PG p.l.c.

Half-Yearly Report
31 October 2020

Half-yearly directors' report

Trading performance

During the six-month period ended 31 October 2020, the Group registered a turnover of €60.9 million compared to €58.1 million in the same period last year, representing a growth of 4.8%.

An increase in turnover was registered in the Group's two supermarkets both at Pama Shopping Village as well as at Pavi Shopping Complex reflecting their continued popularity with our growing clientele.

Turnover in the Group's Zara and Zara Home segment amounted to €8.7 million a reduction of 16.3% when compared to €10.4 million the previous year. This was a result of the significant disruption caused by the COVID-19 pandemic.

On the 7th March 2020, the Maltese Heath authorities declared the COVID-19 outbreak as a pandemic. Many Governments around the world introduced unprecedented measures to contain and control this outbreak. In Malta, the measures included quarantine, self-isolation and travel restrictions, the closure of schools and universities and the closure of bars, restaurants and retail outlets. On the 21st March, the airport and other non-essential outlets were also asked to close down. Social distancing and stay-at-home regulations were also enacted to control the outbreak of this pandemic.

Whereas the outbreak of COVID-19 is, above all, a human tragedy, the unprecedented but essential measures resulted in serious disruption to the businesses in Malta and around the world. This has led to a very sharp contraction in economic activity.

Within our Group, we have taken a number of measures to ensure that our employees have a safe working environment and re-assure our customers that our two supermarkets are safe places from where to do their shopping. As a result, we have introduced all of the measures recommended by the Maltese Health Authorities and more. We insisted on the strict measures of social distancing, the wearing of masks by all staff, the regular fumigation of the supermarkets, and other similar measures. In line with the directives issued by the Maltese Government, all our Zara and Zara Home outlets were closed from the 23rd March 2020 to 4th May 2020. At the same time, in order to assist our tenants, the Board of Directors decided to waive lease payments for the period March to May 2020.

The overall gross profit earned by the Group during the first six months of this financial year, amounted to €9.6 million as compared to €9.7 million in October 2019. The directors believe that this was a highly positive achievement considering the difficult situation and the disruption of our economy as a result of the COVID-19 pandemic.

The operating profit registered as at 31 October 2020 was €7.9 million when compared to €8.1 million in October 2019, a slight reduction of 2.5%, whilst the profit before tax was €7.2 million as compared to €7.3 million the previous year. The tax charge for the period represented an effective rate of 28.5%. After deducting finance costs and taxation, the Group registered a profit after tax of €5.1 million compared to €5.3 million the previous year.

The cash generated from operating activities during this financial period amounted to €9.4 million whilst cash used in investing activities was limited to €0.9 million. Bank borrowings, net of cash in hand, continued to be reduced and as at 31 October 2020 stood at €9.4 million. The Group's liquidity position remained healthy and as a result the directors resolved to retain the same interim dividend payout as last year amounting to €2 million. The liquidity position is such that the Group remains in a good position to pursue new growth opportunities in its core line of business.

Future prospects

The Group commenced this financial year with an expectation that the first six months would register a material shortfall in profitability; but that, in the absence of a repeat lockdown, this shortfall in profitability would reverse itself in the second half of the financial year. The positive results for the first six months have exceeded the board's expectations – by 31 October 2020, in spite of the continued negative impact of the pandemic on the Group's franchise operations, the Group had largely recouped the negative impact of the lockdown experienced earlier in the year. The directors are accordingly cautiously optimistic that the Group's results for the full year will not be inferior to those registered in the financial year ended 30 April 2020.

Management continues to invest in the enhancement of the two supermarkets and the upgrading of the facilities and shops therein so that we attract more clientele. Notwithstanding the severe disruption we continue to experience as a result of the pandemic, more clients are shopping from our supermarkets and we have also experienced encouraging business in both our Zara and especially our Zara Home outlets. During this period under review, our turnover in the Zara Home outlets have been beyond our expectations and this helped us achieve the 11th position worldwide within the overall Inditex Group's ranking.

In the meantime, work continues on the task of upgrading the Group's core supermarket IT system. Following the successful negotiations with an experienced Italian IT system provider, we have now started to work on the actual implementation. Progress has been registered notwithstanding the serious problems caused by the travel restrictions due to the pandemic. The Board is confident that the Group will have a new more advanced IT system by mid-2021. As a result we expect to be in a position to offer our clients an enhanced customer experience.

As stated previously, the PG Group is in a healthy financial position with very limited bank borrowings for its level of business. This means that we are in a good position to explore new opportunities to develop further our operations and enhance shareholder value. The Board is actively exploring and negotiating a number of new ventures and these will be disclosed when concluded.

Dividends

On the 26 November 2020, the Board of Directors resolved to distribute a net interim dividend of €2 million in respect of the first six months of this financial year ending 30 April 2021. These dividends were paid on 10 December 2020 to the ordinary shareholders registered on the books of the Group as at 3 December 2020.

On behalf of the Board

John Zarb Chairman	Paul Gauci Executive Vice-Chairman

Registered office:
PG Group Head Offices,
PAMA Shopping Village,
Valleta Road,
Mosta,
Malta

14 December 2020

Condensed consolidated statement of financial position

	As at 31 October	As at 30 April
	2020	2020
	€'000	€'000
	(unaudited)	(audited)
ASSETS		
Non-current assets	**86,442**	87,103
Current assets	**18,046**	15,732
Total assets	**104,488**	102,835
EQUITY AND LIABILITIES		
Total equity	**45,666**	43,325
Non-current liabilities	**28,880**	28,447
Current liabilities	**29,942**	31,063
Total liabilities	**58,822**	59,510
Total equity and liabilities	**104,488**	102,835

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

The condensed interim financial information on pages 3 to 10 were authorised for issue by the board of directors on 14 December 2020 and were signed on its behalf by:

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Condensed consolidated statement of comprehensive income

		Six-months ended 31 October	
	Note	**2020 €'000 (unaudited)**	2019 €'000 (unaudited)
Revenue		**60,890**	58,101
Gross profit		**9,607**	9,734
Operating profit		**7,939**	8,093
Finance costs		**(701)**	(807)
Finance income		**-**	8
Share of results of associates		**(48)**	37
Profit before tax		**7,190**	7,331
Tax expense		**(2,049)**	(2,023)
Profit for the period		**5,141**	5,308
Earnings per share	4	**0.048**	0.049

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of changes in equity

	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 May 2019	27,000	11,472	38,472
Comprehensive income			
Profit for the period - total comprehensive income	-	5,308	5,308
Transactions with owners			
Dividends for the period	-	(2,800)	(2,800)
Balance at 31 October 2019	**27,000**	**13,980**	**40,980**
Balance at 1 May 2020	27,000	16,325	43,325
Comprehensive income			
Profit for the period - total comprehensive income	-	5,141	5,141
Transactions with owners			
Dividends for the period	-	(2,800)	(2,800)
Balance at 31 October 2020	**27,000**	**18,666**	**45,666**

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of cash flows

	Six-months ended 31 October	
	2020 €'000 (unaudited)	2019 €'000 (unaudited)
Net cash generated from operating activities	**9,368**	9,677
Net cash used in investing activities	**(935)**	(1,659)
Net cash used in financing activities	**(3,089)**	(4,141)
Movement in cash and cash equivalents	**5,344**	3,877
Cash and cash equivalents at beginning of period	**(4,415)**	(4,707)
Cash and cash equivalents at end of period	**929**	(830)

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

Notes to the half-yearly report

1. Basis of preparation

This report is being published pursuant to the terms of Chapter 5 of the Listing Rules and the Prevention of Financial Markets Abuse Act 2005.

The financial information being published has been extracted from the PG Group's unaudited interim financial statements for the six months ended 31 October 2020, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 – Interim Financial Reporting). In terms of Listing Rule 5.75.5, this interim report has not been audited by the Group's independent auditors.

The COVID-19 pandemic has negatively impacted the Franchise operations of the Group and its rental income from retail and catering outlets, but has not had a material impact on the food supermarket activities that constitute the core of the Group's operations, and which are an essential component of the food supply chain. The Group continued to operate profitably even during the COVID-19 lockdown period when economic activity in a number of sectors was severely curtailed. On the basis of the Group's experience to date, and on the basis of its detailed projections for the coming 12 months and beyond, factoring in the disruption created by the COVID-19 pandemic, the board considers that there are no factors which may cast doubt about the ability of the Group to continue operating as a going concern and accordingly continues to adopt the going concern basis in preparing the Group's financial statements.

2. Significant accounting policies

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 30 April 2020.

Standards, interpretations and amendments to published standards effective during the reporting period

During the financial period under review, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 May 2020.

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 condensed consolidated interim financial statements, that are mandatory for the Group's accounting periods beginning after 1 May 2020. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's 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.

3. Segmental information

The group's operations consist of the management of supermarket operations and associated retail operations, together with the operation, in Malta, of the Zara and Zara Home franchises (the franchise operations). These operations are carried out, predominantly, on the local market. An analysis by business segment of the group's turnover and operating profit for this reporting period is set out below:

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
Period ended 31 October 2020			
Revenue	58,973	9,541	**68,514**
Less: inter-segmental sales	(6,826)	(798)	**(7,624)**
	52,147	8,743	**60,890**
Segment results	6,586	1,353	**7,939**
Net finance costs			**(701)**
Share of associates results			**(48)**
Profit before tax			**7,190**
Tax expense			**(2,049)**
Profit for the period			**5,141**
Period ended 31 October 2019			
Revenue	52,909	11,230	**64,139**
Less: inter-segmental sales	(5,186)	(852)	**(6,038)**
	47,723	10,378	**58,101**
Segment results	6,390	1,703	**8,093**
Net finance costs			**(799)**
Share of associates results			**37**
Profit before tax			**7,331**
Tax expense			**(2,023)**
Profit for the period			**5,308**

4. Earnings per share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the period.

5. Related party transactions

The principal group transactions carried out with related parties during the period were as follows:

	Six-months ended 31 October	
	2020	2019
	€'000	€'000
Lease charge payable to associates	**1,085**	1,059

The group's balances with associates as at the end of the period are as follows:

	As at 31 October	As at 30 April
	2020	2020
	€'000	€'000
Current		
Net amounts owed to associates	**(1,360)**	(914)

6. Commitments

The board has approved capital expenditure, contracted but not provided for in these condensed consolidated financial statements amounting to €0.4 million. These capital commitments relate to the upgrading of the Group's core supermarket IT systems.

Director's statement pursuant to Listing Rule 5.75.3

I hereby confirm that to the best of my knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the group as at 31 October 2020, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).

2. the interim directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

John Zarb
Chairman