointment is made to fill a vacancy on the board, which may be filled by co-option, made by the board on the recommendation of the RemNom Committee.

The Articles of Association regulate the appointment of directors. Any one or more shareholders who in aggregate hold not less than €250,000 in nominal value of shares having voting rights in the company are entitled to recommend fit and proper persons for appointment as directors of the company, such nominations being subject to the approval of the RemNom 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. In addition, nominations may be made by the board or the RemNom Committee itself for consideration by the shareholders at the Annual General Meeting of the company. The RemNom 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.

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

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 committees as mentioned further below.

During the financial year ended 30 April 2019, twelve (12) board meetings were held. Attendance at these meetings was as follows:

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

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. In addition, the strategy, processes and policies adopted for implementation are regularly reviewed by the board.

The Chairman ensures that all issues relevant to long-term strategic and short-term performance of the group are placed on the agenda of board meetings and, for the purpose of discussion thereon, are supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to the discussion.

Principle 6: Information and Professional Development

The recruitment and selection of senior management is the responsibility of the Chief Executive Officer acting 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 group.

The board, acting through the RemNom Committee, is also concerned with ensuring the ongoing professional 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 should they deem such necessary in order to discharge their responsibilities as directors at the company's expense.

Principle 7: Evaluation of the Board's Performance

The RemNom Committee has carried out an evaluation of the performance of the board and of the contribution made by the individual board members, and of their continued suitability (including, but not limited to, the two directors retiring by rotation at the next Annual General Meeting), and is of the view that over the period under review, all members of the board, individually and collectively, contributed to proceedings in line with the required levels of diligence and skill. In addition, the board believes that its current composition endows the board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively.

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.

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.

The terms of reference of the Audit Committee, approved by the Board, are modelled on the recommendations of the Listing Rules.

The Audit Committee has met eight (8) times in the financial year ended 30 April 2019, and the attendance at these meetings was as follows:

Committee member	Meetings attended
Mr William Spiteri Bailey	7
Mr John Zarb	6
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 a single,

Corporate governance statement *continued*

C. Compliance with the Code *continued*

Principle 8: Committees continued

'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 once during the financial year ended 30 April 2019 and this meeting was attended by Mr John Zarb, Mr Lawrence Zammit and by Mr Paul Gauci.

Remuneration of directors and senior management

The remuneration of the company's directors and of the deputy chief executive officer is established in the following manner:

(a) At the time of the initial public offering and of the listing of the company's shares, continuity was assured in the salaries payable to executive directors and of the deputy chief executive officer after these were reviewed by the board and judged appropriate in the context of the responsibilities and experience of the individuals concerned. These salaries were reflected in the business results and forecasts published by the group at the time.

    Executive salaries are reviewed annually by the RemNom Committee to ensure that they remain commensurate with the performance of the individuals concerned and in line with the market.

(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 recognises 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 Mr Malcolm Camilleri participated in the annual bonuses approved by the RemNom Committee and paid by the group during the financial year. These bonuses are discretionary in nature and are in the first instance determined annually by the chief executive officer and by the executive vice-chairman of the group, and are subsequently discussed and approved by the RemNom Committee. Annual bonuses are paid in cash and do not constitute a material part of the aggregate remuneration of directors.

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.

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	€429,000

Emoluments of directors and senior management

	Fixed remuneration	Annual bonus	Share options	Others
Directors	€533,200	€30,800	None	Non-cash benefits referred to above
Senior management	€378,000	€77,000	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 group'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 group 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 F below.

Principle 11: Conflicts of Interest

It is the practice of the board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately addressed. By virtue of the company's Articles of Association, the directors are obliged to keep the board advised, on an ongoing basis, of any interest that could potentially conflict with that of the company. The board member concerned shall not take part in the assessment by the board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Articles of Association. The board believes that this is a procedure that achieves compliance with Principle 11. None of the directors save Mr Paul Gauci have any shares in the company.

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.

D. Non-compliance with the Code

The directors set out below the Code provisions with which the company does not comply and an explanation as to the reasons for such non-compliance:

Principle 8: Committees (Code Provision 8.A.1.)

With respect to Code Provision 8.A.1. which sets out the composition requirements of remuneration committees, particularly that the Remuneration Committee must be composed of non-executive directors, the Board notes that the RemNom Committee is not composed in strict compliance with the Code, due to Mr Paul Gauci, an executive director, being a member of the RemNom Committee.

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

There are no formal procedures in place within the company for the resolution of conflicts between minority and controlling shareholders, nor do the company's Memorandum or Articles of Association as recommended in Code Provision 9.3 contemplate any mechanism for arbitration in these instances.

Principle 9: Relations with Shareholders and with the Market (Code Provision 9.4)

The company does not have a policy in place to allow minority shareholders to present an issue to the board. In practice, however, the open channel of communication between the company and minority shareholders via the office of the Company Secretary is such that any issue that may merit bringing to the attention of the board may be transmitted via the Company Secretary, who is in attendance at all meetings of the Board of Directors.

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.

E. Internal Control

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 group's set targets. This process is applicable specifically in relation to the group'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. The Audit Committee also analyses the internal audit reports prepared by the group's internal auditors and ensures that the recommendations therewith are adopted and implemented to further strengthen the company's processes and procedures. The Audit Committee also determines whether significant internal control recommendations made by the external auditors have been implemented.

F. 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 Companies Act.

As explained 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 if necessary, 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 29 August 2019 and signed on its behalf by:

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

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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 2019, 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 40 to 89, comprise:

- the Consolidated and Parent Company statements of financial position as at 30 April 2019;
- 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 these Codes.

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 group and its subsidiaries, in the period from 1 May 2018 to 30 April 2019 are disclosed in note 16 to the financial statements.

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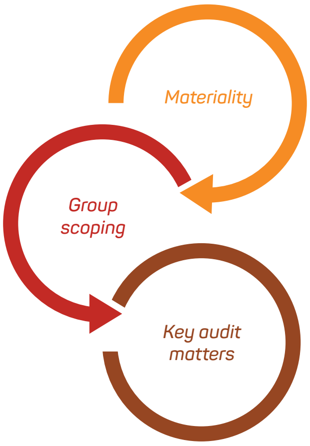
Independent auditor's report CONTINUED

To the Shareholders of PG p.l.c.

Our audit approach

Overview



- Overall group materiality: €599,000, 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	€599,000 (2018: €554,000)
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.

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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 €60,000 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 2019 amounted to €7.4 million and represented 51% 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.	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. Based on the procedures performed, we conclude that inventories as at year end are reasonably stated in the financial statements.

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.

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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.

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 26 to 32 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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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 has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

29 August 2019

Statements of financial position

		As at 30 April			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**64,436**	55,939	**-**	-
Investment property	5	**3,728**	3,719	**-**	-
Investment in subsidiaries	6	**-**	-	**34,506**	34,506
Investment in associates	7	**3,401**	3,391	**3,502**	3,502
Trade and other receivables	9	**-**	-	**708**	5,448
		71,565	63,049	**38,716**	43,456
Current assets					
Inventories	8	**7,369**	6,942	**-**	-
Trade and other receivables	9	**4,999**	5,506	**-**	-
Current tax assets		**490**	294	**-**	-
Cash in bank and in hand	10	**1,546**	3,013	**-**	-
Total current assets		**14,404**	15,755	**-**	-
Total assets		**85,969**	78,804	**38,716**	43,456

Statements of financial position CONTINUED

		As at 30 April			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	11	**27,000**	27,000	**27,000**	27,000
Retained earnings		**11,472**	6,785	**-**	79
Total equity		**38,472**	33,785	**27,000**	27,079
Non-current liabilities					
Trade and other payables	14	**570**	1,640	**11,679**	16,329
Borrowings	12	**15,350**	16,535	**-**	-
Deferred taxation	13	**3,504**	3,475	**-**	-
		19,424	21,650	**11,679**	16,329
Current liabilities					
Trade and other payables	14	**18,342**	17,091	**37**	38
Borrowings	12	**8,639**	4,170	**-**	10
Current tax liabilities		**1,092**	2,108	**-**	-
Total current liabilities		**28,073**	23,369	**37**	48
Total liabilities		**47,497**	45,019	**11,716**	16,377
Total equity and liabilities		**85,969**	78,804	**38,716**	43,456

The notes on pages 46 to 89 are an integral part of these financial statements.

The financial statements on pages 40 to 89 were authorised for issue by the board of directors of the company on 29 August 2019 and were signed on their behalf by:

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Statements of comprehensive income

		Year ended 30 April			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	15	**107,977**	101,238	**-**	-
Cost of sales	16	**(91,589)**	(85,970)	**-**	-
Gross profit		**16,388**	15,268	**-**	-
Selling and marketing costs	16	**(1,042)**	(1,063)	**-**	-
Administrative expenses	16	**(3,627)**	(3,284)	**(78)**	(75)
Other income	19	**886**	771	**-**	-
Operating profit/(loss)		**12,605**	11,692	**(78)**	(75)
Investment income	20	**-**	-	**6,538**	2,846
Finance costs	21	**(632)**	(589)	**(1)**	-
Share of results of associates	7	**10**	(26)	**-**	-
Profit before tax		**11,983**	11,077	**6,459**	2,771
Tax expense	22	**(3,046)**	(3,417)	**(2,288)**	(996)
Profit for the year		**8,937**	7,660	**4,171**	1,775
Earnings per share for the year attributable to shareholders					
Basic earnings per share	24	**€0.08**	€0.07		

The notes on pages 46 to 89 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €'000	Retained earnings €'000	Total €'000
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	23	-	(1,700)	(1,700)
Balance at 30 April 2018		**27,000**	**6,785**	**33,785**
Balance at 1 May 2018		27,000	6,785	33,785
Comprehensive income				
Profit for the year		-	8,937	8,937
Transactions with owners				
Dividends for the year	23	-	(4,250)	(4,250)
		-	4,687	4,687
Balance at 30 April 2019		**27,000**	**11,472**	**38,472**

Statements of changes in equity CONTINUED

Company	Notes	Share capital €'000	Retained earnings €'000	Total €'000
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	23	-	(1,700)	(1,700)
Balance at 30 April 2018		**27,000**	**79**	**27,079**
Balance at 1 May 2018		27,000	79	27,079
Comprehensive income				
Profit for the year		-	4,171	4,171
Transactions with owners				
Dividends for the year	23	-	(4,250)	(4,250)
Balance at 30 April 2019		**27,000**	**-**	**27,000**

The notes on pages 46 to 89 are an integral part of these financial statements.

Statements of cash flows

		Year ended 30 April			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	25	**14,887**	14,308	**11**	13
Interest paid		**(632)**	(589)	**(1)**	-
Tax paid		**(4,229)**	(3,489)	**(2,288)**	(996)
Net cash generated from/(used in) operating activities		**10,026**	10,230	**(2,278)**	(983)
Cash flows from investing activities					
Net purchases of property, plant and equipment		**(10,518)**	(2,377)	**-**	-
Purchases of investment property		**(9)**	(1,254)	**-**	-
Net advances to subsidiaries		**-**	-	**-**	(123)
Acquisition on investment in subsidiary		**-**	-	**-**	(50)
Net cash used in investing activities		**(10,527)**	(3,631)	**-**	(173)
Cash flows from financing activities					
Repayments of bank borrowings		**(8,413)**	(1,138)	**-**	-
Proceeds from borrowings		**8,440**	-	**-**	-
Payment of finance leases		**(48)**	(51)	**-**	-
Dividends paid		**(4,250)**	(1,700)	**(4,250)**	(1,700)
Dividend income		**-**	-	**6,538**	2,846
Net cash (used in)/generated from financing activities		**(4,271)**	(2,889)	**2,288**	1,146
Net movement in cash and cash equivalents		**(4,772)**	3,710	**10**	(10)
Cash and cash equivalents at beginning of year		**65**	(3,645)	**(10)**	-
Cash and cash equivalents at end of year	10	**(4,707)**	65	**-**	(10)

The notes on pages 46 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).

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the group adopted amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 May 2018. The adoption of IFRS 15, 'Revenue from Contracts with Customers' and the adoption of IFRS 9, 'Financial Instruments', did not have a material impact other than resulted in changing its accounting policies for revenue and financial assets.

The new accounting policies are disclosed in Note 1 below. The impact of the adoption of IFRS 15 and IFRS 9 is disclosed in Note 1.28. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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 2018. 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 there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application, except for IFRS 16 'Leases'.

IFRS 16, 'Leases', was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The standard mainly impacts lessee accounting as it 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 short-term leases and leases of low-value assets. The group companies have entered into long-term leases (with an associate) in relation to land and buildings from which the PAMA Shopping Complex operates. The group's management has carried out an assessment of the impact of the standard and the directors concluded that these arrangements fall within the remits of this standard.

1. Summary of significant accounting policies *continued*

1.1 Basis of preparation *continued*

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

The group will apply the standard from its mandatory adoption date of 1 May 2019 and will apply the simplified transition approach. As a result, the group will not restate comparative amounts for the year prior to first adoption. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 May 2019, which management has estimated to amount to approximately €16,800,000. Right-of-use assets at that date will be measured at an amount equivalent to this lease liability with no adjustment to equity.

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortisation of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangements in place at 1 May 2019, management estimates that lease costs of €1,300,000 for the year ending 30 April 2020 will be replaced by a notional interest charge that is expected to be in the region of €1,000,000, and an annual amortisation charge in the region of €600,000. In addition, the standard is expected to negatively impact the share of results from associate by approximately €300,000 (the entity who leases this property to the group). This will therefore result in a reduction of approximately €700,000 in profitability for the year ending 30 April 2020.

Management also estimates that EBITDA for the year ending 30 April 2020 will improve by approximately €1,300,000, as the operating lease payments were included in EBITDA, while the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

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.

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 30 to the financial statements.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

1.2 Consolidation *continued*

(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.

1.4 Business combinations involving entities under common control

PG p.l.c acquired a 100% shareholding in a number of entities and 49% shareholding in two associates 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

1. Summary of significant accounting policies *continued*

1.4 Business combinations involving entities under common control *continued*

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.

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.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

1.5 Property, plant and equipment *continued*

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 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.

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

1. Summary of significant accounting policies *continued*

1.6 Investment property *continued*

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 1.9.2.3. 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 IFRS 9.

1.9 Financial assets

1.9.1 Accounting policy applicable as from 1 May 2018

From 1 May 2018, the group classified its financial assets within the 'amortised cost' category.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

1.9 Financial assets *continued*

1.9.1 Accounting policy applicable as from 1 May 2018 continued

1.9.1.1 Recognition and derecognition

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. 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 the risks and rewards of ownership.

1.9.1.2 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The group's debt instruments comprise trade receivables arising from contracts with customers. The accounting policy pertaining to measured of trade receivable (excluding impairment) is disclosed in note 1.10.

1.9.1.3 Impairment

From 1 May 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 2.1 for further details.

1.9.2 Accounting policy applicable until 30 April 2018

1.9.2.1 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).

1.9.2.2 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.

1. Summary of significant accounting policies *continued*

1.9 Financial assets *continued*
1.9.2 Accounting policy applicable until 30 April 2018 continued
1.9.2.2 Recognition and measurement continued

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.

1.9.2.3 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.

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 expected credit loss allowance (note 1.7).

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 within administrative expenses. 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.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

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.

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. Summary of significant accounting policies *continued*

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 IFRS 9. 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.

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.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

1.20 Revenue recognition

1.20.1 Accounting policy from May 2018

(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. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(b) Sales of goods – customer loyalty programme

The group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed.

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. A contract liability is recognised until the points are redeemed.

(c) 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.

(d) 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.

(e) 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.

(f) Dividend income

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

1. Summary of significant accounting policies *continued*

1.20 Revenue recognition *continued*

1.20.2 Accounting policy until 30 April 2018

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.

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.

(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'.

(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.

(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.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

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.

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. Summary of significant accounting policies *continued*

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.

1.28 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers' on the group's financial statements.

(a) Impact on the financial statements

IFRS 9 and IFRS 15 were adopted without restating comparative information, as permitted by the transition simplification of the respective standards. The impact of the adoption of the new standards in these financial statements as at 1 May 2018 is limited to changes in accounting policies, since these changes resulted in either no recognition differences to group's previous accounting policies, or an immaterial impact on opening retained earnings.

(b) IFRS 9, 'Financial Instruments' - impact of adoption

IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement; the group adopted IFRS 9 on 1 May 2018, which is the date of initial application of the standard. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets. The group has taken advantage of the exemption in IFRS 9 allowing it not to restate comparative information for prior periods with respect to classification and measurement and impairment charges.

Notes to the financial statements CONTINUED

1. Summary of significant accounting policies *continued*

1.28 Changes in accounting policies *continued*

(i) Classification of financial assets under IFRS 9

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The transition from IAS 39 to IFRS 9 did not have a material impact on the group's measurement models applied to its financial assets; the differences between IAS 39 and IFRS 9 consists solely of reclassifications. Reclassification adjustments reflect the movement of balances between categories of financial assets with no impact to shareholders' equity. There is no change to the carrying value of financial instruments as a result of reclassifications.

The application of IFRS 9 resulted in the reclassification of all the group's financial assets from the 'Loans and receivables' category in IAS 39 to 'Financial assets at amortised cost' under IFRS 9. These assets comprise trade and other receivables and cash and cash equivalents. The new classification requirements have not had a material impact on the group's accounting for loans and receivables, which continued to be measured at amortised cost upon the adoption of IFRS 9, and they did not have an impact on the classification of the group's financial liabilities.

(ii) Impairment

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the group's financial assets measured at amortised cost, specifically:

- Trade receivable and contract assets arising from contracts with customers; and
- Cash and cash equivalents

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

Trade receivables and contract assets

For trade receivables and contract assets, the group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables and contract asset. The impact on the group of this change in the impairment model is not significant in view of the high quality of the counterparties to which the company is exposed to credit risk, which in turn have historically resulted in minor defaults. Accordingly, the resultant provision emanating from the new impairment methodology was immaterial as at the date of initial application.

Cash and cash equivalents

The group banks and invests only with local financial institutions or entities with high quality standing or rating. The group has assessed that such financial assets qualify for the 'low credit risk' simplification in IFRS 9, and has therefore assessed the required provision using a 12-month ECL. The resultant required provision was immaterial.

(c) IFRS 15, 'Revenue from Contracts with Customers' – Impact of adoption

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis, based on a five-step model focusing on:

- The identification of contracts, customers and contract amendments;
- The identification of distinct performance obligations (promises made by the supplier), their reference price (individual selling price) and the transfer to the customer of control of performance obligations continuously or at a point in time;

1. Summary of significant accounting policies *continued*

1.28 Changes in accounting policies *continued*

- The determination of the transaction price (consideration promised by the customer), its fixed and variable components (and related recognition restrictions) and its allocation to the performance obligations;
- Recognition of revenue when (or as) each performance obligation is satisfied.

The group adopted IFRS 15 retrospectively, however did not restate comparatives as permitted by the standard's transitional simplifications.

In view of the nature of the group's revenue, IFRS 15's five step model had little impact on it's timing of revenue recognition. The group has however identified changes required to its policies pertaining to loyalty points (see below), although the resultant impact on the group figures was not material as at date of initial application.

(i) Accounting for customer loyalty programme

In previous reporting periods, the consideration received from the sale of goods was allocated to points and the goods sold using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the goods sold. As at 30 April 2018, an amount of €1,031,000 was recognised in relation to the deferred revenue from points, within accruals.

Under IFRS 15, the total consideration must be allocated to the points and goods based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated under the residual value method. The adjustment required to opening contract liabilities (previously recognised within accruals) was not material as at date of initial application, and therefore the impact of IFRS 15 as a result of the group's customer loyalty programme was limited to the identification of these contract liabilities within accruals.

Notes to the financial statements CONTINUED

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 provides 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 12), 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 12). These bank loans do not expose the group to cash flow interest rate risk.

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Financial assets measured at amortised cost (classified as loans and receivables in 2018):				
Trade and other receivables (note 9)	**4,740**	5,288	**708**	5,448
Cash and cash equivalent (note 10)	**1,546**	3,013	**-**	-
	6,286	8,301	**708**	5,448

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 expected collection losses, which are inherent in the group's receivables, taking into account historical experience in collection of accounts receivable.

Impairment of financial assets

The group's trade receivable and contract assets, as well as cash and cash equivalents, are subject to IFRS 9's expected credit loss model. The Company's financial assets subject to IFRS 9's expected credit loss model principally comprise amounts advanced to subsidiaries, classified within 'Trade and other receivables'.

(i) Trade receivables and contract assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled performance obligations and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Notes to the financial statements CONTINUED

2. Financial risk management *continued*

2.1 Financial risk factors *continued*

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 1 May 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group adjusts the historical loss rates based on expected changes in these factors.

Based on the assessment carried out in accordance with the above methodology, the group did not identify changes in the provisions required at 1 May 2018. The assessment on the individual counterparties did not have an impact on the identified loss rates and expected credit losses identified on the rest of the group's trade receivables and contract assets.

Other than as noted above, as at 1 May 2018, no further identified expected credit loss allowance in addition to the amount that had already been provided for under IAS 39 in prior periods, on trade receivables and contract assets, was deemed necessary. The movement in loss allowances as at 30 April 2019 is also deemed immaterial by management. On this basis, the information pertaining to loss rates and loss allowances in the group's provisions matrix, which would have otherwise been required by IFRS 7, is not presented as at 30 April 2019 and 1 May 2018.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

As of 30 April 2019, trade receivables of €2,836,000 (2018: €2,438,000) were fully performing.

Loss allowances of €12,000 (2018: €4,000) 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 €1,940,000 (2018: €1,709,000). The group holds no security against these receivables. The unsecured overdue amounts consisted of €1,442,000 (2018: €1,246,000) that were less than three months overdue and €498,000 (2018: €463,000) that were greater than three months.

(ii) Other receivables

Until 30 April 2018, no amount was provided for in relation to the company's receivables, which principally comprise advances to subsidiaries within the group, since there was no objective evidence that the amounts were impaired.

As at 1 May 2018, the group revised its methodology in relation to such amounts in line with the requirements of IFRS 9's forward-looking expected loss model. The company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

As at year-end, based on the directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management together with the support of shareholders in place, the resulting impairment charge required was deemed to be immaterial.

2. Financial risk management *continued*

2.1 Financial risk factors *continued*

(iii) Cash at bank

The group's cash is placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the group. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

(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 14 and 12). 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.

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 2019				
Bank borrowings	23,555	25,011	8,672	16,339
Trade and other payables	18,912	18,912	18,342	570
Finance leases	434	486	61	425
	42,901	**44,409**	**27,075**	**17,334**
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

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

Notes to the financial statements CONTINUED

2. Financial risk management *continued*

2.2 Fair values of financial instruments *continued*

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.

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:

	Group	
	2019	2018
	€'000	€'000
Total borrowings (note 12)	**23,989**	20,705
Less: Cash at bank and in hand (note 10)	**(1,546)**	(3,013)
Net borrowings	**22,443**	17,692
Total equity	**38,472**	33,785
Total capital	**60,915**	51,477
Gearing	**36.8%**	34.3%

The group manages the relationship between equity injections and borrowings, being the constituent elements of capital as 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 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
Year ended 30 April 2019					
Opening net book amount	48,752	1,735	3,439	2,013	55,939
Transfers	1,319	(1,735)	66	350	-
Additions	3,650	12	4,291	2,231	10,184
Disposals	(23)	-	(380)	(718)	(1,121)
Depreciation charge	(352)	-	(817)	(456)	(1,625)
Depreciation released on disposal	6	-	378	675	1,059
Closing net book amount	**53,352**	**12**	**6,977**	**4,095**	**64,436**
At 30 April 2019					
Cost or valuation	55,140	12	9,083	5,306	69,541
Accumulated depreciation	(1,788)	-	(2,106)	(1,211)	(5,105)
Net book amount	53,352	12	6,977	4,095	64,436

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.

- 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 in 2018 which is being held for investment purposes and is classified as investment property.

All the recurring property fair value measurements at 30 April 2019 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 2019.

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 2019.

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. During 2019, this property was subject to an extensive refurbishment program. This included the development of the adjacent airspace into retail property. For 2019 and 2018 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.

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 adjusted the carrying amount of this property using the noted fair value. For 2019 and 2018 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*

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 (which in 2019 included the development of the adjacent airspace) and the PAVI Shopping Complex the directors applied the capitalised rental approach;
- in the case of the property in Qormi, the fair value equates its transactions costs given that the property was acquired in 2018.

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 ranging from €163 to €730 (depending on the utilisation) discounted at an average rate ranging between 5% and 6.5% 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.

For the capitalised rental 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 12).

Notes to the financial statements CONTINUED

4. Property, plant and equipment *continued*

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Direct operating expenses	**1,423**	1,085	**-**	-
Selling and distribution expenses	**14**	12	**-**	-
Administrative expenses	**188**	105	**-**	-
Total depreciation charge (note 16)	**1,625**	1,202	**-**	-

In prior years, 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 26).

5. Investment property

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Year ended 30 April				
Opening cost and net book amount	**3,719**	2,500	**-**	-
Transfer to property, plant and equipment (note 4)	**-**	(2,500)	**-**	-
Additions	**9**	3,719	**-**	-
Closing cost and net book amount	**3,728**	3,719	**-**	-
As at 30 April				
Cost and fair value	**3,728**	3,719	**-**	-

6. Investments in subsidiaries

	Company	
	2019	2018
	€'000	€'000
Year ended 30 April		
At beginning of year	**34,506**	34,456
Additions	**-**	50
At end of year	**34,506**	34,506
At 30 April		
Cost and net book value	**34,506**	34,506

The principal subsidiaries all of which are unlisted at year end, together with the nature of their business are disclosed in note 30.

On 10 March 2017, the company acquired the entire shareholding in a number of entities for a consideration of €34,456,000 for subsidiaries and €3,502,000 for associates (note 7) from PG Holdings Limited, a holding company owned by Paul Gauci. Under the requirements of the predecessor basis of accounting (refer to note 1.4), 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.

7. Investments in associates

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Year ended 30 April				
At beginning of year	**3,391**	3,417	**3,502**	3,502
Share of results of associates	**10**	(26)	**-**	-
At end of year	**3,401**	3,391	**3,502**	3,502
At 30 April				
Cost	**3,326**	3,326	**3,502**	3,502
Share of results and reserves	**75**	65	**-**	-
Net book value	**3,401**	3,391	**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 30. 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.

Notes to the financial statements CONTINUED

7. Investments in associates *continued*

Summarised financial information of associates

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

Summarised balance sheet

	Group	
	2019	2018
	€'000	€'000
Total current assets	**703**	832
Total current liabilities	**(488)**	(828)
	215	4
Non-current assets	**7,356**	7,620
Non-current liabilities	**(630)**	(704)
	6,726	6,916
Net assets as at year end	**6,941**	6,920

Summarised statement of comprehensive income

	Group	
	2019	2018
	€'000	€'000
Revenue	**1,752**	1,663
Profit before tax	**158**	63
Profit/(loss) after tax	**21**	(54)
Associated results attributable to the group	**10**	(26)

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 30).

Reconciliation of summarised financial information

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

	Group	
	2019	2018
	€'000	€'000
Opening net assets	**6,920**	6,974
Profit/(loss) for the year	**21**	(54)
Closing net assets	**6,941**	6,920
Carrying value at year end	**3,401**	3,391

8. Inventories

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Goods held for resale	**7,369**	6,942	**-**	-

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cost of sales	**282**	635	**-**	-

9. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts owed by subsidiaries	**-**	-	**708**	5,448
Current				
Trade receivables - net	**2,836**	2,438	**-**	-
Indirect taxation	**-**	336	**-**	-
Advance payments to suppliers	**362**	405	**-**	-
Amounts owed by associates and related parties	**25**	129	**-**	-
Advance payments on non-current assets	**80**	678	**-**	-
Other debtors	**102**	155	**-**	-
Prepayments and accrued income	**1,594**	1,365	**-**	-
	4,999	5,506	**-**	-
Total trade and other receivables	**4,999**	5,506	**708**	5,448

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.

Notes to the financial statements CONTINUED

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**1,546**	3,013	**-**	-
Bank overdraft (note 12)	**(6,253)**	(2,948)	**-**	(10)
Total cash and cash equivalents	**(4,707)**	65	**-**	(10)

11. Share capital

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Issued and fully paid up	**27,000**	27,000	**27,000**	27,000

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

12. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Bank loans	**14,966**	16,101	**-**	-
Finance leases	**384**	434	**-**	-
	15,350	16,535	**-**	-
Current				
Bank overdrafts	**6,253**	2,948	**-**	10
Bank loans	**2,336**	1,174	**-**	-
Finance leases	**50**	48	**-**	-
	8,639	4,170	**-**	10
Total borrowings	**23,989**	20,705	**-**	10

12. Borrowings *continued*

The group's banking facilities as at 30 April 2019 amounted to €24,602,241 (2018: €23,575,204).

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At floating rates	**6,687**	3,430	**-**	10
At fixed rates	**17,302**	17,275	**-**	-
	23,989	20,705	**-**	10

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

	Group		Company	
	2019	2018	**2019**	2018
Bank loan	**2.75%**	2.75%	**-**	-
Bank overdraft	**2.50%**	2.89%	**-**	-
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 26.

Notes to the financial statements CONTINUED

13. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2018: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% (2018: 10%) on the carrying amounts of property. The movement on the deferred tax account is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At beginning of year	**3,475**	3,434	**-**	-
Deferred tax on temporary differences arising on depreciation of property, plant and equipment	**32**	34	**-**	-
Provisions	**(3)**	7	**-**	-
At end of year	**3,504**	3,475	**-**	-

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Revaluation of non-current assets	**3,412**	3,412	**-**	-
Deprecation on property, plant and equipment	**96**	64	**-**	-
Provisions	**(4)**	(1)	**-**	-
	3,504	3,475	**-**	-

14. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Capital payables	**570**	1,640	**-**	-
Amounts owed to subsidiaries	**-**	-	**11,679**	16,329
	570	1,640	**11,679**	16,329
Current				
Trade payables	**10,173**	9,877	**-**	-
Amounts due to related parties and associates	**310**	48	**30**	30
Capital payables	**1,932**	1,794	**-**	-
Other payables	**310**	404	**-**	-
Indirect taxation	**1,272**	1,181	**-**	-
Accruals and deferred income	**4,345**	3,787	**7**	8
	18,342	17,091	**37**	38
Total trade and other payables	**18,912**	18,731	**11,716**	16,367

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

Accruals include contract liabilities related to group's customer loyalty programme amounted to €1,240,000 (2018: €1,031,000). As disclosed in note 1.28 there was no significant impact on the recognition and measurement of these liabilities resulting from the adoption of IFRS 15.

In the company's books, amounts owed by subsidiaries are unsecured, interest free and are not expected to be repaid within the next twelve months.

15. 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 be 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.

Notes to the financial statements CONTINUED

15. Segment information *continued*

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.

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**
2019			
Revenue	100,996	16,167	**117,163**
Less: inter-segmental sales	(8,124)	(1,062)	**(9,186)**
	92,872	15,105	**107,977**
Segment results	11,067	1,540	**12,607**
Net finance costs			**(632)**
Share of associates results			**10**
Profit before tax			**11,985**
Tax expense			**(3,046)**
Profit for the year			**8,939**
Segment assets	44,015	38,555	**82,570**
Investment in associates			**3,401**
Total assets			**85,971**
Segment liabilities	16,034	2,880	**18,914**
Unallocated liabilities			**28,585**
Total liabilities			**47,499**
Additions to non-current assets	1,416	8,777	**10,193**
Depreciation	(1,024)	(601)	**(1,625)**

15. Segment information *continued*

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
2018			
Revenue	91,538	17,794	**109,332**
Less: inter-segmental sales	(6,773)	(1,321)	**(8,094)**
	84,765	16,473	**101,238**
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)**

Notes to the financial statements CONTINUED

16. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Employee benefit expense (note 17)	**8,022**	6,701	**-**	-
Depreciation of property, plant and equipment (note 4)	**1,625**	1,202	**-**	-
Purchases of goods and consumables	**78,376**	75,211	**-**	-
Leases and parking fees	**1,805**	1,708	**-**	-
Movement in inventories	**(185)**	(806)	**-**	-
Write-off of receivables	**-**	83	**-**	-
Utility costs	**907**	856	**-**	-
Other expenses	**5,708**	5,362	**78**	75
Total cost of sales, selling and marketing costs and administration expenses	**96,258**	90,317	**78**	75

Audit fees

Fees charged by the auditor for services rendered during the financial periods ended 30 April 2019 and 2018 relate to the following:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**136**	155	**5**	5
Tax advisory and compliance services	**8**	7	**1**	1
Other non-assurance services	**18**	20	**-**	5
	162	182	**6**	11

17. Employee benefit expense

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Wages and salaries	**7,558**	6,424	**-**	-
Social security	**357**	308	**-**	-
	7,915	6,732	**-**	-
Recharged from third parties	**217**	-	**-**	-
Recharged to third parties and related parties	**(110)**	(31)	**-**	-
	8,022	6,701	**-**	-

Average number of persons employed during the year:

	Group		Company	
	2019	2018	**2019**	2018
Operational	**310**	273	**-**	-
Administration	**62**	47	**-**	-
Selling and distribution	**5**	9	**-**	-
	377	329	**-**	-

18. Directors' remuneration

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**125**	125	**-**	-
Salaries and bonuses	**429**	414	**-**	-
	554	539	**-**	-

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

19. Other income

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Recharges of expenses to retail operators	**886**	771	**-**	-

20. 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 €6,538,000 (2018: €2,846,000).

21. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Bank interest	**567**	523	**-**	-
Finance lease interest	**13**	14	**-**	-
Other financial charges	**52**	52	**1**	-
	632	589	**1**	-

22. Tax expense

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Current tax expense:				
on taxable profit subject to tax at 35%	**2,023**	2,904	**2,288**	996
on taxable profit subject to tax at 15%	**990**	486	**-**	-
under/(over)-provision of current tax in prior year	**3**	(13)	**-**	-
Deferred tax charge	**30**	40	**-**	-
	3,046	3,417	**2,288**	996

22. Tax expense *continued*

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Profit before tax	**11,983**	11,077	**6,459**	2,771
Tax on profit at 35%	**4,194**	3,877	**2,261**	970
Tax effect of:				
share of results of associates	**(4)**	9	**-**	-
maintenance allowance on rental income	**(192)**	(197)	**-**	-
expenses and provisions not allowable for tax purposes	**381**	378	**27**	26
unrecognised deferred tax related to prior years	**3**	9	**-**	-
under/(over)-provision of current tax in prior year	**3**	(13)	**-**	-
income subject to reduced rates of tax	**(1,322)**	(648)	**-**	-
other differences	**(17)**	2	**-**	-
Tax expense	**3,046**	3,417	**2,288**	996

23. Dividends paid

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Gross dividend	**6,538**	2,615	**6,538**	2,615
Tax at 35%	**(2,288)**	(915)	**(2,288)**	(915)
Total net dividend	**4,250**	1,700	**4,250**	1,700
Euro per share (net)	**0.04**	0.02	**0.04**	0.02

A first net interim dividend of €1,700,000 in respect of the year ended 30 April 2019 was announced on 3 December 2018, and paid to the ordinary shareholders on 10 December 2018. A second net interim dividend of €2,800,000 in respect of the year ended 30 April 2019 was announced on 1 July 2019, and paid to the ordinary shareholders on 16 July 2019.

These financial statements do not reflect the second interim dividend of €2,800,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 April 2020.

Notes to the financial statements CONTINUED

24. 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	
	2019	2018
Profit attributable to shareholders (€'000)	**8,937**	7,660
Weighted average number of ordinary shares in issue (thousands)	**108,000**	108,000
Basic and diluted earnings per share for the year attributable to shareholders	**€0.08**	€0.07

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

25. Cash generated from operations

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Operating profit/(loss)	**12,605**	11,692	**(78)**	(75)
Adjustment for:				
Depreciation on property, plant and equipment (note 4)	**1,625**	1,202	**-**	-
Loss/(gain) on disposal of property, plant and equipment	**62**	(11)	**-**	-
Changes in working capital:				
Inventory	**(427)**	(807)	**-**	-
Trade and other receivables	**(91)**	(734)	**4,740**	22
Trade and other payables	**1,113**	2,966	**(4,651)**	66
Cash generated from operations	**14,887**	14,308	**11**	13

Net debt reconciliation

All the movements in the group's net debt related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 45.

26. Commitments

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

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	
	2019	2018	**2019**	2018
	€'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	**180**	241	**-**	-
	486	547	**-**	-
Future finance charges on finance leases	**(52)**	(65)	**-**	-
Present value of finance lease liabilities	**434**	482	**-**	-

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Authorised but not contracted for	**-**	2,628	**-**	-
Contracted but not provided for	**253**	5,562	**-**	-
	253	8,190	**-**	-

Notes to the financial statements CONTINUED

26. 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**1,692**	729	**-**	-
Later than 1 year and not later than 5 years	**450**	643	**-**	-
Later than 5 years	**134**	228	**-**	-
	2,276	1,600	**-**	-

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

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 arrangement agreements in place as at year end are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**2,008**	2,002	**-**	-
Later than 1 year and not later than 5 years	**8,717**	8,472	**-**	-
Later than 5 years	**61,167**	63,420	**-**	-
	71,892	73,894	**-**	-

27. 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Rents and parking fees payable to associate	**1,752**	1,663	**-**	-

Year-end balances with associated related parties are disclosed in notes 9 and 14 to these financial statements.

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Directors	**554**	539	**-**	-
Senior Management	**455**	394	**-**	-
	1,009	933	**-**	-

28. Contingent liabilities

At 30 April 2019, the group had contingent liabilities amounting to €4,745,000 (2018: €2,285,000) 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.

29. Statutory information

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

Notes to the financial statements CONTINUED

30. Subsidiaries and associates

The subsidiaries and associates at 30 April 2019 are shown below:

	Registered office	Principal activities	Percentage of shares held 2019	2018
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**	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

31. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of fairer presentation.