HALF-YEARLY REPORT

2022-23

PAVI SHOPPING COMPLEX — QORMI —
PAMA SHOPPING VILLAGE — MOSTA —
A member of PG Group

ZARA
ZARA HOME

PG plc
A member of PG Group

Half-yearly directors' report

Trading performance

During the first six-month period ended 31 October 2022, the Group registered an increase in turnover of 13.8%.

The six month period under review was one marked by international turmoil which contributed to high inflation in food and other prices. A recent internal exercise based on the food commodities imported by PG Group - ie, excluding products sold by concessionaires - indicated that cost prices incurred during this period were 7.3% higher than in 2021. The resulting increase in sales prices has inevitably been felt by the Group's clientele and has resulted in an element of change in buying patterns, occasionally towards cheaper brands or towards cheaper food alternatives.

The Group's emphasis during this period has been that of reducing the impact on its customers. PG has enhanced the scale of its direct buying and has sought to ensure, across all major categories, that it offers an entry level product that can match the alternatives available on the market. The Group has also absorbed an element of the cost price increases incurred, in spite of inflation experienced also in its operating costs, and indeed during the period under review the overall gross profit registered fell from 15.9% to 14.3%.

The efforts made by the Group to dampen the impact of price increases were noted by the market and the Group's supermarkets and associated retail turnover increased by 14.9% during the period, reflecting a volume growth in the region of 9.0%. This growth in turn contributed to enhanced efficiency within the two supermarkets, allowing the Group in large part to offset the impact of higher operating costs. It also resulted in a higher footfall that in turn assisted retail tenants both at Pama and at Pavi.

Growth was also recorded in franchise operations, with Zara and Zara Home sales recording an increase of 9.0% in turnover. These two brands continue to offer good quality products at affordable prices, and have maintained their popularity with local consumers. The sales growth they registered was particularly gratifying when considering that in the same period in 2021 this business had recorded record sales in the immediate aftermath of COVID.

The overall gross and operating profits earned by the Group for this period remained consistent with those registered in 2021, reflecting the combined impact of the factors described above. Profit before tax amounted to €8.5 million as compared to €8.6 million the previous year. After deducting taxation, the Group registered a profit after tax of €6.1 million compared to €6.2 million the previous year.

The Group's positive result was also reflected in the cash flow generation during the first six months of this financial year. Cash generated from operating activities amounted to €11.0 million and at 31 October 2022 the Group's cash at bank exceeded its bank borrowings. The Group remains committed to pursue new growth opportunities in its core line of business, as indicated as well in its recent announcement regarding the conclusion of a promise of sale agreement to acquire land adjacent to its Pavi outlet.

Future prospects

The Group commenced this financial year cognizant of the uncertain economic and political outlook, with the Board's stated aim of maintaining, and possibly improving upon, the record results recorded in the financial year 2021/22.

The consistent performance recorded in the first half year, coupled with the positive momentum being enjoyed in current operations, leads to cautious optimism that the Board's expectations for the full year will be maintained. At the time of approving this report, the Board notes as well that the broad economic outlook moving ahead appears less negative than it appeared at the commencement of the financial year, even if the conflict in Ukraine remains a cause for great concern and uncertainty.

Future prospects – continued

Looking beyond the immediate period ahead, the Board is also encouraged by the influx of new customers that the business has enjoyed in recent months. As already stated above, the Group’s efforts to dampen the impact of higher prices has been recognized by the market, and will no doubt translate into higher customer loyalty in the longer term.

Dividends

On the 29 November 2022, the Board of Directors resolved to distribute a net interim dividend of €2.25 million in respect of the first six months of this financial year ending 30 April 2023. These dividends were paid on 9 December 2022 to the ordinary shareholders registered on the books of the Group as at 2 December 2022.

On behalf of the Board

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

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

15 December 2022

Condensed consolidated statement of financial position

	As at 31 October	As at 30 April
	2022	2022
	€'000	€'000
	(unaudited)	(audited)
ASSETS		
Non-current assets	**87,795**	84,215
Current assets	**34,399**	26,332
Total assets	**122,194**	110,547
EQUITY AND LIABILITIES		
Total equity	**58,175**	55,680
Non-current liabilities	**30,062**	26,314
Current liabilities	**33,957**	28,553
Total liabilities	**64,019**	54,867
Total equity and liabilities	**122,194**	110,547

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

The condensed interim financial information on pages 3 to 10 were authorised for issue by the board of directors on 15 December 2022 and were signed on its behalf by:

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Condensed consolidated statement of comprehensive income

	Note	Six-months ended 31 October	
		2022 **€'000** **(unaudited)**	2021 €'000 (unaudited)
Revenue		**80,765**	70,952
Gross profit		**11,512**	11,282
Operating profit		**9,297**	9,322
Finance costs		**(699)**	(624)
Share of results of associates		**(88)**	(61)
Investment income		**5**	-
Profit before tax		**8,515**	8,637
Tax expense		**(2,413)**	(2,430)
Profit for the period		**6,102**	6,207
Earnings per share	4	**0.057**	0.057

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

Condensed consolidated statement of changes in equity

Group	**Share capital** €'000	**Fair value reserve** €'000	**Retained earnings** €'000	**Total** €'000
Balance at 1 May 2021	27,000	-	22,083	49,083
Comprehensive income				
Profit for the year	-	-	6,207	6,207
Transactions with owners				
Dividends for the year	-	-	(3,200)	(3,200)
Balance at 31 October 2021	**27,000**	**-**	**25,090**	**52,090**
Balance at 1 May 2022	**27,000**	**10**	**28,670**	**55,680**
Comprehensive income				
Profit for the year	-	-	6,102	6,102
Other comprehensive income				
Fair value movement	-	(7)	-	(7)
Transactions with owners				
Dividends for the year	-	-	(3,600)	(3,600)
Balance at 31 October 2022	**27,000**	**3**	**31,172**	**58,175**

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

Condensed consolidated statement of cash flows

	Six-months ended 31 October	
	2022	2021
	€'000	€'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**10,972**	11,340
Net cash used in investing activities	**(507)**	(309)
Net cash used in financing activities	**(4,666)**	(4,308)
Movement in cash and cash equivalents	**5,799**	6,723
Cash and cash equivalents at beginning of period	**7,719**	1,210
Cash and cash equivalents at end of period	**13,518**	7,933

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

Notes to the half-yearly report

1. Basis of preparation

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

The financial information being published has been extracted from the PG Group's unaudited interim financial statements for the six months ended 31 October 2022, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 – Interim Financial Reporting). In terms of Capital Markets Rule 5.75.5, this interim report has not been audited by the Group's independent auditors.

2. Significant accounting policies

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 30 April 2022.

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

During the financial period under review, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 May 2022.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed consolidated interim financial statements, that are mandatory for the Group's accounting periods beginning after 1 May 2022. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

3. Segmental information

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

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
Period ended 31 October 2022			
Revenue	80,098	14,614	**94,712**
Less: inter-segmental sales	(12,953)	(994)	**(13,947)**
	67,145	13,620	**80,765**
Segment results	7,587	1,710	**9,297**
Net finance costs			**(699)**
Share of associates results			**(88)**
Investment income			**5**
Profit before tax			**8,515**
Tax expense			**(2,413)**
Profit for the period			**6,102**
Period ended 31 October 2021			
Revenue	67,137	13,395	**80,532**
Less: inter-segmental sales	(8,685)	(895)	**(9,580)**
	58,452	12,500	**70,952**
Segment results	7,359	1,963	**9,322**
Net finance costs			**(624)**
Share of associates results			**(61)**
Profit before tax			**8,637**
Tax expense			**(2,430)**
Profit for the period			**6,207**

4. Earnings per share

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

5. Capital commitments

The Group entered into a promise of sale agreement on 21 November 2022, to purchase the temporary utile dominium of a divided portion of land forming part of the land known as ‘ta’ L-Istabar’, in the limits of Qormi, in turn currently forming part of the site named ‘Nylon Knitting’ for the consideration of €7,000,000. Ten percent of the consideration has been paid by the Group to the Vendor as a deposit on account of the price. The remaining balance shall be settled upon entry into the final deed of sale by the parties.

6. Related party transactions

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

	Six-months ended 31 October	
	2022 €’000	2021 €’000
Lease charge payable to associates	**1,258**	1,442

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

	As at 31 October	As at 30 April
	2022 €’000	2022 €’000
Current		
Net amounts owed to associates	**(1,677)**	(2,137)

Director’s statement pursuant to Capital Markets Rule 5.75.3

I hereby confirm that to the best of my knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the group as at 31 October 2022, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).

2. the interim directors’ report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

John Zarb
Chairman