ANNUAL REPORT 2020-21

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

A member of PG Group

ANNUAL REPORT 2020-21

contents

4	Chairman's Statement
6	Board of Directors
8	Senior Management, Group Services and Operations
10	Chief Executive Officer's Review
28	Directors' report
34	Corporate governance statement
42	Remuneration statement
45	Independent auditor's report
53	Statements of financial position
55	Statements of comprehensive income
56	Statements of changes in equity
58	Statements of cash flows
59	Notes to the financial statements

Chairman's Statement

The PG Group attained a turnover of €129.5 million in the financial year ended 30 April 2021, representing a growth of 7.9% on the previous year, which had registered a turnover of €120.0 million. Operating profit amounted to €16.3 million, compared to €15.1 million in 2020.

The financial year commenced with the commercial community in Malta reopening for business after the COVID first wave lockdown. This first lockdown caught both business owners and consumers unaware, and recovery in the non-food sectors was a gradual one. Our group recognised this and waived all rents at its outlets in May 2020, supporting its tenants as they sought to make up lost ground. The group's own franchise business also suffered, in part given the poor tourist season recorded in summer 2020, which impacted our main retail outlet in Sliema. In-store sales of clothing decreased, even if this decrease was in large part offset by a significant growth in on-line sales and enhanced sales within Zara Home outlets.

This background led to reduced profitability in the initial months of the financial year, and this time last year we set ourselves the target of recouping this setback by 30 April 2021 – although at that time the Maltese islands were experiencing a significant surge in the number of reported COVID-19 cases, pointing to the possibility of the re-introduction of precautionary restrictions. In the event, the group had to face a second lockdown of a six week duration in March and April of 2021. The group again waived rentals due from tenants impacted by this lockdown, apart from being obliged once more to temporarily close its Zara and Zara Home outlets.

The growth in sales and operating profit being reported by the group is exceptionally strong and has exceeded the board's expectations. The success of our food supermarket operations has been a key driver of this success.

Against this background, the growth in sales and operating profit being reported by the group is exceptionally strong and has exceeded the board's expectations. The performance of our food supermarket operations has been a key driver of this success. In spite of substantial lost rentals, the supermarket and associated retail segment as a whole reported increases in sales and operating profit of 10.9% and 12.7% respectively. At the same time, the decreases in sales and operating profit in our franchise segment were relatively contained at 7.5% and 12.6% respectively.

While custom at our Pama and Pavi supermarkets again grew during this financial year, operations continued to be conducted with additional vigilance to mitigate the risks posed by COVID-19. Our first priority since the outbreak of the COVID-19 pandemic has been that of safeguarding continuity of service through ensuring the safety of our customers and staff. Various measures were and continue to be taken to ensure this continuity of service, in full co-operation with public health authorities, and we have not relaxed our guard.

The group's net profit after taxation for the year ended 30 April 2021 amounted to €10.6 million, compared to €9.7 million in 2020, representing an increase of 9.4%.

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Net cash generated from operating activities totalled €13.1 million, compared to €15.5 million in 2020. Capital expenditure incurred during the period amounted to €1.7 million. Our net bank liabilities as at 30 April 2021 totalled €8.5m, compared to €14.9m in 2020, and are today relatively insignificant in the context of our business activities.

An interim net dividend of €2.0 million was distributed to shareholders in December 2020, while a second interim net dividend of €3.2 million was paid in July 2021. These two distributions, totalling €5.2 million, represent 49.3% of the profits reported for the financial year and entail a growth of 8.3% over the dividends paid in respect of 2020.

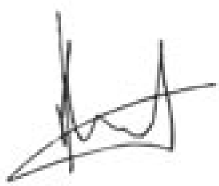
Looking ahead, the outlook for the current financial year, ending on 30 April 2022, appears encouraging. The supermarket sector within the Maltese islands has suffered a reduction in sales since the pandemic started, driven mainly by a reduction in expatriate workers resident in the country and by the reduction in tourism in self-catering accommodation. This phenomenon has not impacted our two supermarkets, whose location is not vulnerable to a downturn in tourism. The end of the second COVID-19 lockdown appears to have resulted in a surge in consumer confidence, perhaps encouraged by the success of Malta's vaccination programme, and this has benefited our Zara and Zara Home operations.

Turnover within the supermarket and associated retail segment again increased in the first quarter of the current financial year, while that turnover within our franchise operations has grown substantially during the same quarter, exceeding pre-COVID levels. This represents an encouraging start to the current financial year, although it would be unrealistic to expect a high level of growth to be sustained for the full twelve-month period. The COVID-19 pandemic continues to create business uncertainty. It is also too early to judge the duration and long-term economic impact of Malta's grey listing, and its effects on consumer confidence and spending.

The Board nevertheless looks forward to the future with confidence. The group remains well positioned on key attributes such as the low volatility of the business sectors it is engaged in; the quality of its physical facilities; the versatility of its management in initiating and managing change; and the adequacy of its financial resources. Given its healthy operating cash flows and low borrowing levels, the group is well positioned to pursue growth opportunities. The board has worked incessantly over the past year on this topic, and considered a number of potential projects that would serve to expand the group's business. This is a subject on which I hope to be able to report further progress in future.

We reported in the past that in order to support growth in its supermarket business, the group first needs to implement a modern multi-location retail and stock control system across this business segment. I am pleased to report that this project is now in its final stages, representing an important achievement for the group's management team. New core IT systems were successfully implemented in May 2021 in a seamless process that did not interrupt day to day operations and that was largely invisible to our customers. The remaining elements of this project will however be targeted primarily at our customers, seeking to enhance and facilitate their shopping experience at our stores.

Our success during the financial year just ended was the result of hard work and dedication on the part of the group's management and staff and I extend my thanks and congratulations to all of them, to our various partners, and to my colleagues on the Board, for their contribution to the positive results attained.



John B Zarb
Chairman

25 August 2021

Board of Directors

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Charles Borg
Executive Director &
Chief Executive Officer

Gianluca Borg
Executive Director &
Chief Purchasing Officer

Lawrence Zammit
Non-Executive Director

Maria Micallef
Non-Executive Director

Claire Alexia Borg Gauci
Non-Executive Director

William Spiteri Bailey
Non-Executive Director

Dr Emma Grech
Company Secretary

JOHN B ZARB is a fellow of the Chartered Association of Certified Accountants, and of the Malta Institute of Accountants. He retired in 2016 from a long career with PricewaterhouseCoopers, where he served as a partner from 1988. He served on the Accountancy Board, the regulatory body of the profession, between 1996 and 2014, and represented Government on the EU Accounting Regulatory Committee between 2004 and 2014. John also served for many years as a visiting lecturer and examiner in Auditing at University of Malta. John is today a director on a number of companies, including two banks.

PAUL GAUCI is the main shareholder of the Company. He is the founder of the PG Group and remains one of the driving forces behind the business. He is an experienced businessman, actively involved in the business development of a number of companies, particularly in the retail and real estate sectors, over the last 50 years.

CHARLES BORG is a fellow of the Chartered Institute of Bankers (UK), and holds a banking degree and a Masters degree in financial legislation from the University of Malta. He retired from Bank of Valletta plc in December 2015 following a 34 years career during which he occupied various senior management positions, including that of Chief Executive Officer during 2012 to 2015. He has occupied directorship positions of listed companies in Malta and also Chaired the audit Boards of the European Investment Fund, and of Mapfre Middlesea Insurance. Charles also served as a director on the World's Savings Bank in Brussels and was also the President of the Institute of Financial Services and the President of the Malta Bankers Association.

GIANLUCA BORG joined the Group in July 2015 and is now Chief Purchasing Officer responsible for all procurement activities of both supermarkets whilst also being an integral part in formulating the company's strategic direction. He was appointed to the board of PG plc as an executive director in January 2020 and also owns a retail outlet within PAMA Shopping Village.

CLAIRE ALEXIA BORG GAUCI is a shareholder of a number of companies forming part of the Group. She had joined the Group in April 2008 and worked at the Zara store in Sliema. In September 2015 Claire was then appointed as the company's Head of Marketing and Public Relations while also being responsible for customer and shareholder relationships.

LAWRENCE ZAMMIT is a founding partner and the director of MISCO. He holds a number of directorships in both private and public companies. At MISCO he has developed the market research division of the organisation, and is also a trainer as well as a consultant to a number of business organisations, focusing on strategic issues related to a business development, leadership, human resources development, management and marketing. He is a former chairman of the Employment and Training Corporation, Malta International Airport plc, Air Malta plc and Malta Enterprise.

WILLIAM SPITERI BAILEY is a Certified Public Accountant and Registered Auditor. He is a partner within RSM Malta. He has extensive experience in servicing local and international clients across a wide range of industry sectors. William currently oversees various outsourced internal audit functions for services in the public and private sectors. William is a Council Member on the Malta Chamber of Commerce, and the Chairman of the Services Section and the Financial Services Business Section. William is a fellow of the Malta Institute of Accountants. He is currently a Council member and former President of the Malta Institute of Accountants. William is a member of the Accountancy Europe's SMP Forum. William is also a member of the IFAC (International Federation of Accountants) Small and Medium Practices ("SMP") Committee.

MARIA MICALLEF was the Managing Partner at RSM Malta until her retirement in December 2020. Maria specialised in business advisory services including mergers and acquisitions, corporate finance, valuations and investment appraisals. She is a visiting lecturer at the University of Malta. Currently Maria is pursuing studies and following a Degree in Humanities at the same University. Maria has a B.A. Hons Accountancy degree and is a Certified Public Accountant. She is a fellow of the Malta Institute of Accountants, a member of the US Institute of Internal Auditors and a member of the Association of Certified Fraud Examiners. Maria served as President of the Malta Institute of Accountants during the period 2013 to 2015.

DR EMMA GRECH is a lawyer by profession. Her main areas of practice are corporate and commercial law, capital markets, gaming and data protection regulation. Previously, Emma formed part of the corporate and finance team within a top-tier Maltese law firm, and then joined the Malta Gaming Authority as Senior Legal Counsel. Today, Emma is a partner in Malta-based law firm City Legal, and also occupies the role of company secretary for various companies, including listed entities. She is currently pursuing an LL.M. in Banking and Finance Law at the University of London.

Senior Management, Group Services and Operations

SENIOR MANAGEMENT

LEFT TO RIGHT

Ian Micallef Chief Financial Officer

Gianluca Borg Executive Director & Chief Purchasing Officer

Kevin Azzopardi Head Marketing

Charles Borg Executive Director & Chief Executive Officer

Silvio Carabott Chief Operations Officer

Malcolm Camilleri Deputy Chief Executive Officer

Mark Seguna Head Information Technology

GENERAL MANAGERS RETAIL

LEFT TO RIGHT

Manuel Caruana General Manager - Pavi

Jackie Micallef Brand Manager - Zara Home®

Stephen Gauci General Manager - Pama

Adriana Cassar Camilleri Brand Manager - Zara®

OPERATIONS MANAGEMENT

LEFT TO RIGHT

Claire Eddleston Finance Manager

Mark Mifsud Finance Manager

Michelle-Marie Buttigieg Finance Manager

Giannella Gauci Finance Manager

Marthese Gatt Human Resources Manager

Michael Micallef Purchasing Manager (NOT IN PHOTO)

Chief Executive Officer's Review

The overall financial performance in FY 2020/21 was higher than previous years and this is a reflection that the business of PG plc has matured enough to withstand challenging situations.

Operations of the Group

Financial year 2020/2021 was another uniquely challenging year in which unprecedented events and an uncertain environment meant that we had to adapt quickly to new ways of working and deploy innovative practices to meet and exceed our customers' expectations. Covid-19 posed significant challenges for both our personnel as well as our various customers and our immediate priority has been to provide proactive support and flexibility to our customers from the outset of the pandemic.

The impact of COVID-19 during financial year ending 30 April 2021 was felt particularly keenly on our franchise and retail operations. This pandemic also continued to have an impact on our other retail and catering business within both our supermarkets. Notwithstanding this impact, the operations both of Pavi and Pama supermarkets have increased substantially and this has mitigated the reduction in sales from our franchise operations. The overall financial performance in FY 2020/21 was stronger than in previous years and this is a reflection that the business of PG plc has matured enough to withstand challenging situations.

I am pleased to report that, as planned, during this financial year our team has managed to conclude the first phase of the implementation of a new IT system that integrates the various operations within the group. The new IT backbone brought about a significant transformation process which may not be very visible from the customers' point of view for the time being; however, it was critical for our business to grow sustainably in the future. I will explain in more detail later on in my report. We anticipate further investment in additional modules and services later on this year and also next year. This is to ensure that we continue to offer a better service and a more efficient operation that exceeds our customers' expectations.

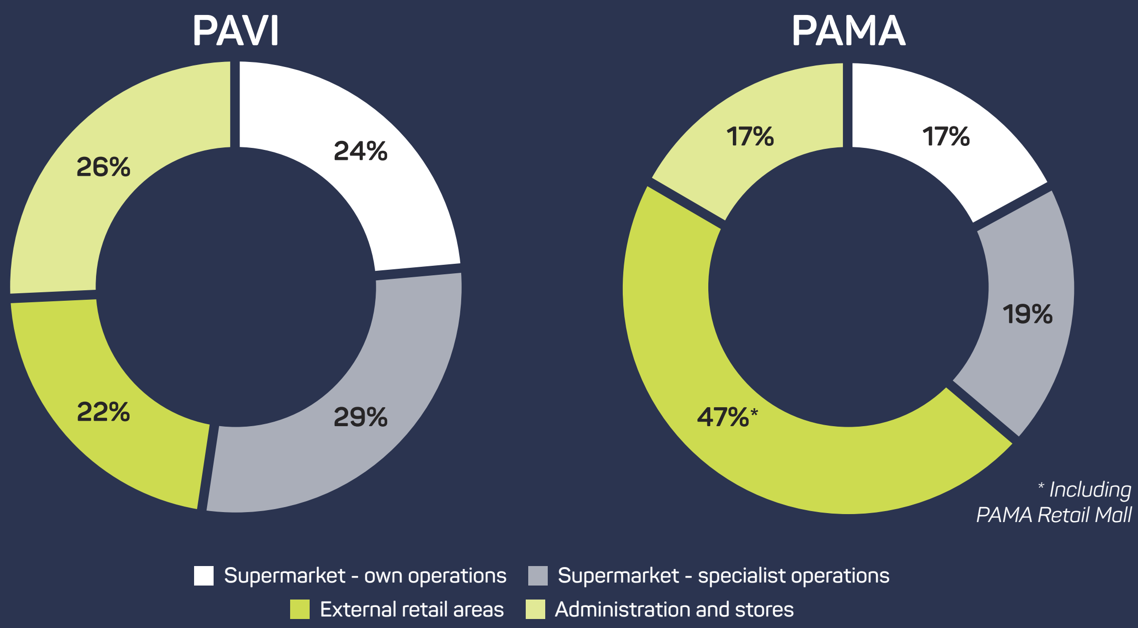
Supermarket operations

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

1. The retailing of food and non-food products, directly procured by the business and carried at its own risk. We also purchase 77% of our products from local suppliers;

2. Rental arrangements with third party operators in respect of certain specialist activities carried out from designated areas within the supermarkets and;

ALLOCATION OF AREA



€129.5m
GROUP'S TOTAL TURNOVER
2020-21

7.9%
INCREASE IN GROUP'S
TOTAL TURNOVER
ON PREVIOUS YEAR

€16.3m
GROUP'S OPERATING PROFIT
2020-21

7.7%
INCREASE IN GROUP'S
OPERATING PROFIT
ON PREVIOUS YEAR

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

We have been very consistent in our primary objective that is to create destinations which cater for a number of day-to-day needs for shoppers. This goes beyond the normal visit to a supermarket, albeit this remains a fundamental aspect of our business. The two supermarkets are the key anchors within the Pama and Pavi complexes. In both cases they are set out on one floor employing a logical and customer friendly layout that has proved to be very popular with our various customers. Moreover, the two supermarkets are very well geographically located and offer large car parking facilities. This has also contributed to a consistent growth in footfall and sales.

Overall turnover within the supermarkets and associated retail operations have increased by 10.9% when compared to the previous financial year, in spite of the fact that all the catering and retail outlets were closed for around six weeks. During this financial year, the total footfall within the two supermarkets totaled 4.6 million persons when compared to 4.8 million last year.

We continue to place emphasis on the procurement side of our supermarket business. During the year we commissioned an internal audit exercise on our procurement process to ensure that we adopt best practices and to try to minimize our risks. The Board of Directors and Management have adopted most of the recommendations made in this report.




FRESH PRODUCE EVERY DAY





The group imports directly a number of products to maximise efficiency and margins. The group invested in its central stores to be able to take advantage of the purchasing in bulk of various essential commodities. This helps us to improve both the availability of products as well as our margins. Our people continuously seek to make arrangements with foreign manufacturers and agents to purchase directly from them with the purpose of maximizing profitability while befitting consumers by way of lower prices.

Within the supermarkets themselves, we have a number of third party specialists such as the butcher shop, the delicatessen counter, fruit and vegetable shop and the health shop amongst others. Our main focus here is to ensure that the quality of the products is maintained whilst retaining competitive prices. We engage a health specialist who performs a regular independent analysis of the food products being sold to ensure the freshness and the safety of all our third party products. We are also interested to see that the third parties come up with promotional schemes on a regular basis so that more customers are attracted to our stores.

Naturally, the success or otherwise of every supermarket complex like ours very much depends on the footfall that they can generate and on the price competitiveness. As I stated earlier in this report, the levels of footfall have continued to rise during this financial year, notwithstanding the fact that we were going through a serious pandemic situation. Our continued commitment towards our various customers is to offer the Best Prices - Everyday.

Our financial performance, the strong management team, and the robust IT platform have made it possible for us to deal with the unexpected challenges brought about by the pandemic. This gives us confidence that the long-term future of our business is stable, sustainable and secure.

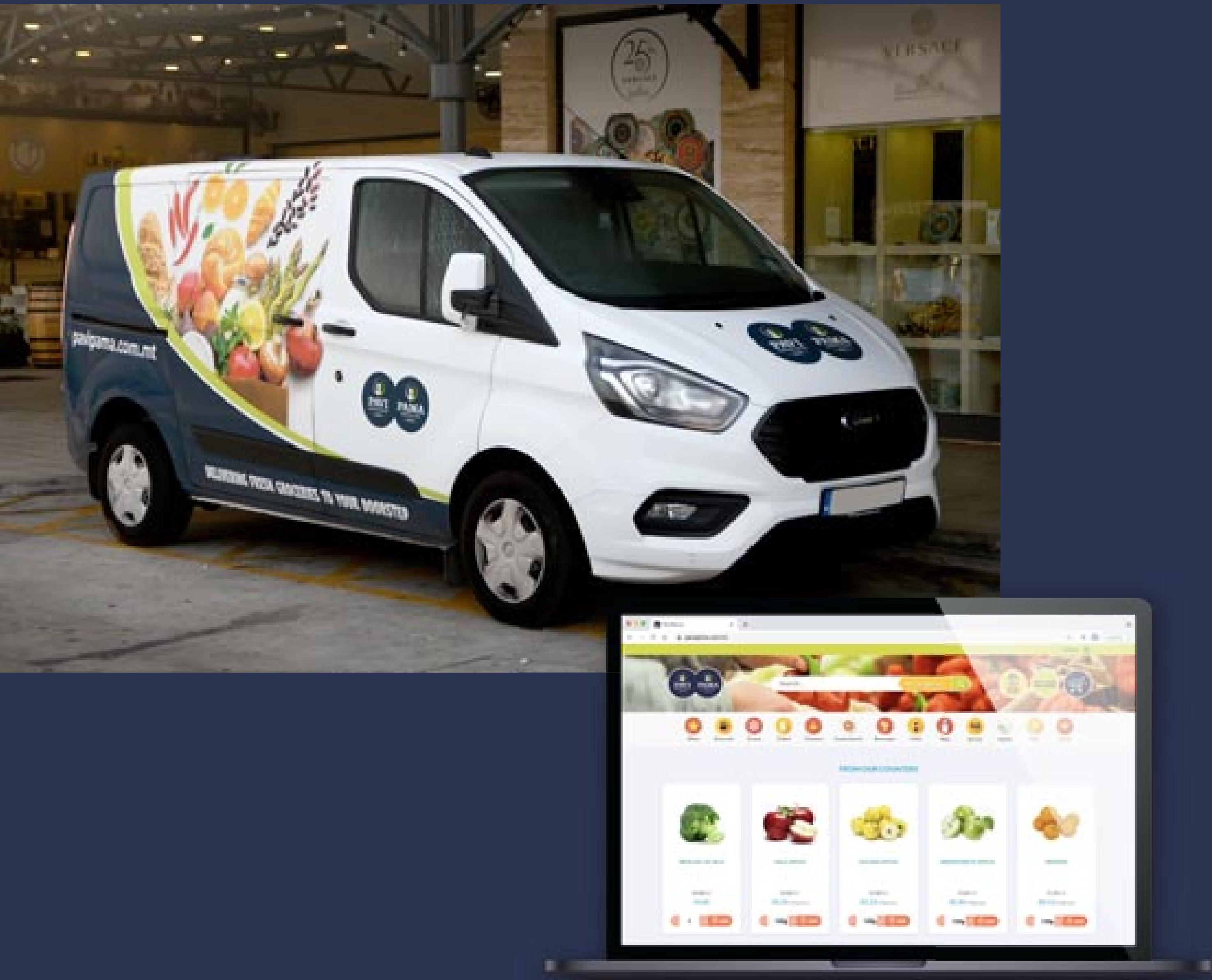
The importance of the different third-party partners making up the two supermarket complexes is illustrated by how the space is utilized and can be shown by the two pie charts above.

Dealing with the COVID-19 pandemic

During financial year May 2020 to April 2021, the group has managed to deliver very encouraging results and the main reason for this is that we focused completely on customers, re-engaging our colleagues and fundamentally rethinking our relationship with suppliers. We are very proud of the achievement of the whole team over these last twelve months. As a stronger, more customer-focused business, we are also in a better position to step up and meet the unprecedented challenges of the COVID-19 pandemic. Our colleagues, especially those in the front-line, have responded brilliantly to those challenges. In very difficult circumstances the whole PG team has pulled together to look after our customers and each other, doing everything possible to provide more of the products that people need, in a clean and safe environment.

I am incredibly proud of what our colleagues are doing, and also of the way that they're doing it – working day and night to ensure everyone has access to the essentials, and putting our customers first. At the time of writing, while it appears that the number of daily positive cases are starting to decrease again, we remain conscious of the need to maintain our guard. Our focus will continue to be the same – that is to ensure the health and safety of our customers and colleagues and provide the necessities to Maltese households.

Like all other businesses in Malta, there is almost no part of our operation that remains untouched by this situation. To ensure that food and necessities are available for all, we have changed the way we run our stores, managing our supply chain in a different way. Our on-line team is exploring every opportunity possible to increase capacity, so that we can help the most vulnerable in society and those that prefer to shop online. For the majority of our customers that are able to shop in-store safely, we have introduced distancing measures to protect customers and colleagues. We also recruited more personnel to be able to cope better with the increased demand of both our in-store



8,284
ONLINE DELIVERIES
2020-21

10,000
SUPERMARKET PRODUCTS
AVAILABLE ONLINE

business as well as our on-line business. During this reporting period, our supermarket online sales increased by 6% which in the circumstances is quite encouraging.

The contribution of our supplier partners has also been outstanding. We are aware that for many of our partners, and in particular our smaller suppliers, this is a challenging time economically and financially. To support their businesses, we have in some cases reduced our payment periods for small suppliers. In the case of our rental outlets, we suspended the charging of monthly rents during the period when they were closed because of COVID-19. We had also already waived all rentals in May 2020, to give our tenants a breathing space in which to recover from the first, unexpected lock-down which had then only just ended; and waived minimum rentals in subsequent months, operating solely on a percentage of turnover basis. We decided to do this on our own initiative and before any of our rental partners asked for this assistance. These actions were the right ones to take, in a unique and difficult set of circumstances. Some of the measures we have taken have resulted in significant extra costs and reduced revenue, but served to protect and enhance our long term relationship with our business partners.

Zara & Zara Home franchise operations

The Zara and Zara Home brands belong to the Spanish firm Inditex S.A. which is one of the world's leading retail brands. It has around 7,000 outlets around the world with a group turnover of €20.4 billion as at the financial year end 2020.

We are proud to represent Zara and Zara Home in Malta, and have invested heavily in this business. Our main store in Sliema offers 3,710 square metres of retail space consisting of four floors of clothing and one floor of household goods offered by Zara Home. We also have two levels of storage where we keep all the stock of clothing and household goods.

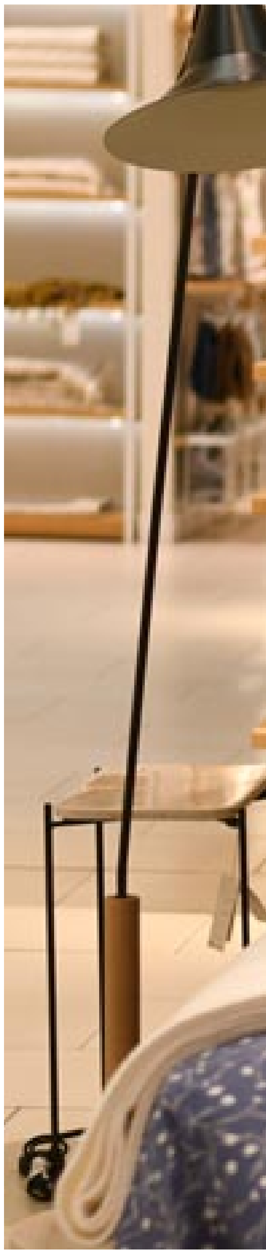
A second Zara Home outlet is situated at the Pama Shopping Mall and measures around 880 square meters. This is the ideal size to exhibit the range of products available from this brand. This outlet has been very successful and ranks amongst the top Zara Home outlets in Europe in terms of sales per square metre. A third outlet measuring 480 square metres is located at the PAVI complex.

As the franchisee for Zara and Zara Home, the group is responsible amongst other things for the recruitment and management of staff, the accounting, stock control, as well as the security and upkeep of the premises. Operations within the three stores are at the same time conducted in close liaison with the brand owner, Inditex, which is very much involved in the placement of orders for stock. Inditex ensures that the range of merchandise being offered in Malta represent its current offerings of the two brands.

As expected, the COVID pandemic had a material impact on our Zara and Zara Home business. Sales picked up slowly after the stores closure in March and April 2020, impacted inter alia by the severe downturn in tourism. Our stores were subsequently closed again for six weeks from March to April 2021 in line with the directives issued by the Maltese Health Authorities to reduce the spread of the pandemic. Naturally, this had a negative effect on our sales for the year, maintaining the downturn experience in 2019/20 also as a result of COVID. During this difficult period, management continued to support all members of staff at our Zara and Zara Home by paying them their full salaries, supported in part by the Government's COVID related payroll subsidies.

I am pleased to report that the business strategy we have adopted during this period, which is in line with that promoted by Inditex S.A. worldwide, is reaping positive results. Inditex have invested heavily on their online offering and as a result we have experienced a significant increase in our online sales. Our Zara online sales have increased by over 100% over last year, representing 23% of our total sales during the financial year. This compares very favourably with the results reported by Inditex S.A. of 70% and 32% respectively. Our total online sales have now reached €2.9 million, which confirms the strength of this business model. With respect to the online sales of Zara Home, these have also increased by over 173% over the previous year. This strong performance clearly shows that online business will be an integral part of our future in the fashion industry.

Another important addition to the Zara and Zara Home business model is the introduction of two important systems known as the Radio Frequency Identification (RFID) and the Single Inventory Integration (SINT). RFID is an efficient system where stock is counted and monitored real-time, so that we have control of our stock items on a real-time basis. This greatly reduces wastages of clothing and economizes on storage facilities. The daily automated counting of stock items, where these stock items are placed within the shops and/or stores, and stock replenishment, greatly improves the efficiency of our operation. The recently introduced SINT operation relates to the supply chain since online orders are directly supplied by the local store. These two systems further strengthen our competitive advantage by integrating the stores with the online offering, enabling these parallel supply systems to reinforce one another.



ZARA

€2.9m

ZARA ONLINE SALES
2020-21

100%

INCREASE IN ZARA
ONLINE SALES
ON PREVIOUS YEAR

ZARA HOME

€1.2m

ZARA HOME ONLINE SALES
2020-21

173%

INCREASE IN ZARA HOME
ONLINE SALES
ON PREVIOUS YEAR

Zara online sales have increased by over 100% over last year, representing 23% of our total sales

€111.3m

SUPERMARKET TURNOVER
2020-21

10.9%

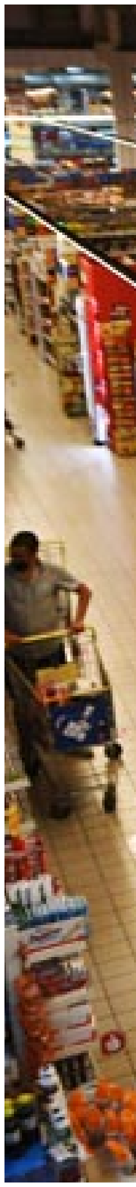
INCREASE IN
SUPERMARKET TURNOVER
ON PREVIOUS YEAR

€18.1m

FRANCHISE OPERATION TURNOVER
2020-21

7.5%

DECREASE IN
FRANCHISE OPERATION TURNOVER
ON PREVIOUS YEAR



This results in a stronger customer experience, improved management of stores, inventory, supply chain and sales conversion. In line with the strategic direction of Inditex S.A., the integration between our digital and in-store offerings serves to reinforce our long-term growth drivers - higher returns with lower capital.

Financial performance of FY 2021

As stated earlier in this annual report, the group's turnover increased by 7.9% during this financial year. Pama and Pavi supermarkets contributed the bulk of this increase because of their strong performance, notwithstanding the reductions in rental income. Our supermarket and associated retail sales amounted to €111.3 million, representing an increase of 10.9% over FY2020. In turn, our Zara and Zara Home sales registered a turnover of €18.1 million which represents a decrease of 7.5% over the previous year, which had also been impacted by the pandemic.

During the financial year under review, overall gross profit percentages decreased from 15.7% (FY 2020) to 15.4%. This reduction reflected the ten-week waiver of all rentals and a reduction in franchise operations in-store sales, that typically carry higher margins.

Management has sought to keep tight control over its administrative, sales and marketing expenses particularly during a difficult economic environment. However, there were one-time expenses that the group had to incur in order to safeguard the health and safety of both our employees and customers. As a result of this, our overall expenses increased marginally by 2.3% from €4.4 million last year to €4.5 million this year.

The group's overall employment cost, including direct employees included in cost of sales, amounted to €8.2 million (including Government employment subsidies, which amounted to €0.6 million) when compared to €8.6 million in FY 2020. The combined impact of increased turnover and COVID related measures led to increased staffing in our supermarkets, while staffing was reduced through natural wastage within our franchise operations. The staff complement during the financial year averaged 380 persons.

Our supermarket and associated retail sales amounted to €111.3 million, representing an increase of 10.9% over FY2020.

€10.6m

GROUP'S PROFIT AFTER TAX
2020-21

9.4%

INCREASE IN GROUP'S
PROFIT AFTER TAX
ON PREVIOUS YEAR

€8.5m

GROUP'S BANK BORROWINGS
NET OF CASH IN HAND
2020-21

42.5%

DECREASE IN GROUP'S
BANK BORROWINGS
NET OF CASH IN HAND
ON PREVIOUS YEAR

€13.1m

GROUP'S CASH FLOW FROM
OPERATING ACTIVITIES
2020-21

The implementation of the new IT system also entailed the changing of all cash point devices

The group's net finance costs continued to decrease from €1.6 million in FY 2020 to €1.3 million in FY 2021. Taxation for the year amounted to €4.3 million, representing an effective tax charge of 28.9% (28.2% in FY 2020). After deducting taxation, PG Group registered a profit for the year of €10.6 million, when compared to €9.7 million the previous year, representing an increase in profits of 9.4%.

The group also generated a net positive cash flow from operating activities amounting to €13.1 million. This healthy cash flow enables management to continue to reduce the group's indebtedness as well as maintain the distribution of regular dividends to its shareholders. It also constitutes a platform for future expansion.

As at 30 April 2021, the group had bank borrowings net of cash in hand of €8.5 million. This compares very favourably with the €14.9 million net debt as at 30 April 2020, reflecting a reduction of 42.5%.

Dividends

It is the policy of the Board of Directors to distribute two interim dividends during each financial year, and to plan its financial commitments in a manner that attaches priority to the payment of such dividends. In line with this policy, the Board distributed in total a net dividend of €5.2 million in respect of FY 2021; €2 million in December 2020 and €3.2 million in July 2021. The two dividends represent a gross yield of 3.7% on the market value of the company's average share price during the last four months of the financial year.

Implementation of new IT system

As we had already mentioned in previous annual reports and even during our annual general meetings with the shareholders, two years ago the group embarked on an ambitious project to implement an integrated IT platform

€5.2m

NET DIVIDEND DISTRIBUTED TO SHAREHOLDERS 2020-21

3.7%

GROSS YIELD ON MARKET VALUE OF COMPANY'S AVERAGE SHARE PRICE DURING LAST 4 MONTHS OF FINANCIAL YEAR

to replace the legacy systems that supported our operations for many years. This project had to be planned and executed whilst the supermarket operation was still ongoing and without any downtimes and disturbances to our customers. I am pleased to report that this project is now at an advanced stage of overall completion, and our new systems went live on 1 May 2021. Clearly this is a major achievement for our people since they have successfully replaced the core engine of the group's supermarket business whilst our operations were driving forward at a fast pace. And we have managed to do this without any disruptions to our customers.

From the beginning of the project, we set up a small group of people led by my colleagues Malcolm Camilleri (Deputy CEO) and Mark Seguna (Head Information Technology) to source externally proven supermarket IT solutions, evaluate them and make their recommendations to the Board.

SUPERMARKET INSIGHTS

70,000
PRODUCTS AVAILABLE

4,425
BRANDS AVAILABLE

352
SUPPLIERS

50
CASH POINTS

9,800
SQUARE METRES OF RETAIL SPACE

14,159
RUNNING METRES OF SHELVING

110
RUNNING METRES OF FRESH COUNTERS

1,700
PARKING SPACES

4.6 million
FOOTFALL

During the board meeting of the 14 November 2019, the Board approved an IT solution which is currently being used by CONAD in all their supermarkets throughout Italy. The decision to go for this solution was primarily because this was a proven but relatively young system written specifically for supermarkets similar to ours. I have to say that we have found a lot of support from the service providers themselves and from the IT officials within CONAD, and for this, I would like to thank them.

From the beginning of the project we decided to minimise our customization of the selected systems to safeguard ease of future maintenance and upgrades, and decided where necessary to adopt new procedures ourselves. This was no easy process and it involved a lot of people within our organisation, to map out the new processes, to understand them and operate them effectively.

After the effort of the project team and the individuals within the different departments and the supermarket stores and cashiers, we managed to introduce a state of the art IT engine that is capable of taking us forward in the years to come, enhancing our existing supermarkets and facilitating the opening of new ones. This new system integrates the two supermarkets together as one, and helps us to adopt one loyalty card instead of one for each supermarket. There are many more modules that we shall be adopting in the coming months which are going to be more visible to our customers. These new modules will be more visual such as the 'self-checkout counters', the 'mobile app' and others.

We are sure that these new additions will greatly enhance our customers' experience when they come to shop from our supermarkets.

Environmental, Social, and Governance (ESG)

Many companies and boards are actively looking at introducing certain ESG criteria as part of their primary objectives and KPIs. The European Commission is currently planning to introduce a directive dealing specifically with these ESG criteria.

Environmental, Social, and Governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors and clients use to screen potential investments. Environmental criteria consider how a company performs as a 'steward of nature'. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, succession plans, business continuity plans and shareholders' rights.

Environmental criteria includes how a company uses energy, how much waste it generates, pollution, natural resource conservation, and treatment of animals. The criteria can also be used in evaluating any environmental risks a company might face and how the company is managing those risks.

On the other hand, social criteria look at the company's business relationships. How do we interact with our suppliers? Does the company donate a percentage of its profits to the local community or encourage employees to perform any volunteer work? Do the company's working conditions show high regard for its employees' health and safety? Does the company take care of the other stakeholders' interests into consideration when doing business deals?

With regard to governance, our various stakeholders are interested to know that a company uses accurate and transparent accounting methods and that they are given an opportunity to vote on important issues. They may also want assurances that companies avoid conflicts of interest in their choice of board members, do not use political contributions to obtain unduly favourable treatment and, of course, don't engage in illegal practices. The governance criteria also deal with the composition of the Board and how it interacts with the Chief Executive Officer and his senior management team.

The Fruit & Veg section was enlarged and renovated in April 2021

Ta' Spiru barber shop opened at Pama in March 2021

ESG is a journey and cannot be done in one or two years. It is a process adopted by the company to make it a better corporate citizen and to plough back part of its annual earnings into the society where it operates. Nowadays, institutional investors are more and more looking positively at those companies that engage themselves in ESG initiatives and contribute towards the society of which they form part.

At PG Group, from an early stage, we had recognized the importance of being a 'good corporate citizen' and the need to contribute part of our annual profits back into the Maltese society. In actual fact the group, inclusive of its ultimate beneficial owner Mr Paul Gauci, has over the years contributed both financially as well as by way of shares of the group to well-known charitable institutions; those that are doing invaluable work with the emarginated in our society. We feel this is our duty.

The group currently employs three hundred and eighty (380) people coming from 38 different nationalities. More than seventy two percent (72%) are Maltese and the remaining twenty eight percent (28%) come from various countries both the European Union as well as third country nationals. The gender balance is split between 62% females and 38% male. The group treats all employees equally and there are no salary or other forms of discrimination based on gender, beliefs or nationality.

At our Zara outlet, we have introduced a scheme where we take back used garments, shoes and home accessories that are no longer needed. Rather than create additional

380
EMPLOYEES

38
DIFFERENT COUNTRIES

143
MALES

237
FEMALES

-30 **209**
UNDER 30 YEARS

30+ **171**
OVER 30 YEARS

The Health Shop, Chinese and Deli counters at Pama, all received a facelift during this financial year

1.3m

ELECTRICITY UNITS GENERATED BY SOLAR PANELS AT PAMA SHOPPING VILLAGE

30%

OF ELECTRICITY UNITS CONSUMED AT PAMA SHOPPING VILLAGE COME FROM SOLAR PANELS

waste, these items are applied to assist social organisations such as the Malta Hospice Movement to continue their work donating to people in need and helping people at risk of exclusion. In this scheme we collect clothing (not necessarily in perfect condition) and home textiles, shoes, accessories and jewellery. Items that cannot be donated or reused are packaged for recycling.

However, we recognize the need to do more, especially in the area of the environment.

Where possible, we have installed photovoltaic panels to save on fuel generated electricity and we plan to install more on the Pavi supermarket complex. Currently, the PV panels at PAMA complex generate 1.3 million electricity units which represents 30% of our electricity consumption. We will be investing in another photovoltaic system at the Pavi supermarket complex in the next couple of years and we aim to reduce our electricity consumption by more than 50%. This project has been delayed as it can only be implemented once an additional floor of carparking space is built at this complex.

We exercise care in our management of the large amounts of carton waste generated in our operations. The major part of this waste is compressed and sent for re-cycling.

Notwithstanding this, our biggest challenge and our immediate investment has to be towards the reduction of the plastic water bottles. Between the two supermarkets we distribute approximately 10 million plastic water bottles every year. These water bottles have become a feature of our everyday offering. We are conscious however that all this plastic is harming our environment and that we have to find alternatives. A positive step forward was taken with the implementation of the new IT systems, which permits customers to convert their free water

Three new brands, Kiko, Lipsy and Mango, were introduced at PAMA Shopping Mall

entitlement to points without having to apply separately. The demand for water nevertheless remains high, and we will be looking to distribute this water to our customers possibly through other means such as re-usable containers. We have already purchased a significant amount of these reusable and refillable containers to replace our current one-time plastic bottles. Our target is to reduce one-time plastic bottles by 10% every year.

With respect to the governance criteria, the PG Group is satisfied with the progress attained during the last few years. We have a board of directors that is mainly composed of non-executive directors and that meets on a monthly basis, exercising an oversight function on the senior management. The board of directors creates the strategy of the group and ensures that this strategy is implemented within the agreed time frames. Presently, the board of directors is updating all the policies of the group in order to ensure that these reflect best practice and safeguard the integrity and stability of our group.

Way forward

During this financial year the group has encountered a number of challenges and we have been able to overcome them quite successfully. The results we are publishing confirm this. At the same time, we are actively looking at opportunities to grow our business in the areas related to our core operation. We have been evaluating a number of different investment

opportunities and we hope to be in a position to conclude some of them in the months to come.

In the meantime, the food supermarket business and the strength of the Zara and Zara Home brands that we represent have helped us to report very satisfactory results. We are pleased to report that this trend has continued during the first quarter of this financial year. Nonetheless we must be prudent looking forward since the economy has been negatively impacted by the Covid-19 pandemic and by other factors that are beyond our control, which might have a long term impact on the Maltese economy and consumers' behavior. The long-term success of this group will depend on our ability to cope with the different challenges we face and the future investments we need to make.

Before concluding I would like to take this opportunity to once again thank all our employees for their dedication and hard work during this difficult period. I would also like to thank all our customers for trusting us and do their shopping with us. Last but not least, I would also like to express my gratitude to our board of directors for their continuous guidance and support. Our group's success belongs to all these people.

Charles Borg
Group Chief Executive Officer

m **8,328**
RETAIL SPACE IN SQUARE METRES AT PAMA SHOPPING VILLAGE AND PAVI SHOPPING COMPLEX

47
NUMBER OF OUTLETS AT PAMA SHOPPING VILLAGE AND PAVI SHOPPING COMPLEX

Directors' Report

The directors present their Annual Report and the Audited Consolidated Financial Statements for the year ended 30 April 2021.

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.

The business model of the Group with respect to the two supermarket complexes remains that of focusing its activities on areas closely aligned to its core expertise and 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 and at Pavi.

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. The retail space within this outlet amounts to 3,710 sqm, apart from supporting staff and storage facilities. The outlet houses one of the largest Zara® department stores in Europe.

The Sliema outlet also includes one floor dedicated completely to Zara Home®. Two further Zara Home® outlets, measuring 880sm and 480sm respectively, are located within the Pama and Pavi complexes.

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 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 represents at all times the current offerings of the two brands.

Review of the business

Trading operations

Turnover for the year ended 30 April 2021 amounted to €129,449,000 (€119,997,000 in 2020) representing a growth of 7.9%.

As in the previous financial year, the Group's trading operations were materially impacted by the COVID-19 pandemic.

The financial year commenced with the non-essential retail and catering sectors reopening for business following the first COVID lockdown, which caught both businesses and consumers unaware. The recovery in these sectors was slow and in recognition, by way of supporting its clients, the Group waived all rentals at Pama and Pavi for May 2020. Furthermore, given that sales activities in certain retail and catering sectors continued at subdued levels for much of the year, the Group waived minimum rent requirements, allowing its tenants to operate solely on a 'percentage of turnover' basis.

Rents due were again waived in early 2021 for those tenants whose operations were impacted by the second COVID related six-week lockdown. These relief measures were implemented by the Group on its own initiative, negatively impacting the performance for the year, but were considered by the board as an investment in the long term success of the Group's tenants and business partners.

Similar considerations applied to the Group's own franchise operations which, in the case of the Group's flagship outlet in Sliema, were also impacted by the downturn in tourism. Some lost ground was recovered by an extremely positive sales performance of on-line orders and of Zara Home products. Overall, turnover within our franchise operations decreased by 7.5% compared to the year ended 30 April 2020, and this reduction is relatively contained when considered in the context of the prevailing circumstances.

In contrast to the above, the two supermarkets performed very strongly, and were the driver behind the overall growth in turnover registered during the year. This success has been obtained while remaining vigilant to the health and continuance of supply responsibilities carried by these operations, which remain an essential component of the food supply chain. Our first priority since the outbreak of the COVID-19 pandemic has remained that of safeguarding continuity of service through ensuring the safety of our customers and staff; while adopting working practices, even if at some additional cost, to successfully ensure the uninterrupted operation of our stores.

During the financial year under review, overall gross profit percentages decreased from 15.7% (2020) to 15.4%. This reduction reflected the rental waivers and a reduction in franchise operations in-store sales, that typically carry higher margins. At the same, added emphasis was given to enhancing controls over expenditure, and increases in sales and marketing and in administrative costs were limited to €91,000 (2.1%)

The resultant operating profit amounted to €16,282,000, an increase of 7.7% over the comparative of €15,118,000 recorded in 2020.

Net finance costs amounted to €1,313,000, compared to €1,587,000 in the previous financial year, reflecting a continued reduction in borrowings.

The Group's profit before taxation amounted to €14,849,000, compared to €13,437,000 in 2020. The Group incurred an effective tax expense of 28.9% (28.2% in 2020), 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 €10,558,000, an increase of 9.4% over the 2020 comparative of €9,653,000.

Cash flow and financing

The Group generated a net cash flow from operating activities of €13,117,000 (€15,516,000 in 2020), which was applied in the main towards the payment of dividends and towards the reduction of borrowings. As at 30 April 2021, PG p.l.c. had bank borrowings, net of cash in hand, of €8,544,000 (€14,859,000 in 2020), including fixed term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €2,040,000 per annum. The Group currently had no material capital expenditure commitments at 30 April 2021.

Financial position and associated financial and other risks and uncertainties

Group equity increased by 13.3% to €49,083,000 at 30 April 2021, when compared to 2020, as a result of the retained profits for the year under review.

At 30 April 2021, net bank gearing stood at 14.8% when measured on a historical cost basis, and at 3.1% when judged by reference to the Group's enterprise value at 30 April 2021, assessed on the basis of the average market value of its equity as quoted on the Malta Stock Exchange in the four month period leading to 30 April 2021.

The Group operates in a highly competitive business environment and remains subject to various risks such as increasing pressures on margins and increased competition to attract and retain customers.

The supermarket sector within the Maltese islands has suffered a reduction in sales since the pandemic started, driven mainly by a reduction in expatriate workers resident in the country and by the reduction in tourism in self-catering accommodation.

This phenomenon has to date not impacted our two supermarkets, which are not located in resorts popular with tourists. The end of the second COVID-19 lockdown appears to have resulted in a surge in consumer confidence, perhaps encouraged by the coverage attained by Malta's COVID vaccination programme, and this has benefited our Zara and Zara Home operations. As a result, turnover within all the Group's operations has registered an encouraging growth between May and July 2021 when compared to the same period last year. On the adverse side, the COVID-19 pandemic continues to create business uncertainty. It is also too early to judge the duration and long term economic impact of Malta's FATF grey-listing, and its effects on consumer confidence and spending.

The business of the Group continues to be 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 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 14.1% of the net cash flow, before interests, generated from operating activities in the year ended 30 April 2021, 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 maintains a healthy relationship with its suppliers and care is taken to respect agreed credit terms. Prudence is exercised in cash management to ensure that the Group maintains at any point in time a material liquidity cushion in terms of available unutilised overdraft facilities.

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

The income and equity movements statements are set out on pages 55-57.

An interim net dividend of €2,000,000 was distributed by the company in December 2020. A second net dividend of €3,200,000 was distributed in July 2021. The total net dividend distributed from the profits earned in the financial year ended 30 April 2021 therefore amounted to €5,200,000 (€4,800,000 in 2020).

Directors

The directors of the company during the financial year ended 30 April 2021 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

Mr Gianluca Borg
Executive Director

Ms Claire Alexia Borg Gauci
Non-Executive Director

Ms Maria Micallef
Non-Executive Director (appointed 1 January 2021)

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 Paul Gauci, Ms Claire Alexia Borg Gauci and Ms Maria Micallef 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 2021 are included in the Annual Report 2021 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 2021, 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 due enquiries and taking account of all known factors that could impact the Group's operations, including the COVID-19 pandemic, 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 Capital Markets Rule 5.64

Details of the company's share capital are disclosed in note 12 of the financial statements on page 84.

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 69.54% of the issued share capital of the company. No other shareholder holds 5% or more of the share capital of the company.

Mr Paul Gauci also exercises the voting rights on 4,250,000 ordinary shares, equivalent to 3.93% of the company's issued share capital, which he had in past years donated to various charitable institutions. 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 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 eight (8) 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.

Article 17.1 of the Articles of Association of the company states that the term of office of all directors, other than the Chief Executive Officer, shall be three (3) years from the date of the annual general meeting at which an appointment was made. This provision is however made subject to Article 17.2, which in turn states that at the annual general meeting falling on the third anniversary of the general meeting referred to in Article 17.1, two (2) directors, which for the purposes of this Article shall not include the Chief Executive Officer, shall retire from office, but shall be eligible for re-appointment. In every subsequent year, two (2) directors holding office on the Board of Directors, other than the Chief Executive Officer, shall retire from office, but shall be eligible for re-appointment; provided that if in any subsequent year, in order for the requirements of Article 17(1) to be met, the number of directors required to retire from office is greater than two (2), then such greater number of directors shall retire from office, but shall be eligible for re-appointment. It is to be noted that according to the Articles of Association, the directors to retire first shall be those who have been longest in office, including by virtue of re-election, since their last election, but as between persons who became directors on the same day or in the event that the duration in office cannot be properly determined, those to retire shall, unless otherwise agreed among themselves, be determined by lot.

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 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, at 30th April 2021, with the exception listed below, the company is not party to any significant agreement pursuant to Capital Markets Rule 5.64.10.

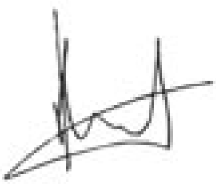
The franchise agreements with Inditex Group regarding Zara® and Zara Home® respectively require the prior consent of Inditex to any change in control of the Group. In the absence of such prior consent, Inditex would be entitled to exercise its rights under an option agreement whereby Inditex could terminate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

The board declares that the information required under Capital Markets 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
Vice-Chairman

Registered address:

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

Telephone (+356) 2349 6100

Dr. Emma Grech
Company Secretary

25 August 2021

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 Capital Markets Rules issued by the Listing Authority, the company endeavours to follow the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the "**Code**"). In terms of Capital Markets 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 2021.

The company acknowledges that the Code does not prescribe mandatory rules, but recommends principles of good practice. Nevertheless, 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 is led by 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 effective operation 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 suitable and complementary to the size and operations of the company. Accordingly and 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 eight (8) 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 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 Chief 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 is designed to attain a diverse mix of professional and business skills and backgrounds appropriate to the needs of the group; and 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
Ms Maria Micallef B.A. Hons Accty, FIA, CPA (appointed on 1 January 2021)
Mr William Spiteri Bailey FIA CPA
Mr Lawrence Zammit MA (Econ)
Ms Claire-Alexia Borg Gauci

Executive directors

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

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. With the exception of Ms Claire-Alexia Borg Gauci, who resigned from employment by the group in May 2020, all the non-executive directors are considered as independent within the meaning of the Code. None of the independent non-executive directors:

(a) are or have been employed in any capacity by the company;
(b) receive significant additional remuneration from the company except, from time to time, in the conduct of specific additional duties connected to their office as directors of 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 committed 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 2021, thirteen (13) board meetings were held. Attendance at these meetings was as follows:

Board member	*Meetings attended*
Mr John Zarb	13
Mr Paul Gauci	13
Mr Charles Borg	13
Mr Gianluca Borg	13
Ms Claire-Alexia Borg Gauci	12
Ms Maria Micallef (appointed on 1 January 2021)	4
Mr William Spiteri Bailey	13
Mr Lawrence Zammit	13

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 board is also responsible for setting and maintaining the behavioural and ethical standards of the group, and consistently liaises with management to ensure that best practices are upheld. These include, inter alia:

Safeguarding the health and safety of all customers and staff. This goes beyond the specific COVID related measures taken by the group and which have already been referred to in the accompanying Directors' Report. It includes, amongst other measures, ensuring that regular checks are carried out on the freshness and quality of the products sold in the group's supermarkets; the training of staff with specific responsibilities to help deal with medical and other emergencies; the regular monitoring and maintenance of premises and equipment; and the adherence at all times to prescribed safety measures. The board requests and receives regular reports on the group's procedures in these areas.

Ensuring that all employees, customers and business partners are treated with full respect for human rights and without any discrimination on the basis of race, gender or belief.

Ensuring that the group conducts its business with a proper awareness of its social and environmental responsibilities. This topic is commented upon in more detail in the Chief Executive Officer's report that also forms part of the group's 2021 Annual Report, and identifies the distribution of water in non-returnable plastic containers as a key focal point for the business.

Ensuring that the group maintains a zero–tolerance approach to bribery and corruption. The PG Group has at no time been involved or implicated in corruption or bribery allegations. We will not seek to influence others, either directly or indirectly, by paying bribes or kickbacks in any form, or by any other measure that is illicit, unethical or that may in any manner tarnish our reputation.

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 relevant to the operations of the group and achieves the appropriate balance required for it to function effectively and to ensure appropriate succession.

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 Lawrence Zammit and Ms Maria Micallef, all occupying an independent Non-Executive Director role within the company; and of Ms Claire-Alexia Borg Gauci. Mr John Zarb also formed part of the Audit Committee until his resignation on 30 July 2021. In light of their qualifications as well as their valuable experience, Mr William Spiteri Bailey and Ms Maria Micallef are the Audit Committee members who are considered to be competent in accounting and/or auditing in terms of the Capital Markets 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 Capital Markets Rules.

The Audit Committee has met five (5) times in the financial year ended 30 April 2021, and the attendance at these meetings was as follows:

Committee member	*Meetings attended*
Mr William Spiteri Bailey	5
Ms Claire-Alexia Borg Gauci (appointed to the Audit Committee on 26 November 2020)	3
Ms Maria Micallef (appointed to the Audit Committee on 1 January 2021)	2
Mr Lawrence Zammit	5
Mr John Zarb (resigned on 30 July 2021)	5

Remuneration and Nominations 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 Nominations Committee as important, it would be more efficient for these committees to be merged into a single, '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 directors, 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 Nominations 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 Capital Markets 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 four (4) times during the financial year ended 30 April 2021 and these meetings were attended by all committee members.

Remuneration of directors and senior management

Please refer to the Remuneration Report (see page 42) for information regarding the remuneration of the company's directors and senior executives.

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 a 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 and Mr Gianluca Borg 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, robust health and safety standards and to adopt environmentally responsible practices (refer also to Principle 4 above and the Chief Executive Officer's report that forms part of the 2021 Annual Report).

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. Mr Paul Gauci founded and has led the business for many years, is thoroughly familiar with the management of the company and is its principal shareholder. The board believes that Mr Gauci's membership of RemNom is conducive to improving the functioning of RemNom and to enhancing the governance of the group.

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. The board is not aware that any such conflicts of interest have ever arisen.

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 audits 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 Capital Markets 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 25 August 2021 and signed on its behalf by:

John B Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Remuneration statement

In terms of Rule 8A.4 of the Code of the Principles of Good Corporate Governance (the **"Code"**) contained in the Capital Markets Rules issued by the Malta Financial Services Authority (the **"Capital Markets Rules"**), and in terms of Appendix 12.1 of the said Capital Markets Rules, the company is to include a Remuneration Report in its annual report which shall contain, inter alia, details of the Remuneration Policy of the company and the financial packages of Directors and the Company's senior executive team, which for the purposes of this Remuneration Report shall be taken to refer to the Chief Executive Officer (the **"CEO"**), the deputy CEO, as well as the Company's chief officers, namely the Chief Operations Officer, Chief Financial Officer, Chief Purchasing Officer, Head Information Technology and Head Marketing.

Rationale for Remuneration

The company's Remuneration Policy, as mandated in terms of Chapter 12 of the Capital Markets Rules, being borne in mind, the remuneration of the abovementioned individuals 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 the executive directors and the company's senior executives after these were reviewed by the board of directors and adjudged appropriate and suitable 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 company's Remuneration Committee and Nominations Committee (the "RemNom Committee"), as set up in terms of its Memorandum and Articles of Association, 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 is set by reference to the time they are expected to dedicate, annually, to the affairs of the group, as well as the responsibilities pertinent to their role, remunerated at a rate that acknowledges and is commensurate with the professional status and experience of the individuals concerned and with market conditions. The process is designed to attain transparency on the time input that the directors are expected to dedicate annually to the Group, whilst at the same time creating a basis upon which to determine future revisions should directors be required to dedicate more time to the group's affairs.

(c) A variable annual performance bonus scheme is in place. Annual bonuses are generally determined on a discretionary basis and are not linked to any set KPIs. Such bonuses are at first instance determined by the CEO, together with the Executive Vice-Chairman, and are then approved by the RemNom Committee; provided, however, that bonuses pertaining to the CEO and the deputy CEO are determined and approved directly by the RemNom Committee. Bonuses are paid in cash by the group during the financial year, and do not constitute a material part of the aggregate remuneration of directors.

Nature of Remuneration

Save as specified above, the remuneration payable to the directors and the company's senior executive team is fixed, and does not include any variable element based on performance indicators or the right to purchase shares in the company by virtue of share options, or any other deferred compensation or pension benefits. The remuneration of directors are paid by entities within the Group.

Indeed, taking into consideration the management and operational set-up of the group, the board of directors considers a combination of a fixed form of remuneration and a discretionary annual bonus to constitute a suitable basis of remuneration for the executive team and the executive directors, whereas a fixed form of remuneration is best suited to the non-executive directors; provided, however, that in terms of its Remuneration Policy, and in addition to their fixed remuneration, directors who are also appointed to chair, or to sit as members of, one or more of the committees of the company, or who are asked to serve as directors and, or chair of the board of subsidiaries of the company, may be entitled to receive additional compensation, as shall be determined by the board from time to time. Such additional remuneration shall form part of the aggregate emoluments of directors as approved by the general meeting of the company. The basis upon which such additional remuneration is paid shall take into account the skills, competencies, and technical knowledge that members of such committees require and the respective functions, duties and responsibilities attaching to membership of such committees.

Finally, two of the executive directors and all non-director senior executives are permitted the use of an insured company vehicle. No other non-cash remuneration is paid to directors and the company's senior executive team.

The RemNom Committee is satisfied that the base remuneration for the year under review is aligned with the core principles of the company's current Remuneration Policy, ensuring that market conditions and remuneration rates offered by similar organisations for comparable roles have been taken into consideration.

Aggregate and Individual Emoluments

The aggregate emoluments of all directors in any one financial year and any increases thereto are approved by the shareholders in general meeting from time to time in accordance with Article 22.1 of the company's Articles of Association.

Emoluments of directors [aggregate]

	Fixed remuneration	Variable remuneration	Share Options
Directors	€447,915	€76,922	None

Emoluments of directors [individual]

	Fixed remuneration	Variable remuneration	Share Options
Mr John Zarb – Non-Executive Chairman	€47,250	Nil	None
Mr Paul Gauci – Executive Vice-Chairman*	€151,400	Nil	None
Mr Charles Borg – Executive Director & Chief Executive Officer*	€80,574	€38,461	None
Ms Claire-Alexia Borg Gauci – Non-Executive Director*	€42,112	Nil	None
Ms Maria Micallef – Non-Executive Director (appointed 1 January 2021)	€7,500	Nil	None
Mr William Spiteri Bailey – Non-Executive Director	€15,224	Nil	None
Mr Lawrence Zammit – Non-Executive Director	€15,224	Nil	None
Mr Gianluca Borg – Executive Director	€88,631	€38,461	None

Mr Paul Gauci, Mr Charles Borg and Ms Claire-Alexia Borg Gauci also serve as directors on the subsidiary companies forming part of the group.

The remuneration payable to the Non-Executive Chairman covers both his role as director and chairman of the company.

For the purposes of clarity, although several directors partake of the different standing committees of the Company, such directors did not receive extra remuneration for occupying such roles during the year under review.

Emoluments of the senior executive team, including the executive directors whose earnings are also disclosed above [aggregate]

	Fixed remuneration	Variable remuneration	Share Options
Senior Executives	€533,380	€226,920	None

The deputy CEO

Emoluments paid and accrued to the deputy CEO for the year under review included €101,131 by way of fixed remuneration and €76,923 by way of variable remuneration.

Director and senior executive contracts

None of the directors or senior executives are party to a service contract that contains provisions for termination payments and other payments linked to early termination.

Remuneration Policy in accordance with Chapter 12 of the Capital Markets Rules

Pursuant to the requirements of Capital Markets Rule 12.26A, the group's Remuneration Policy, which is intended to provide an overarching framework that establishes the principles and parameters applied in determining the remuneration to be paid to the company's directors, CEO and deputy CEO, was approved by the shareholders at the 4th Annual General Meeting of the company on 15 October 2020, and is available on the group's website. This Remuneration Policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the Annual General Meeting of the company before adoption, and in any case at least every four (4) years. Such policy was drawn up in particular having due regard to the responsibility vested in the functions and roles of the directors, the CEO and the deputy CEO, market conditions, and the remuneration being offered by similar organisations.

Contents of the Remuneration Statement

The contents of the Remuneration Statement have been reviewed by the external auditors to ensure that they conform with the requirements of Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

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:

- The Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position of PG p.lc. as at 30 April 2021, 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 53 to 98, comprise:
- the Consolidated and Parent Company statements of financial position as at 30 April 2021;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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).

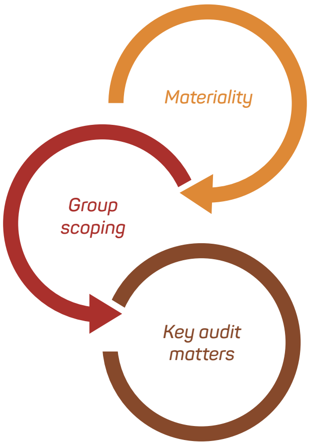
The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 May 2020 to 30 April 2021, are disclosed in note 17 to the financial statements.

Independent auditor's report *CONTINUED*

To the Shareholders of PG p.l.c.

Our audit approach

Overview



- Overall group materiality: €742,000, 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	€742,000
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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €74,200 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 9	
Inventory for the Group as at 30 April 2021 amounted to €7 million and represented 39% of total current assets. 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, attending the year-end count of related stores as well as observing 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 accounting records 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.

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.

Independent auditor's report *CONTINUED*

To the Shareholders of PG p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, the Chief executive officer's review, the Directors' report, the Corporate governance statement and the Remuneration 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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Company's trade, customers and suppliers, and the disruption to their business and the overall economy.

- 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.

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, actions taken to eliminate threats or safeguards applied.

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

The *Annual Report and Consolidated Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Independent auditor's report *CONTINUED*

To the Shareholders of PG p.l.c.

Area of the *Annual Report and Consolidated Financial Statements 2021* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 28-33) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Corporate governance statement (on pages 34-41) The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.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 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report *CONTINUED*

To the Shareholders of PG p.l.c.

Area of the *Annual Report and Consolidated Financial Statements 2021* and the related Directors' responsibilities	Our responsibilities	Our reporting
Remuneration statement (on pages 41-44) The Listing Rules issued by the Malta Listing Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Listing Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Listing Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.
	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 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 which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities 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.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

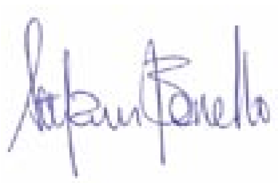
Independent auditor's report *CONTINUED*

To the Shareholders of PG p.l.c.

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 4 years.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta



Stefan Bonello
Partner

25 August 2021

Statements of financial position

		As at 30 April			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**62,614**	63,501	**-**	-
Right-of-use assets	5	**16,052**	16,501	**-**	-
Investment property	6	**3,816**	3,794	**-**	-
Investment in subsidiaries	7	**-**	-	**34,506**	34,506
Investment in associates	8	**3,187**	3,307	**3,502**	3,502
Trade and other receivables	10	**-**	-	**708**	708
Total non-current assets		**85,669**	87,103	**38,716**	38,716
Current assets					
Inventories	9	**6,981**	7,399	**-**	-
Trade and other receivables	10	**5,853**	5,000	**-**	-
Current tax assets		**352**	613	**-**	-
Cash in bank and in hand	11	**4,695**	2,720	**111**	141
Total current assets		**17,881**	15,732	**111**	141
Total assets		**103,550**	102,835	**38,827**	38,857

Statements of financial position CONTINUED

	Notes	As at 30 April			
		Group		Company	
		2021	2020	**2021**	2020
		€'000	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	**27,000**	27,000	**27,000**	27,000
Retained earnings		**22,083**	16,325	**5,766**	5,798
Total equity		**49,083**	43,325	**32,766**	32,798
Non-current liabilities					
Trade and other payables	15	**-**	35	**6,020**	6,020
Borrowings	13	**7,954**	8,099	**-**	-
Lease liabilities	5	**16,541**	16,563	**-**	-
Deferred taxation	14	**3,850**	3,750	**-**	-
Total non-current liabilities		**28,345**	28,447	**6,020**	6,020
Current liabilities					
Trade and other payables	15	**19,401**	20,279	**41**	39
Borrowings	13	**5,285**	9,480	**-**	-
Lease liabilities	5	**265**	319	**-**	-
Current tax liabilities		**1,171**	985	**-**	-
Total current liabilities		**26,122**	31,063	**41**	39
Total liabilities		**54,467**	59,510	**6,061**	6,059
Total equity and liabilities		**103,550**	102,835	**38,827**	38,857

The notes on pages 59 to 98 are an integral part of these financial statements.

The financial statements on pages 53 to 98 were authorised for issue by the board of directors of the company on 25 August 2021 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	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	16,21	**129,449**	119,997	**7,538**	13,419
Cost of sales	17	**(109,472)**	(101,201)	**-**	-
Gross profit		**19,977**	18,796	**7,538**	13,419
Selling and marketing costs	17	**(815)**	(865)	**-**	-
Administrative expenses	17	**(3,680)**	(3,539)	**(132)**	(102)
Other income	20	**800**	726	**-**	-
Operating profit		**16,282**	15,118	**7,406**	13,317
Net finance costs	22	**(1,313)**	(1,587)	**-**	-
Share of results of associates	8	**(120)**	(94)	**-**	-
Profit before tax		**14,849**	13,437	**7,406**	13,317
Tax expense	23	**(4,291)**	(3,784)	**(2,638)**	(2,719)
Profit for the year		**10,558**	9,653	**4,768**	10,598
Earnings per share for the year attributable to shareholders					
Basic earnings per share	25	**€0.10**	€0.09		

The notes on pages 59 to 98 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 2019		27,000	11,472	38,472
Comprehensive income				
Profit for the year		-	9,653	9,653
Transactions with owners				
Dividends for the year	24	-	(4,800)	(4,800)
Balance at 30 April 2020		**27,000**	**16,325**	**43,325**
Balance at 1 May 2020		27,000	16,325	43,325
Comprehensive income				
Profit for the year		-	10,558	10,558
Transactions with owners				
Dividends for the year	24	-	(4,800)	(4,800)
Balance at 30 April 2021		**27,000**	**22,083**	**49,083**

Statements of changes in equity CONTINUED

Company	Notes	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 May 2019		27,000	-	27,000
Comprehensive income				
Profit for the year		-	10,598	10,598
Transactions with owners				
Dividends for the year	24	-	(4,800)	(4,800)
Balance at 30 April 2020		**27,000**	**5,798**	**32,798**
Balance at 1 May 2020		27,000	5,798	32,798
Comprehensive income				
Profit for the year		-	4,768	4,768
Transactions with owners				
Dividends for the year	24	-	(4,800)	(4,800)
Balance at 30 April 2021		**27,000**	**5,766**	**32,766**

The notes on pages 59 to 98 are an integral part of these financial statements.

Statements of cash flows

		Year ended 30 April			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	26	**18,174**	20,871	**7,408**	7,660
Net interest paid		**(1,313)**	(1,587)	**-**	-
Tax paid		**(3,744)**	(3,768)	**(2,638)**	(2,719)
Net cash generated from operating activities		**13,117**	15,516	**4,770**	4,941
Cash flows from investing activities					
Purchases of property, plant and equipment		**(1,184)**	(2,187)	**-**	-
Purchases of investment property		**(487)**	(1,066)	**-**	-
Net cash used in investing activities		**(1,671)**	(3,253)	**-**	-
Cash flows from financing activities					
Repayments of bank borrowings		**(3,690)**	(7,418)	**-**	-
Proceeds from borrowings		**3,000**	560	**-**	-
Payments of principal portion of lease liabilities		**(284)**	(263)	**-**	-
Payment of finance leases		**(47)**	(50)	**-**	-
Dividends paid		**(4,800)**	(4,800)	**(4,800)**	(4,800)
Net cash used in financing activities		**(5,821)**	(11,971)	**(4,800)**	(4,800)
Net movement in cash and cash equivalents		**5,625**	292	**(30)**	141
Cash and cash equivalents at beginning of year		**(4,415)**	(4,707)	**141**	-
Cash and cash equivalents at end of year	11	**1,210**	(4,415)	**111**	141

The notes on pages 59 to 98 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).

During the COVID-19 pandemic the group continued to operate profitably when economic activity in a number of sectors was severely curtailed. On this basis, and on the basis of its detailed projections for the coming 12 months and beyond, the board has determined that there is reasonable expectation that the group has adequate resources to continue operating in a sustainable manner in the foreseeable future.

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 2020. 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 current or future reporting periods and on foreseeable future transactions.

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 31 to the financial statements.

(b) Associates

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

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

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

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

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

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

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 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 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.

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.

1. Summary of significant accounting policies *continued*

1.5 Property, plant and equipment *continued*

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.

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 income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

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

1.7 Impairment of non-financial assets

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

1.8 Investments in subsidiaries and associates

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

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IFRS 9.

1.9 Financial assets

The group classifies 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.

1.9.1 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.

1.9.2 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 measures of trade receivable (excluding impairment) is disclosed in note 1.10.

1.9.3 Impairment

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.

1.10 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.

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.

1.15 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 Deferred government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

1.20 Provisions

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

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

1.21 Revenue recognition

(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.

1. Summary of significant accounting policies *continued*

1.21 Revenue recognition *continued*

(b) Sales of goods - customer loyalty programme continued

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.

1.22 Finance income and costs

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

1.23 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.

1.24 Leases

The group leases the land and buildings on which the PAMA Shopping Mall, the PAMA Supermarkets and the parking area are located. The rental contracts are made with an associate of the group for fixed periods of 30 years. The group also leases certain operational equipment installed within the PAMA Shopping Village, however management does not consider these arrangements material relative to the group's other leasing arrangements.

Until the financial years ended 30 April 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 May 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by similar operators, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. 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.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use land and buildings held by the group.

The group's leases of land and buildings with its associate are subject to additional payments that are based on 1.6% of the revenue generated from the PAMA Supermarket. Such terms are used as a manner of minimising the fixed costs base, and are recognised in profit or loss in the period in which the condition that triggers those payments (i.e. the sale) occurs. A 5% increase in sales in PAMA Supermarket with such variable lease arrangements would increase total lease payments by €46,000.

1.25 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.

1.26 Earnings per share

1.26.1 Basic earnings per share

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

1.26.2 Diluted earnings per share

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

1.27 Segment reporting

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

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

2. Financial risk management

2.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

(ii) Cash flow and fair value interest rate risk

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

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

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

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

(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	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Financial assets measured at amortised cost:				
Trade and other receivables (note 10)	**5,247**	4,599	**708**	708
Cash and cash equivalent (note 11)	**4,695**	2,720	**111**	141
	9,942	7,319	**819**	849

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 receivables 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.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 1 May 2020 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.

Other than as noted below, as at 1 May 2020, no further identified expected credit loss allowance in addition to the amount that had already been provided for as at 1 May 2020, on trade receivables and contract assets, was deemed necessary. The movement in loss allowances as at 30 April 2021 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 2021 and 1 May 2020.

As of 30 April 2021, trade receivables of €2,780,000 (2020: €2,418,000) were fully performing.

Loss allowances of €38,000 (2020: €9,000) 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 €1,737,000 (2020: €2,011,000). The group holds no security against these receivables. The unsecured overdue amounts consisted of €1,380,000 (2020: €1,601,000) that were less than three months overdue and €357,000 (2020: €410,000) that were greater than three months.

(ii) Other receivables

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.

(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 15 and 13). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

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.

2. Financial risk management *continued*

2.1 Financial risk factors *continued*

(c) Liquidity risk continued

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 group carries a net current liability position that results in large part from supplier credit being extended to it in excess of its own investment in working capital. The group maintains a healthy relationship with its suppliers and care is taken to respect agreed credit terms. Prudence is exercised in cash management to ensure that the group maintains at any point in time a material liquidity cushion in terms of available unutilised overdraft facilities.

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 2021				
Bank borrowings	13,239	14,055	5,537	8,518
Trade and other payables	19,401	19,401	19,401	-
Lease liabilities	16,806	31,320	1,351	29,969
	49,446	**64,776**	**26,289**	**38,487**
30 April 2020				
Bank borrowings	17,579	18,741	9,745	8,996
Trade and other payables	20,314	20,314	20,279	35
Finance leases	16,882	32,178	1,331	30,847
	54,775	**71,233**	**31,355**	**39,878**

2.2 Fair values of financial instruments

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

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

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 including lease liabilities 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	
	2021	2020
	€'000	€'000
Total borrowings and lease liabilities (notes 13 and 5)	**30,045**	34,461
Less: Cash at bank and in hand (note 11)	**(4,695)**	(2,720)
Net borrowings and lease liabilities	**25,350**	31,741
Total equity	**49,083**	43,325
Total capital	**74,433**	75,066
Gearing	**34.1%**	42.3%

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 6), 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 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
Year ended 30 April 2020					
Opening net book amount	53,352	12	6,977	4,095	64,436
Additions	132	-	897	521	1,550
Disposals	-	-	-	(79)	(79)
Transfers of right-of-use assets	-	-	(433)	-	(433)
Depreciation charge	(433)	-	(837)	(731)	(2,001)
Depreciation released on disposal	-	-	-	28	28
Closing net book amount	**53,051**	**12**	**6,604**	**3,834**	**63,501**
At 30 April 2020					
Cost or valuation	55,272	12	9,396	5,748	70,428
Accumulated depreciation	(2,221)	-	(2,792)	(1,914)	(6,927)
Net book amount	**53,051**	**12**	**6,604**	**3,834**	**63,501**
Year ended 30 April 2021					
Opening net book amount	53,051	12	6,604	3,834	63,501
Additions	26	324	385	449	1,184
Disposals	-	-	(35)	(12)	(47)
Depreciation charge	(434)	-	(832)	(771)	(2,037)
Depreciation released on disposal	-	-	11	2	13
Closing net book amount	**52,643**	**336**	**6,133**	**3,502**	**62,614**
At 30 April 2021					
Cost or valuation	55,298	336	9,746	6,185	71,565
Accumulated depreciation	(2,655)	-	(3,613)	(2,683)	(8,951)
Net book amount	**52,643**	**336**	**6,133**	**3,502**	**62,614**

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 6) 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 2021 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 2021.

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 6. 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 2021.

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. 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.

On 30 April 2021, the directors have reassessed the property's valuation in view of the COVID-19 pandemic and the resulting restrictions to a certain extent, on part of the Group's operations. This impact was initially felt mainly by the retail industry as the supermarkets operations on the other hand have not been impacted and have continued to register activity levels over those of prior year. This assessment resulted in valuations that are not materially different from that as at 30 April 2021 and accordingly, no adjustment has been made to the carrying amount as at 30 April 2021.

Valuation processes

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

- information provided by the entities operating the complexes which is derived from the group's financial systems and is subject to the group's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

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

Valuation techniques

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

- in case of the Zara Complex and the PAVI Shopping Complex the directors applied the capitalised rental approach;
- in 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 an average rental rate per square metre ranging from €200 to €330 (depending on the utilisation) discounted at an average rate of 7% for the Zara Complex and average rental rate per square metre of €132 with no inflationary growth discounted at an average rate of 7% for the PAVI Shopping Complex. Such valuations have also been adjusted by potential rent reductions for financial years 2022 and 2023, which reductions are gradually phased out until reaching a stable year level in financial year 2024.

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 13).

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Direct operating expenses	**1,874**	1,826	**-**	-
Selling and distribution expenses	**26**	13	**-**	-
Administrative expenses	**137**	162	**-**	-
Total depreciation charge (note 17)	**2,037**	2,001	**-**	-

5. Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised on balance sheet

The balance sheet shows the following amounts relating to leases:

	Group	
	30 April 2021 €'000	30 April 2020 €'000
Right-of-use assets		
Land & buildings	**15,717**	16,116
Equipment	**335**	385
Closing cost and net book amount	**16,052**	16,501
Lease liabilities		
Current	**265**	319
Non-current	**16,541**	16,563
	16,806	16,882

There were no additions to the right-of-use assets during the year ended 30 April 2021.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Group	
	30 April 2021 €'000	30 April 2020 €'000
Depreciation charge of right-of-use assets		
Land and buildings	**655**	645
Equipment	**49**	49
	704	694
Interest expense (included in finance costs)	**1,005**	1,007
Expense relating to variable lease payments not included in lease liability (included in cost of sales)	**928**	852

The total cash outflow for leases during the year ended 30 April 2021 was €2,226,000 (2020: €2,122,000).

Notes to the financial statements CONTINUED

6. Investment property

	Group	
	2021	2020
	€'000	€'000
Year ended 30 April		
Opening cost and net book amount	**3,794**	3,728
Additions	**22**	66
Closing cost and net book amount	**3,816**	3,794
As at 30 April		
Cost and fair value	**3,816**	3,794

7. Investments in subsidiaries

	Company	
	2021	2020
	€'000	€'000
Year ended 30 April		
At the beginning and 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 31.

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 8) 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.

8. Investments in associates

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Year ended 30 April				
At beginning of year	**3,307**	3,401	**3,502**	3,502
Share of results of associates	**(120)**	(94)	**-**	-
At end of year	**3,187**	3,307	**3,502**	3,502
At 30 April				
Cost	**3,326**	3,326	**3,502**	3,502
Share of results and reserves	**(139)**	(19)	**-**	-
Net book value	**3,187**	3,307	**3,502**	3,502

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

Summarised financial information of associates

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

Summarised balance sheet

	Group	
	2021	2020
	€'000	€'000
Total current assets	**1,884**	1,139
Total current liabilities	**(1,003)**	(421)
	881	718
Non-current assets	**6,780**	7,076
Non-current liabilities	**(166)**	(587)
	6,614	6,489
Net assets as at year end	**7,495**	7,207

Notes to the financial statements CONTINUED

8. Investments in associates *continued*

Summarised statement of comprehensive income

	Group	
	2021	2020
	€'000	€'000
Revenue	**2,226**	2,122
Profit before tax	**557**	524
Profit after tax	**288**	266
Associated results attributable to the group	**141**	130

The information above reflects the amounts presented in the financial statements of the associates for the period. These have been adjusted for the adoption of IFRSs when considered as associates of the group (note 31).

Reconciliation of summarised financial information

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

	Group	
	2021	2020
	€'000	€'000
Opening net assets	**7,207**	6,941
Profit for the year	**288**	266
Closing net assets	**7,495**	7,207
Carrying value at year end	**3,187**	3,307

9. Inventories

	Group	
	2021	2020
	€'000	€'000
Goods held for resale	**6,981**	7,399

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

	Group	
	2021	2020
	€'000	€'000
Cost of sales	**105**	223

10. Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts owed by subsidiaries	**-**	-	**708**	708
Current				
Trade receivables - net	**2,780**	2,418	**-**	-
Indirect taxation	**33**	12	**-**	-
Advance payments to suppliers	**761**	361	**-**	-
Amounts owed by associates and related parties	**92**	78	**-**	-
Advance payments on non-current assets	**85**	76	**-**	-
Other debtors	**329**	505	**-**	-
Prepayments and accrued income	**1,773**	1,550	**-**	-
	5,853	5,000	**-**	-
Total trade and other receivables	**5,853**	5,000	**708**	708

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.

11. 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	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**4,695**	2,720	**111**	141
Bank overdraft (note 13)	**(3,485)**	(7,135)	**-**	-
Total cash and cash equivalents	**1,210**	(4,415)	**111**	141

Notes to the financial statements CONTINUED

12. Share capital

	Group		Company	
	2021	2020	**2021**	2020
	€'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.

13. Borrowings

	Group	
	2021	2020
	€'000	€'000
Non-current		
Bank loans	**7,954**	8,099
	7,954	8,099
Current		
Bank overdrafts (note 11)	**3,485**	7,135
Bank loans	**1,800**	2,345
	5,285	9,480
Total borrowings	**13,239**	17,579

During 2021, the group successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) which amounted to €3,000,000. These loans are subject to interest of 2.75% plus 3-month Euribor. However, in line with the MDB COVID Guarantee Scheme, the loans benefit from a subsidy of 2.4% for the first two years. Accordingly, the effective interest rate as at 30 April 2021 is of 0.35%.

The group's banking facilities as at 30 April 2021 amounted to €17,052,883 (2020: €17,742,678).

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	
	2021	2020
	€'000	€'000
At floating rates	**3,485**	7,135
At fixed rates	**9,754**	10,444
	13,239	17,579

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

	Group	
	2021	2020
Bank loan	**2.75%**	2.75%
Bank overdraft	**2.50%**	2.50%

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.

14. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2020: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% (2020: 10%) on the carrying amounts of property. The movement on the deferred tax account is as follows:

	Group	
	2021	2020
	€'000	€'000
At beginning of year	**3,750**	3,504
Deferred tax on temporary differences		
arising on depreciation of property, plant and equipment	**90**	247
Provisions	**3**	(1)
Over provision in deferred tax in prior year	**7**	-
At end of year	**3,850**	3,750

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

14. Deferred taxation *continued*

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

	Group	
	2021	2020
	€'000	€'000
Revaluation of non-current assets	**3,023**	3,412
Deprecation on property, plant and equipment	**830**	343
Provisions	**(3)**	(5)
	3,850	3,750

15. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Non-current				
Capital payables	**-**	35	**-**	-
Amounts owed to subsidiaries	**-**	-	**6,020**	6,020
	-	35	**6,020**	6,020
Current				
Trade payables	**10,976**	13,072	**-**	-
Amounts due to related parties and associates	**1,634**	969	**28**	28
Capital payables	**342**	1,187	**-**	-
Other payables	**279**	283	**-**	-
Indirect taxation	**2,168**	1,222	**-**	-
Accruals and deferred income	**4,002**	3,546	**13**	11
	19,401	20,279	**41**	39
Total trade and other payables	**19,401**	20,314	**6,061**	6,059

Amounts owed to 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 €1,894,000 (2020: €1,467,000).

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

16. Segment information

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

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

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

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

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, right-of-use assets, 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, lease liabilities and taxation are not considered to be segment liabilities but rather are managed by the treasury function.

Notes to the financial statements CONTINUED

16. Segment information *continued*

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
2021			
Revenue	126,483	19,738	**146,221**
Less: inter-segmental sales	(15,177)	(1,595)	**(16,772)**
	111,306	18,143	**129,449**
Segment results	13,682	2,600	**16,282**
Net finance costs			**(1,313)**
Share of associates results			**(120)**
Profit before tax			**14,849**
Tax expense			**(4,291)**
Profit for the year			**10,558**
Segment assets	62,855	37,508	**100,363**
Investment in associates			**3,187**
Total assets			**103,550**
Segment liabilities	16,495	2,909	**19,404**
Unallocated liabilities			**35,063**
Total liabilities			**54,467**
Additions to non-current assets	1,024	182	**1,206**
Depreciation and amortisation	(1,798)	(943)	**(2,741)**

16. Segment information *continued*

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
2020			
Revenue	113,175	21,217	**134,392**
Less: inter-segmental sales	(12,800)	(1,595)	**(14,395)**
	100,375	19,622	**119,997**
Segment results	12,142	2,976	**15,118**
Net finance costs			**(1,587)**
Share of associates results			**(94)**
Profit before tax			**13,437**
Tax expense			**(3,784)**
Profit for the year			**9,653**
Segment assets	61,588	37,940	**99,528**
Investment in associates			**3,307**
Total assets			**102,835**
Segment liabilities	18,658	1,656	**20,314**
Unallocated liabilities			**39,196**
Total liabilities			**59,510**
Additions to non-current assets	1,238	378	**1,616**
Depreciation and amortisation	(1,760)	(935)	**(2,695)**

17. Expenses by nature

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Employee benefit expense (note 18)	**8,211**	8,586	**-**	-
Depreciation of property, plant and equipment (note 4)	**2,037**	2,001	**-**	-
Amortisation of right-of-use assets	**704**	694	**-**	-
Purchases of goods and consumables	**95,193**	87,159	**-**	-
Variable leases and parking fees	**1,000**	901	**-**	-
Movement in inventories	**513**	(124)	**-**	-
Utility costs	**859**	896	**-**	-
Other expenses	**5,450**	5,492	**132**	102
Total cost of sales, selling and marketing costs and administration expenses	**113,967**	105,605	**132**	102

Audit fees

Fees charged by the auditor for services rendered during the financial periods ended 30 April 2021 and 2020 relate to the following:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**160**	151	**18**	18
Tax advisory and compliance services	**7**	7	**1**	1
	167	158	**19**	19

18. Employee benefit expense

	Group	
	2021	2020
	€'000	€'000
Wages and salaries	**7,251**	7,796
Social security	**468**	400
	7,719	8,196
Subcontracted from third parties	**492**	440
Recharged to third and related parties	**-**	(50)
	8,211	8,586

Average number of persons employed during the year:

	Group	
	2021	2020
Operational	**303**	316
Administration	**61**	62
Selling and distribution	**5**	5
	369	383

Wages and salaries are presented net of wage supplement from the Government amounting to €640,972 in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expenses.

19. Directors' remuneration

	Group	
	2021	2020
	€'000	€'000
Emoluments paid	**525**	444

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.

20. Other income

	Group	
	2021	2020
	€'000	€'000
Recharges of expenses to retail operators	**800**	726

21. Dividend 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 €7,538,000 (2020: €13,419,000).

22. Finance income and finance costs

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Finance income				
Bank interest receivable	**-**	5	**-**	-
	-	5	**-**	-

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Finance costs				
Bank interest	**280**	497	**-**	-
Finance costs on lease interest	**1,005**	1,007	**-**	-
Finance lease interest	**9**	11	**-**	-
Other financial charges	**19**	77	**-**	-
Finance lease liabilities	**1,313**	1,592	**-**	-

23. Tax expense

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Current tax expense:				
on taxable profit subject to tax at 35%	**3,236**	2,544	**2,638**	2,719
on taxable profit subject to tax at 15%	**955**	952	**-**	-
under-provision of current tax in prior year	**-**	42	**-**	-
Deferred tax charge	**100**	246	**-**	-
	4,291	3,784	**2,638**	2,719

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	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Profit before tax	**14,849**	13,437	**7,406**	13,317
Tax on profit at 35%	**5,197**	4,703	**2,592**	4,661
Tax effect of:				
share of results of associates	**(49)**	34	**-**	-
maintenance allowance on rental income	**(235)**	(229)	**-**	-
expenses and provisions not allowable for tax purposes	**589**	520	**46**	36
unrecognised deferred tax related to prior years	**(8)**	(15)	**-**	-
under-provision of current tax in prior year	**54**	42	**-**	-
income subject to reduced rates of tax	**(1,273)**	(1,270)	**-**	(1,978)
movement in unrecognised deferred tax	**4**	(1)	**-**	-
other	**12**	-	**-**	-
Tax expense	**4,291**	3,784	**2,638**	2,719

24. Dividends paid

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Gross dividend	**7,385**	7,385	**7,385**	7,385
Tax at 35%	**(2,585)**	(2,585)	**(2,585)**	(2,585)
Total net dividend	**4,800**	4,800	**4,800**	4,800
Euro per share (net)	**0.04**	0.04	**0.04**	0.04

A first net interim dividend of €2,000,000 in respect of the year ended 30 April 2021 was announced on 26 November 2020 and paid to the ordinary shareholders on 10 December 2020. A second net interim dividend of €3,200,000 in respect of the year ended 30 April 2021 was announced on 6 July 2021, and paid to the ordinary shareholders on 19 July 2021.

The second net interim dividend was not reflected in the comparative financial statements as it is accounted for in shareholders' equity in the current year financial statements.

25. Earnings per share

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

	Group	
	2021	2020
Profit attributable to shareholders (€'000)	**10,558**	9,653
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	**€0.10**	€0.09

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

26. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Operating profit	**16,282**	15,118	**7,406**	13,317
Adjustment for:				
Depreciation on property, plant and equipment and right-of-use asset (notes 4,5)	**2,741**	2,695	**-**	-
Loss on disposal of property, plant and equipment	**9**	50	**-**	-
Changes in working capital:				
Inventory	**418**	(30)	**-**	-
Trade and other receivables	**(828)**	(6)	**-**	-
Trade and other payables	**(448)**	3,044	**2**	(5,657)
Cash generated from operations	**18,174**	20,871	**7,408**	7,660

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 39 with the exception for movements in lease liabilities which include finance costs of these liabilities amounting to €1,005,000 (2020: €1,007,000).

27. Commitments

(a) 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	
	2021	2020
	€'000	€'000
Authorised but not contracted for	**70**	442
Contracted but not provided for	**186**	135
	256	577

The group has also entered into a preliminary agreement for the lease of property which is subject to the fulfilment of certain terms and conditions.

27. Commitments *continued*

(b) 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	
	2021	2020
	€'000	€'000
Within one year	**391**	679
Between 1 and 2 years	**145**	159
Between 2 and 3 years	**145**	95
Between 3 and 4 years	**145**	95
Between 4 and 5 years	**73**	95
Later than 5 years	**-**	39
	899	1,162

28. Related party transactions

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

As at year end, Mr Paul Gauci owned 70% of the shareholding in PG p.l.c. and hence controls the group. The remaining 30% 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.

Related party transactions also include transactions with a director of the Group who operates retail outlets within the supermarkets. Rental and other income generated through such transactions amounted to €516,000 (2020: €464,000).

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.

During the year ended 30 April 2020, the group recognised the leasing arrangements with its associate as right-of-use assets and lease liabilities. The group made payments of €2,226,000 (2020: €2,122,000) to its associate in relation with such leases, and recognised €1,005,000 (2020: €1,007,000) as interest expenses and €928,000 (2020: €852,000) as variable lease payments.

Year-end balances with associated related parties are disclosed in notes 10 and 15 to these financial statements.

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

	Group	
	2021	2020
	€'000	€'000
Directors	**525**	422
Senior Management	**541**	453
	1,066	875

29. Contingent liabilities

At 30 April 2021, the group had contingent liabilities amounting to €3,250,000 (2020: €3,250,000) with regards to guarantees mainly in favour of third parties issued by the bank on behalf of the Group in the ordinary course of business.

30. Statutory information

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

31. Subsidiaries and associates

The subsidiaries and associates at 30 April 2021 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2021	2020
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 Supermarkets Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of supermarket and management of retail area	**100**	100

Notes to the financial statements CONTINUED

31. Subsidiaries and associates *continued*

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

32. 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.