ANNUAL REPORT **2017/18**

PAVI SHOPPING COMPLEX — QORMI —

PAMA SHOPPING VILLAGE — MOSTA —

A member of PG Group

ZARA

ZARA HOME

PG plc

A member of PG Group

ANNUAL REPORT 2017/18

CHAIRMAN'S STATEMENT

The PG Group attained a turnover of €99.8 million in the year ended 30 April 2018, representing a growth of 8.9% over the previous financial year, which had registered a turnover of €91.7 million. Operating profit amounted to €11.7 million, compared to €11.4 million in 2017.

The growth in turnover has fully met the board's expectations, and was in part driven by the continued maturity of the Pama Shopping Village. Our results at Pama moreover reflected a full year's income from the retail mall, including the group's Zara Home® outlet, which was inaugurated in October 2016.

The overall operating costs of the group increased by €7.9 million (9.7%) in the year ended 30 April 2018, slightly overtaking the growth in sales. This was the first year of operations of the group as an enterprise listed on the Malta Stock Exchange, and the increase in costs in part represents an added investment in governance, management resources and business continuity. The business has also been impacted by higher employment costs within its outlets.

The group's net profit before taxation amounted to €11.1 million, compared to €10.8 million in 2017. The profit for the year amounted to €7.7 million, compared to €7.4 million in 2017, representing an increase of 4.1%.

An interim net dividend of €1.7 million was distributed to shareholders in December 2017. I am pleased to report that a second interim net dividend of €2.55 million has been approved by the board, and will be distributed on 5 September 2018. These two distributions, totalling €4.25 million, are in line with the indications set out in the group's prospectus dated 27 March 2017, and represent 55% of the consolidated net profit for the year.

Cash flow generated from operating activities totalled €10.2 million, compared to €6.8 million in 2017. As highlighted in our annual report last year, our immediate investment priorities have been the commencement of the expansion project in the Alhambra, Sliema, and the continued refurbishment of the Pavi Supermarket. Both these investments are today well underway, and will enlarge and upgrade our establishments at Pavi and in Sliema. They will serve to enhance the facilities we offer to our customers, who remain the main focus of our operations, and auger well for the future growth of the business.

Our larger financial commitment remains the significant expansion project in our flagship Zara® and Zara Home® Alhambra outlet in Sliema. This development has inevitably necessitated the temporary closure of this outlet, and this will have an impact on our turnover and results in the current financial year. Work on the project is proceeding at a fast pace, driven by our management team and closely supported by our partners within the Inditex Group. Your board is confident that the new enlarged outlet will quickly become a landmark within the local retail sector and on this basis, also assuming a continuation of the prevailing favourable economic environment, expects that its future performance will quickly offset the impacts of the store's temporary closure.

Positive returns have already been noted from the refurbishment carried out to date at Pavi. This has contributed to an 8% increase in overall supermarket sales that have been recorded in the period May to July 2018 when compared to the same period last year. The new Zara Home® outlet at Pavi is also gaining traction and will contribute to our turnover in the current financial year.

Beyond these investments in its physical facilities, the group has continued to strengthen its internal infrastructure. We have committed additional resources to marketing, continually seeking to enhance the effectiveness of our significant spend in this area, and to IT. Work has commenced on defining our information needs and processes moving ahead, looking to replace and upgrade our core supermarket IT systems. We are also looking to launch improved on-line shopping facilities later this year. At the same time, increased attention is being given to staff recruitment, development and retention across the organisation.

The group had a total staff complement of 329 at 30 April 2018 and I would like to extend my thanks and congratulations to all of them, to our various partners, and to my colleagues on the board, for their contribution to the positive results attained last year.

The PG Group continues to work on identifying new growth opportunities. A property purchase was concluded during the year, and this property is earmarked for development in due course. The board is also seeking opportunities that may be pursued by expanding the group's existing complexes, or by securing additional locations. In all such initiatives, your board will ensure appropriate funding arrangements such that new projects could be brought to maturity without impeding the dividend flows resulting from existing businesses.

At 30 April 2018, the PG Group had a market capitalisation of €140 million, well in excess of its IPO valuation of €108 million, with a shareholder base comprising over seven hundred individual, corporate and institutional investors. It has an ongoing obligation to provide a varied and competitive offering to its customers, in an attractive environment; to safeguard and enhance the well being and prospects of all its employees; and to meet the legitimate expectations of its investors, tenants and concessionaires. I am confident that the Group has in place the facilities, management and financial resources that will ensure its continued ability to perform well and to meet these varied obligations.

John B Zarb
Chairman

28 August 2018

Directors

John B Zarb
Chairman

Paul Gauci
Executive Deputy Chairman

Charles Borg
Executive Director and
Chief Executive Officer

Claire Borg Guaci
Executive Director

Ramona Piscopo
Non-Executive Director

William Spiteri Bailey
Non-Executive Director

Lawrence Zammit
Non-Executive Director

Emma Grech
Company Secretary

Senior Management

Charles Borg
Chief Executive Officer

Malcolm Camilleri
Deputy Chief Executive Officer

Raffaela Busuttil
Chief Financial Officer

Silvio Carabott
Chief Operations Officer

Gianluca Borg
Head of Purchasing

Kevin Azzopardi
Head of Marketing

Mark Seguna
Head of Information Technology

Operating review

Composition of the Group

With the sole exception of the retail mall within the Pama Shopping Village, the operations of the Group were unchanged during the two years ended 30 April 2017 and 2018 and consisted of supermarket and associated retail operations conducted at Pavi Supermarket and at Pama Shopping Village; and the operation of the Zara® and Zara Home® franchises.

The retail mall within the Pama Shopping Village, including the Zara Home® outlet situated therein, commenced operations in October 2016, and the comparative income and cash flow statements for the year ended 30 April 2017 accordingly do not reflect a full year's operations of this facility.

Supermarket and associated retail operations

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

- the retailing of food and non-food products, directly procured by the business and carried at its own risk;
- rental arrangements with third party operators in respect of certain specialist activities carried out from designated areas within the supermarkets; and

Conveniently accessible locations and single floor layouts, coupled with extensive free car parking, characterise the shopping facilities available both at Pama and at Pavi, and have contributed to the consistent growth in footfall that has driven sales. Turnover within the supermarket and associated retail operations segment increased by 11.4% when compared to the previous financial year.

Growth was recorded both within the supermarkets themselves and within the associated retail outlets. The total footfall within the two supermarkets totalled 4.3 million persons during the financial year; while that the Pama retail mall recorded 420,000 visitors between January and July 2018.

Mr Stephen Gauci (right above), the general manager of Pama Supermarket, receiving an MCCAA 2017 award from MCCAA recognising an outstanding level of customer service. Pavi Supermarket and the group's Zara outlet were also among the prize winners at this event.

- 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.

The overall commercial strategy is for the supermarkets to carry a wide range of brands aimed at catering for different tastes and means of customers, without compromising the maintenance of margins, while offering patrons highly competitive prices. Purchasing is closely controlled on the basis of supplier negotiations that take advantage of the purchase volumes of the group and of the optimum utilisation of shelf space, while benefiting suppliers through prompt settlement and, where feasible, through efficient logistical arrangements. To maximise efficiency and margins, the group also imports certain products directly.

Our partners within the supermarket business

The delicatessen, bakery and fruit and vegetable stalls at Pama, pictured above, are entrusted to third party operators.

A number of specialist activities within the supermarkets are sub-contracted to such operators. These include, inter alia, the butcher shops, delicatessen counters, fruit and vegetable counters, pasta shops and fish section. The directors believe that such areas within a supermarket require particular attention to ensure varied, quality and fresh produce and that this focus is better attained through specialist and experienced operators with a known reputation in their markets. The group, therefore, does not operate these sections itself but sub-contracts them to experienced operators. This approach is believed to better ensure the success of the retail food sector and operates to improve overall customer satisfaction, whilst insulating the group from the particular stock expiry and control risks associated with fresh and perishable foods generally.

The group makes retail and storage space available to the third party operators and enters into rental arrangements with them in respect of these facilities. The sales of such operators are invoiced to customers by the supermarkets and are hence included within the group's turnover, with the relative proceeds being passed on to the operators concerned in settlement for the goods acquired, after deducting rents and a margin retained to cover, inter alia, the costs of check out, security, cleaning and other services provided.

The group closely monitors the performance of third party operators to ensure the quality and freshness of all products sold, and to ensure price competitiveness. The group adjourns its arrangements from time to time, seeking to maximise efficiency. One such change was affected in September 2017, when the group terminated its third party operator arrangements on the wines and spirits segment and assumed the direct operation of these lines within both supermarkets.

The success of the group's supermarkets and the high level of footfall they generate has in turn enabled the group to maximise its rental income from other retail outlets situated within the complexes. The presence of these outlets is an added convenience to shoppers and serves to enhance the attraction of the complexes as a whole, providing customers with a more comprehensive selection of outlets. The group is accordingly continually seeking new opportunities to expand the retail facilities available at the two complexes.

Rentals from the outlets operated by third parties within the complexes is generally set on an income-sharing basis, subject to an appropriate minimum annual rent depending on the size, location and nature of the outlet. A balanced mix of catering, commercial and retail tenants have been accommodated within each of the complexes.

An investment is currently being made to improve the on-line shopping facilities available to our customers, and this project is today at an advanced stage of development. A new web site is targeted to be launched in October of this year, and this will facilitate the placement and settlement of on-line orders. The site will be supported by facilities whereby customers may opt for home delivery or to pick up their shopping at either of the two supermarkets, depending on their preference.

The group's supermarket and associated retail business segment invests heavily in marketing.

Pama Shopping Village today includes 4,800 sqm of supermarket space on one floor, 6,230 sqm of retail and catering facilities, spread over 38 outlets, various kiosks and 1,200 free car parking spaces. It has become a popular destination for shoppers, meeting most of a family's daily needs.

Operating review CONTINUED

A major part of the annual marketing spend is pitched directly at customers and includes a daily lottery draw, broadcast on radio and TV, of a prize of €1,000 that is drawn from sales made in the previous 48 hours; an entitlement to free bottles of mineral water that is made available to shoppers based on the value of their purchases; and a regular selection of offers throughout the whole year which vary from substantial price reductions on various products to the giving away of cash vouchers with every purchase. Special offers are also made on Wednesdays and in certain periods of the year, such as the Christmas season.
Loyalty points are moreover made available to holders of a loyalty card where points are added on account with every receipt issued. Loyalty card holders, of which the group has over 100,000, can have their shopping bill reduced when redeeming their loyalty card points.

Importance is also attached by the group to marketing aimed at potential new customers, and regular recourse is made to advertising via newspapers, TV and radio, social media and direct post. This is supported by regular market research carried out in order to better understand the public's perception of the group and to identify weaknesses and potential opportunities. Continual market research is also carried out to ensure that the two supermarkets offer, across all major categories, a product that can match competitors in terms of price for a given quality, while at the same time making alternative choices available to its customers.

Refurbishment of Pavi Supermarket

The process of refurbishing the PAVI Supermarket commenced in early 2018. The refurbishment will be an extensive one that will include the complete modernisation of the fishmonger, butcher, bakery, delicatessen and fruit and vegetable outlets, the replacement of fridges and freezers and the upgrade of various areas within the store.

The project is being approached in a phased manner designed to minimise any inconvenience to our partners and to customers. The first major outlet, the fishmonger, was concluded in February 2018. Work is currently at an advanced stage to complete the butcher shop and the replacement of fridges and freezers, and this will be followed shortly afterwards by the refurbishment of the remaining outlets, that generally entail simpler M&E systems and are quicker to complete. The Fruit and vegetable and bakery outlets, our next priorities, are scheduled to be concluded by November 2018, while that the delicatessen and Chinese sections will be tackled after the Christmas peak season. The completed process will bring PAVI fully at par with PAMA in so far as the quality of its physical facilities are concerned.

The project is being complemented by the addition of added associated retail space aimed to enhance the overall shopper convenience, including a new Zara Home® outlet which commenced operations in May 2018.

The refurbished Fish Market at PAVI, opened earlier this year, represented the first step in the supermarket's refurbishment program.

Operating review CONTINUED

The Zara® and Zara Home® franchise operations

The Zara® and Zara Home® brands belong to the Spanish firm Industria de Diseño Textil, S.A., better known as Inditex S.A., one of the world's largest clothes retailers, which reported sales of €25.3 billion in 2017 (€16.6 billion of which comes from the Zara® segment). The Zara® business model is based on organising processes that ensure fast-to-market, quality fashion wear at affordable prices.

Zara® opened its first store in the coastal town of A Coruña in the northwest of Spain in 1975. Zara® today has over 2,250 stores strategically located in leading cities in 96 countries. Zara®'s designers and customers are inextricably linked. Specialist teams receive constant feedback on the decisions its customers are making at every Zara® store. This feedback inspires Zara®'s creative team which is made up of over 200 professionals.

Zara Home® was created in 2003 and specialises in the latest designs for the home. Its textile ranges, which include bedding and bed linen, tableware and bath linen, are complemented by dishware, cutlery, glassware and home decoration objects and accessories. Zara Home® is constantly refreshing its product range throughout the year. Today Zara Home® runs 590 stores in 75 markets.

The PG Group's Zara® franchise operations were initiated in 2001 at the Alhambra store in Tower Road, Sliema. The outlet is owned on a freehold basis and is situated in what is possibly Malta's prime retail location, attracting a high footfall.

A second Zara Home® outlet was opened within the Pama retail mall in November 2016. This second store measures 880 sqm and is an ideal size to exhibit a substantial range of products available from this brand.

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

Inditex is closely involved in the placement of orders for stock, seeking to ensure that the range of merchandise retailed in Malta at all times represents the current offerings of the two brands. Moreover, Inditex participates in the design and finishing of stores and in setting standards for the displays adopted. The Inditex group is characterised by a highly responsive supply chain that ensures that all stores are kept adequately stocked with goods that satisfy current consumer trends and demand.

Responsiveness is enhanced by Zara®'s online shopping facilities, in which the Group also participates. Delivery of Zara® online orders to Malta may be made directly to the customers' address of choice or may be delivered at any of the two outlets. Product returns are awarded the same treatment irrespective of whether an article was acquired at an outlet or online, offering customers a seamless service.

Zara® and Zara Home® expansion projects

A significant program of expansion is currently underway with respect to the group's Zara® and Zara Home® operations.

This program commenced earlier this year with the creation of a new Zara Home® outlet within the Pavi complex. This outlet, measuring 500 sqm of retail space, in addition to staff facilities and storage, was opened in May 2018, and its results will first be reflected by the group in the financial year ending 30 April 2019. The shop, pictured below, has further served to enhance the overall shopper convenience and ambience within the complex.

The more important development on which the group is currently engaged relates to its flagship Alhambra outlet in Sliema.

As the Zara® range expands, Inditex is favouring the opening of larger stores that permit the stocking and display of a wider selection of products than was possible within the existing Alhambra outlet. It was recognised as well that this outlet had been in operation for a numbers of years and required modernisation.

An agreement was accordingly reached between the group and Inditex for the expansion of the Sliema outlet through the construction of five additional levels on the back of the building, which was previously constructed up to two floors. This will increase the retail space within the building from 1,711 to 3,311 sqm, apart from supporting staff and storage facilities, and circulation areas such as stairways, lifts and escalators. The enlarged outlet will house one of the largest Zara® department stores in Europe. It will also include one floor dedicated completely to Zara Home®.

Over the past year, the Group has worked closely with Inditex specialist architects to develop the detailed designs for the project. The joint objective remains that of creating a modern outlet that will be a landmark not only in Malta but also within the wider Zara® stable.

Development work commenced in January 2018, utilising a steel structure to target the shortest possible development timescale and to minimise the disturbance caused by the development. At the date of concluding this review, all construction work has been completed (apart from alterations to the facade) and work is moving at a fast pace on M&E installations and finishes. The group aims to reopen the finished store in November of this year, in time for the Christmas season.

As already noted in the chairman's statement, this development has inevitably necessitated the temporary closure of the outlet. This temporary closure was preceded by an extensive sale designed to dispose of the maximum amount of stock possible. The group has redeployed a number of the staff employed at the store; other members of staff, mainly expatriats, have opted for a Sabbatical; while that a number of the store's senior employees have been seconded to similar stores in a number of countries overseas in order to better prepare for the larger scale of the operation that will result from the development.

The store will feature various improvements and innovations for the added convenience of shoppers. It will also display an enlarged variety of stock, and entail new operating procedures in key areas, eg., in the interaction between the retail and storage floors. Our senior Zara® and Zara Home® management, supported by Inditex specialists, are playing a key role in the preparations required. Staff recruitment is well underway, locally and overseas, and a series of preparatory training courses and trials are scheduled for September and October. In the meantime management is working with Inditex to ensure that the store is fully stocked upon its reopening.

Operating review CONTINUED

Property acquisition

During the course of the financial year, the group acquired the property known as the United Macaroni factory, in Qormi Road, Marsa.

As a result of this acquisition, the group is the sole and exclusive owner of this property. The purchase price of the property was €3.5 million, of which €1 million was paid immediately upon signing of the contract. The remaining balance will be paid, without interest, in five equal instalments of €500,000, an outlay that can be comfortably met from the group's ongoing operating cash flow. No financial commitments have yet been entered into with respect to the potential development of this site.

The board believes that this site is a very attractive property for commercial activities. To maximise its potential value, a planning application was submitted, and was subsequently approved by the Planning Authority, which defines the volume of permitted development. The site can accommodate an office/commercial development with a net rentable area of circa 13,000 sqm, giving a site acquisition cost of €265 per sqm; in addition to four floors of subterranean car parking.

This site will be held for its possible development into commercial premises, or for resale, depending on opportunities identified. The group has no immediate plans for its development. Through this acquisition the group has nevertheless increased the quality assets of its portfolio, which should yield positive returns in the future.

Paul Gauci commenced Zara® franchise operations in 2001, and opened the PAVI Supermarket in 2006, in both instances in partnership with family members. He acquired full control over these operations in 2008 and 2015 respectively, and subsequently launched PAMA Shopping Village, that commenced operations in late October 2015.

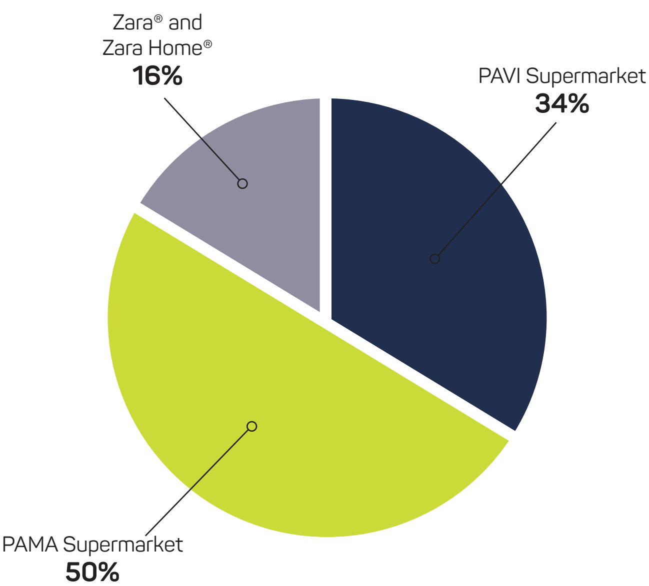
Paul Gauci owns 75% of the equity of PG plc. He remains actively involved in the overall management of the group and plays a leading role in the identification and actioning of new initiatives.

Review of operating performance

The Group's operating performance for the year ended 30 April 2018 is summarised below:

€'000	Year ended 30 April 18	Year ended 30 April 2017
Turnover	99,849	91,686
Cost of sales	(84,581)	(77,425)
Gross profit	**15,268**	**14,261**
Gross profit percentage	**15.3%**	**15.6%**
Selling and Marketing costs	(1,063)	(1,195)
Administrative Expenses	(3.284)	(2,445)
Other Income	771	764
Operating profit	**11,692**	**11,385**
Operating profit percentage	**11.7%**	**12.4%**
Share of results of associate	(26)	(21)

The growth in turnover, amounting to 8.9%, has fully met the expectations of the board. Growth was in large part driven by the increasing maturity of PAMA Supermarket's operations, which recorded a 13.5% increase in footfall; by the impact of reflecting a full year's rental income from the retail mall within the village, including the new Zara Home® outlet situated therein; while that sales at PAVI were sustained at 2016/17 levels, reflecting in part a continued rebalancing of customers between the two outlets.



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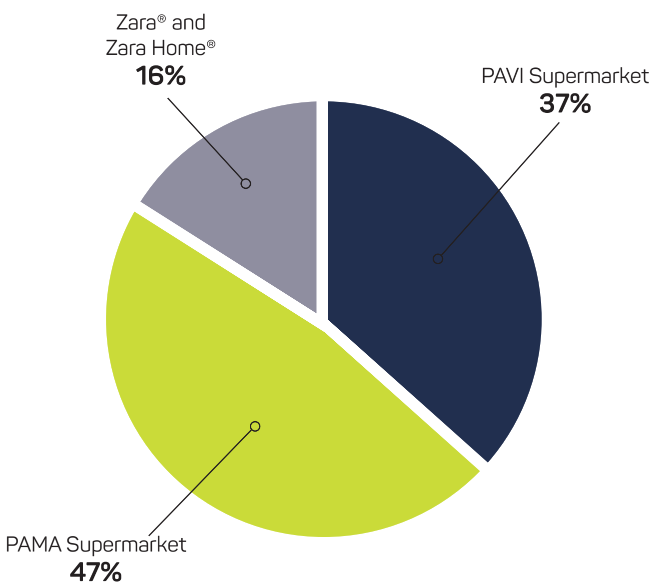


YE 30 APRIL 2017

Operating review CONTINUED

During the period the consolidated sales mix and overall gross profit percentages remained constant. Operating efficiencies were attained at Pama, driven by the larger sales volumes, but these were offset by an increase in shop operating costs, including the impact of the new Zara Home® outlet at the Pama retail mall and the impact of higher employment costs across the group's operations.

Our annual report last year commented on the unsustainable leanness of the group's marketing and administrative resources, which required additional commitment moving ahead to ensure enhanced corporate governance appropriate to a listed company. A significant investment has been made in this area in the course of 2017/18, in the process safeguarding the continuity of the business and its ability to cope with new projects.

Management and accounting resources have been strengthened, including inter alia a new group chief financial officer, a new head of marketing and a new head of IT. This was also the first full year of operation of the current board of directors.

An external service provider has been engaged to conduct a regular cycle of internal audits, focusing on the controls maintained by the group in key areas such as purchasing, payroll, stock control, sales and cash handling. Our controls and systems in these crucial areas are supplemented by a program of continuous inventory counting that serves both to ensure the accuracy of our records and to give early warning to management on any areas where control procedures appear at risk.

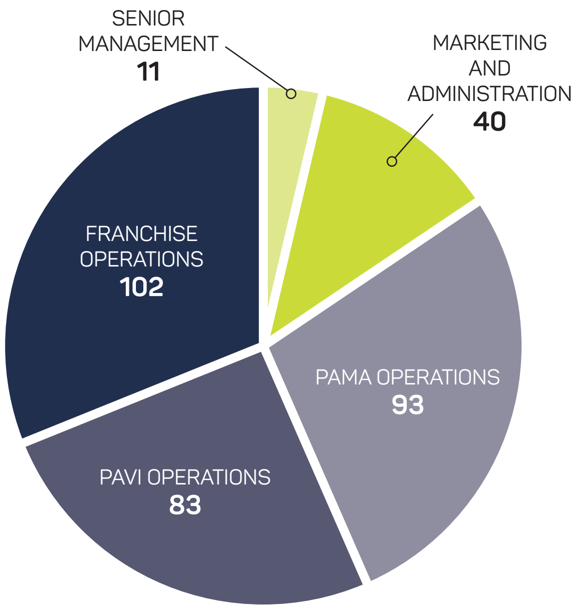
This strengthening of the group's management infrastructure resulted in a step change in administrative expenses, which increased materially during the year. Looking ahead, with the possible exception of IT, the group expects that such costs will now stabilise.

The group has commenced during the year a preparatory program that is intended to lead to an upgrade in its core supermarket infrastructure. Our head of IT, assisted by an experienced specialist consultant, is currently leading a process to better define the core functionalities of the systems required and to conduct a gap analysis to identify existing shortcomings that need to be addressed. This process is expected to be completed later this year, and will help the group in identifying the technical solution most suited to its future needs, looking inter alia at ease of implementation and at the mitigation of the attendant risks. An added investment will no doubt be necessary in this area, albeit one that should yield operational benefits.

The group's overall employment cost increased from €5.5 million in 2017 to €6.7 million in the year ended 30 April 2018. The staff complement increased from 309 to 329 persons, with the average cost per employee increasing by 14%. The increase in the average cost per employee is in part due to the recruitment of higher grade staff and in part due to increases in pay levels.

In a market characterised by high employment, staff recruitment and retention are increasingly areas of management focus. Importance is also given to training at all levels, and to strengthen our human resource functions across the group. The group is conscious in particular of the need to maintain a targeted training programme for its senior employees, looking to develop the skill sets of its management and plan for long term continuity. An assessment and monitoring program focusing on each individual was initiated earlier in 2018, and this will be followed by training, including tailored courses, looking at developing technical, managerial and interpersonal skills.

Staff occupation at 30 April 2018:



Finance costs and cash flow

Net finance costs amounted to €589,000 in the year ended 30 April 2018, compared to €557,000 in the previous financial year. After deduction of taxation, the PG Group attained a profit for the year of €7.66 million, compared to €7.36 million in 2017.

The group generated a net cash flow from operating activities amounting to €10.2 million (€6.8 million in 2017). This cash flow was applied, inter alia, towards:

- Capital expenditure of €3.6 million, including of €1.3 million paid on the property acquisition referred to earlier in this report; €1.1 million on the new Zara Home® outlet at Pavi and on various ongoing replacements at the two supermarkets; and €1.2 million in respect of the Zara® and Zara Home® Alhambra store project.
  The development cost of the Alhambra project is projected at €9.1 million. The group has negotiated a term loan of €9 million to finance this project on a long term basis. No draw downs of this loan had been affected at 30 April 2018.
  The total cost of the property acquisition, inclusive of stamp duty and other costs, amounted to €3.7 million. At 30 April 2018 the group had an indebtedness of €2.5 million arising on this purchase. This amount is payable, without interest, in five equal six monthly instalments of €0.5 million.

- The continued reduction of borrowings. As at 30 April 2018, the group had bank borrowings, net of cash in hand, of €17.2 million (2017 - €22.1m), including term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €1.7 million per annum.

Dividends

An interim net dividend of €1.7 million was distributed by PG plc in December 2017.

A second interim net dividend of €2.55 million was approved by the board as at the date of this report, and will be distributed on 5 September 2018. With this second dividend, the total net distributions made by the group out of the profits for the year ended 30 April 2018 come to €4.25 million, in line with the indications contained in the group's prospectus dated 27 March 2017. These distributions amount to 55% of the profit for the year, and represent a gross yield of 6.05% on the nominal value of each share.

The declaration of a second interim dividend payable now, in lieu of a final dividend that would otherwise be approved and paid following the annual general meeting planned for October, is designed to attain a reasonable time interval between the two annual dividend distributions that the group would like to sustain moving ahead.

Current year prospects

The two supermarkets have had an encouraging start to the year, with sales for the three months ended 31 July 2018 showing an increase of 8% over the comparable period in 2017. The outlook for the financial year ending 30 April 2019 is encouraging for both stores and should be positively impacted as well by the completion of the refurbishment at Pavi later this year.

But perhaps the factor that will most impact the group's results for the current financial year is the expansion project at the Alhambra complex. As already stated, this outlet was temporarily closed in mid July; the interruption of normal Zara® operations in fact commenced a month earlier, as a heavily discounted sale was launched to clear the stock which would otherwise have remained surplus to the store's requirements.

The expanded Alhambra Zara® and Zara Home® outlets are scheduled to reopen in November 2018 and are expected to result in an increase in the store's turnover when compared to the past. In view of this, the group is aiming to attain an overall outcome, for the current financial year, that is comparable to the positive result attained in the financial year ended 30 April 2018; and will as a consequence be seeking to sustain the dividend levels distributed in this last year.

The attainment of these positive objectives depends in part on the Alhambra project being completed on schedule; on its success meeting at least the expectations of the group which, while prudently set, are subject to the uncertainty inherent in any new project; and to the overall economic environment remaining positive.

Health and safety

The group has a keen interest in all health and safety issues affecting its employees, its customers and all other visitors to its premises.

The board requests regular updates on this subject from senior management, supported by a specialist external consultant, and ensures that adequate resources and attention is devoted to this area. Board updates cover such topics as the maintenance and use of premises, fittings and equipment, adherence to fire and other regulations, the training of staff, and safety drills.

The group is equally concerned to ensure full adherence to all regulations regarding the storage and handling of foodstuffs, including the continual monitoring of expiry dates on its own products. Random checks are also carried out to ensure that third party operators are also adhering to the group's standards, as stipulated in their contractual arrangements.

Particular attention has also been devoted, in recent months, to ensuring adherence to health and safety and other applicable building regulations with respect to the development at the Alhambra outlet; and to minimising as far as possible the external impacts and disturbance caused by the construction site. This was facilitated by the choice of a steel structure. The use of a tower crane mounted behind the building, in premises temporarily rented for the purpose, also helped minimise disruption on Tower Road, a major thoroughfare.

One of the more delicate works entailed in this project was the removal of the old asbestos roof installed when the Alhambra cinema was first built. This was a task entrusted to a specialist contractor, and was conducted under strict supervision of the relevant authorities. It entailed removing the roof, section by section, in a manner that avoids cutting or other processes that would release asbestos particles; hermetically sealing all removed panels prior to any further handling; and the removal of all asbestos material from site.

Our contribution to the Community

The PG Group is grateful for the continued trust people place in the company, in the products it sells and the service it provides. All this makes the organisation more aware of its responsibilities to society, and the company is committed to support the community and the environment in a meaningful way.

These efforts anchor the company's commitment to be not just a nation-wide company people know and love, but also as a company with deep local roots and a longstanding commitment to making differences in the communities it proudly serves.

This year the company supported various charitable causes with various institutions being the ultimate beneficiaries amongst which L-Istrina, Dar il-Kaptan, Dar Bjorn and the Hospice Movement. The company also supported other local entities such as band clubs, sports clubs and schools by contributing towards the organization of various fund-raising activities. It also contributes by ensuring that goods approaching their optimum sell-by date are distributed to homes and other institutions that require foodstuffs on a regular basis.