



# ANNUAL REPORT 2022-23



A member of PG Group

ZARA ZARA  
HOME



A member of PG Group

Readers are reminded that the official statutory Annual Financial Report 2023, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on the Malta Stock Exchange portal <https://www.borzamalta.com.mt/>. A copy of the Independent auditor's report issued on the official statutory Annual Financial Report 2023, is included within this document and comprises the auditor's report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

Company Registration Number: C78333



A member of PG Group

## ANNUAL REPORT 2022-23

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# CHAIRMAN'S STATEMENT

**By delivering value to customers, we also create sustainable value for shareholders.**



The PG Group increased its turnover by 18.3% in the financial year ended 30 April 2023, registering sales of €173.9m, compared to €147.0m in the financial year 2021/22.

Supermarket sales and associated retails amounted to €144.4m (€121.2m in financial year 2021/22) and accounted for 83.0% of the group's turnover, slightly increasing their share of overall income compared to the previous year.

The market continued to experience a period of high inflation in food prices during the year under review, albeit at a more modest level compared to a year earlier. In this environment, the group maintained its emphasis of containing selling prices, reducing margins on certain core branded products while placing added focus on direct procurement from more competitive sources. The objective remained that of being able to offer a highly cost-effective entry level product in all major categories, without reducing the choice available for more affluent customers.

Our competitive pricing has been noted by consumers and has resulted in significant volume growth. Total footfall within the two supermarkets increased by 14.6% to €3.5m when compared to a year earlier, while that the number of product units sold increased by 25.2% to 61.9 million. This statistic is perhaps the best indicator of the increased level of activity recorded within the two supermarkets during the financial year. By the same token it follows that the average sales price per unit sold fell when compared to a year earlier, in spite of continued inflation in food prices. This reflects changes in consumer choices in favour of cheaper food products, and/or cheaper brands, coupled with the group's emphasis on moderating price increases to the extent practicable.

Our franchise operations also had a successful year, recording a turnover of €29.5m representing an increase of 13.9% over the sales of €25.9m recorded in the previous financial year. Volume growth accounted for 8.0% of this increase, reflecting the consistent popularity of the Zara and Zara Home brands.

The growth in the product volumes handled by the business was inevitably reflected in our direct operating costs. The group's employee complement, measured in FTE's, grew slightly to 393 in the course of the financial year, while that the average cost per employee increased by 17.6% during the same period. This reflects the high COLA awarded in 2023 in addition to further wage increases granted by the group in a highly competitive labour market. Inflationary cost increments, coupled with the pricing strategy adopted by the group in its supermarkets, resulted in a drop of 1.4% in the group's overall gross profit margin. This reduction was more than offset by the impact of higher sales. Across the span of its operations, the group succeeded in increasing its gross profit by 7.5% to €24.0m (€22.4m in financial year 2021/22) while operating profit increased from €18.1m to €18.9m in the financial year being reported upon.

Finance costs increased by €427,000 during the year due to higher interest rates, but this was matched by finance income of €528,000 as the group was able to profitably deploy any available liquidity. Profit before tax amounted to €17.6m compared to €16.7m in the financial year 2021/22. Taxation payable, at €5.0m, represented an effective tax rate of 28.2% (27.9% in financial year 2021/22). The resulting post tax profit was of €12.7m compared to €12.0m the previous year, an increase of 5.2%.

This positive result follows on from the highly successful financial year reported upon in August 2022, and has exceeded expectations. Over the past five years, PG Group has increased its turnover and post-tax profits by 61% and 42% respectively. It has done so while adopting a business strategy that is supportive of consumers in a period when this matters more, and the consumer response it has received will no doubt pay dividends in the longer term.

The group continues to benefit from a healthy cash flow. Cash inflows from operations totalled €24.2m, compared to €20.6m in the previous financial year. Apart from the incidence of taxation, this cash was in the main applied towards a reduction in bank borrowings, the payment of dividends and the purchase of land adjacent to Pavi. At 30 April 2023 cash and bank balances in hand exceeded bank borrowings by €2.9m.

PG plc distributed two interim net dividends in December 2022 and July 2023, totalling €6.8m and representing 53.3% of the net profit for the financial year ended 30 April 2023. These distributions signify an increase of 15.4% over the dividends of €5.9m paid in respect of financial year 2021/22. They amount to a gross yield of 4.8% on the group's share price at 30 April 2023, and of 9.6% on the share price at which PG plc was first listed in 2017. The group remains committed to its policy of distributing half of its annual post-tax profits by way of dividends and of ensuring that new projects, and the financing thereof, are undertaken in a manner that does not prejudice the regular payment of dividends.

The continued growth in sales volumes has increased the storage needs of the business, with much of this storage being accommodated at the ex-pasta factory owned by the group in Qormi. During the year, the group acquired a site measuring approximately 8,000 sqm directly abutting Pavi supermarket. The site enjoys the benefit of a full development permit for underground storage, the construction of which would better meet the group's needs in this respect and make the ex-pasta factory available for redevelopment or disposal. The cost of acquisition of the property, amounting to €7.0m, was settled directly from operating cash flows. The group has moreover applied for a change of use on this site and the terms thereof, including a premium of €4.9m, have recently been approved by the House of Representatives. The conclusion of this transaction will, subject to the necessary planning approval, permit the group to expand the retail offering at Pavi, and increase the associated car parking, better meeting the needs of its clientele.

Expansion is also planned at Pama, and in July 2022 the group took possession of a site measuring approximately 13,000 sqm directly adjacent to the complex. Building development on this site is expected to be limited to its existing built-up area, which is however the portion of the land that is closest to Pama. The timing of this development is dependent on the issue of the necessary permits, which have been applied for. Once in place, it will help meet existing demand for additional retail space within this popular destination.

In the meantime the group continues to seek and to work upon other opportunities for growth. It is well placed to pursue such opportunities on a number of fronts. It has adequate financial resources and a strong cash flow, giving it ample space to raise additional finance. It has a burgeoning clientele and a successful business model, that would benefit from the purchasing economies that further growth could provide. It has a stable and experienced management team that could accommodate the challenges that new developments would bring about. And it has successfully upgraded its core IT systems, giving it a strong platform for the proper control of further expansion.

I believe that our success has been attained without compromising on our ESG responsibilities. We report upon this topic in more detail in our annual report, but I touch below upon certain aspects that I consider particularly important. We have strong governance procedures in place, led by a dedicated management team and an experienced board, whose functioning and independence are fully supported and encouraged by the group's major shareholder. We employ a highly diverse workforce and seek to avoid discrimination at all levels, without exploitation. We support a number of charitable causes through cash donations and, more importantly, by ensuring as far as is practicable that no food goes to waste. With the recent full refurbishment at Pavi, we have energy efficient equipment at all our outlets; while we have continued to invest in the use of PV panels and will soon be in a position to make major additions on this front at Pavi. We collect and recycle all packaging materials. Finally, we are making inroads in reducing the quantity of water in one-way containers that is distributed from our supermarkets, in addition to supporting the BRCS scheme and housing large reverse vending machine facilities both at Pama and at Pavi.

The board looks forward to the future with confidence. We have had a strong start to the current financial year across all segments, with sales in the first quarter of this financial year showing increases of 23%. The board does not expect this rate of growth to continue unabated, but nevertheless has reasonable grounds for expecting another successful financial year moving ahead.

In conclusion I would like to thank all the group's employees and management, my fellow directors, and our suppliers and business partners, for the role they all play in the continued success of PG Group.



**John B Zarb**  
Chairman

24<sup>th</sup> August 2023

# Board of Directors

**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 director 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.

**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.

**WILLIAM SPITERI BAILEY** a Certified Public Accountant and a registered auditor, is a partner within RSM Malta, responsible for risk management services. William has extensive experience in servicing and advising clients across a wide range of industry sectors. William is an ex-President of the Malta Institute of Accountants and currently a Council Member. He is also the current Chair of the Services Economic Group and of the Financial Services Business Section of The Malta Chamber of Commerce, Enterprise and Industry. William is also currently a member of the IFAC (International Federation of Accountants – New York) Small and Medium Practices (SMP) Committee.

**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.



**John B Zarb**  
Chairman



**Paul Gauci**  
Executive Vice-Chairman



**Charles Borg**  
Executive Director &  
Chief Executive Officer



**Gianluca Borg**  
Executive Director &  
Chief Purchasing Officer



**Claire Alexia Borg Gauci**  
Non-Executive Director



**Lawrence Zammit**  
Non-Executive Director



**Maria Micallef**  
Non-Executive Director



**William Spiteri Bailey**  
Non-Executive Director



**Dr Emma Grech**  
Company Secretary

# Senior Management, Group Services and Operations



## SENIOR MANAGEMENT

LEFT TO RIGHT

**Kevin Azzopardi** Head Marketing

**Gianluca Borg** Executive Director & Chief Purchasing Officer

**Ian Micallef** Chief Financial Officer

**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

**Adriana Cassar Camilleri** Brand Manager - Zara®

**Manuel Caruana** General Manager - Pavi

**Janica Gauci** Brand Manager - Zara Home®

**Stephen Gauci** General Manager - Pama



## OPERATIONS MANAGEMENT

LEFT TO RIGHT

**Sylvienne Xuereb** Finance Manager

**Michelle-Marie Buttigieg** Head Finance

**Giannella Richardson** Finance Manager

**Marthese Gatt** Human Resources Manager

**Mark Mifsud** Head Purchasing

**Isabelle Spina** PA to CEO

**Nadia Spiteri** Finance Manager

**Roberta Schembri** Finance Manager (NOT IN PHOTO)

# CHIEF EXECUTIVE OFFICER'S REVIEW



**We have strived  
to match the  
lowest prices on  
the market  
through our  
Super Prices -  
Everyday  
campaign.**

I am pleased to present to you the financial and operational performance of PG Group for the financial year ending April 2023. We have continued where we left off last year in terms of our strategic direction. We continue to focus on giving added value to our customers in terms of choice of products at competitive prices. Our business model has been modelled to meet and exceed our customers' expectations. Our major focus this year has been to keep the cost of shopping affordable for our customers. At the same time, we have invested in our colleagues and worked in partnership with our suppliers and distributors. We do understand the pressures which many of our customers are facing as a result of increasing prices, and we are doing our utmost to support them by sourcing products at lower prices. Inflation is a pressing reality for everyone, and it is our job to find ways how we can help our many customers to overcome this challenge. This is why we focus all our efforts at keeping our regular shopping not only affordable but also healthy, whilst creating quality and convenience. Guided by this principle, we will be able to build a stronger and more sustainable business.

Financial year 2022/23 has been yet another important year for PG Group. Not only have we come out of the COVID-19 pandemic in a healthy way, but we have managed to build on our position as leaders in the market. We are convinced that the strategic priorities set by our Board will continue to deliver encouraging results going forward.

As has been communicated to the market, our policy direction is to retain low and competitive prices even at the expense of lower margins. The benefits derived from these lower prices have generally been passed



on to our consumers and we are convinced that this is our biggest competitive advantage over other supermarkets. The logistical challenges that we faced in 2022 have to a significant extent been overcome and this year, we have been able to offer a large variety of products at the right price.

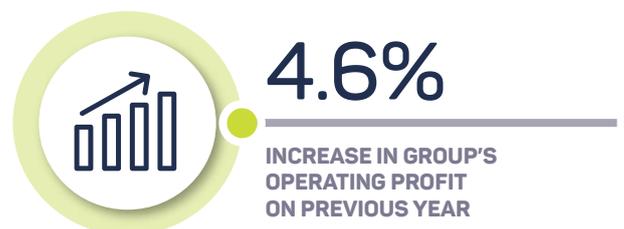
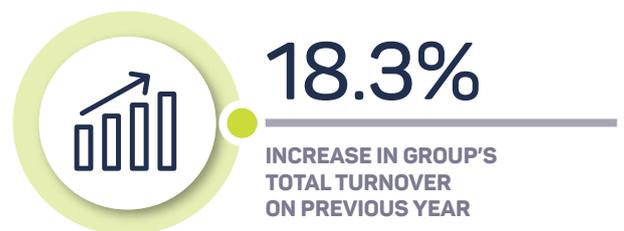
Our purchasing team have worked very hard to ensure that we have the full range of products on our shelves at competitive prices. As a result, the overall financial performance in financial year 2022/23 was stronger than in previous years and exceeded even the budgets set at the beginning of the year.

PG Group stands for value creation to all its stakeholders, by offering a vast range of products, both branded as well as private labelled at the cheapest possible prices, healthy returns to our shareholders,

better working conditions to all our members of staff and a continued investment in our community at large.

Our vision is to deliver a unique customer experience, provide quality products with great value that exceed customers' expectations in terms of service quality. We have strived to match the lowest prices on the market through our **'Super Prices - Everyday'** campaign. This campaign has proved to be very successful.

At the same time, the Board continues to explore and analyse a number of investment opportunities to expand the business. During the course of this financial year on the 27<sup>th</sup> December 2022, the group has issued a company announcement to inform the public that the group has invested in a piece of land measuring 8,000sqm which is adjacent to our Pavi Complex in Qormi. This property was bought for €7.0m and the intention is to incorporate this





land with our existing supermarket. The House of Representatives has also approved the 'change of use' of this property and therefore we have now started the application process with the building authorities to issue the necessary permits for the development. Our plan is to offer a much wider and more diverse proposition in Qormi, similar to our offering in Mosta.

The strategy of the group with respect to the two supermarket complexes remains that of focusing our activities on areas closely aligned to our 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 us and carried at our own risk;
- rental arrangements with third party operators in respect of certain specialist activities carried out from designated areas within the supermarkets and letting of other retail and commercial outlets within the two complexes.; and

- the management and operation of the franchise of Zara and Zara Home.

The overall aim is that of creating destinations that cater for several needs of shoppers, going beyond a routine visit to a supermarket, albeit that the latter remains of fundamental importance.

In order for us to be able to compete effectively, we have increased our direct sourcing from suppliers abroad and invested more in our Purchasing Department to be able to source new suppliers. Direct sourcing gives us a competitive advantage and the benefits derived are generally passed on to our consumers by way of lower prices. In the case of a number of essential products, we took the decision to significantly reduce our margins and, in some cases, even below our purchase price, which means that we subsidise certain staple products.

Furthermore, the strategic direction given to us by our Board, is to carry a wide range of brands aimed at meeting the different tastes and means of customers. Purchasing of stock directly procured by the business and carried at its own risk is closely controlled to safeguard the competitiveness of our consumer pricing. Procurement is based on supplier negotiations that take advantage of the purchase volumes of the group and of the optimum utilisation of shelf space, while benefiting suppliers through prompt settlement and, where feasible, through efficient logistical arrangements. We have continued to increase this direct sourcing of products and today we import directly around 30% of the products that are placed on our shelving from around 200 different suppliers. To safeguard our supply, we increased our stockholdings particularly of essential commodities to ensure the availability of supply. This diversity gives us the opportunity to source quality products at competitive prices which in turn result in a benefit to our customers. Lower prices and diversity of product range has given us the possibility to attract many customers who never used to shop in one of our supermarkets, thus gained important market share. Coupled with this, we have also noticed an increase in the average chit size.

**Quality, Price and Service excellence are our primary objectives.**

We are also pleased to report that during this financial year, we have strengthened our close collaboration and business relationship with CONAD srl, which is one of the largest supermarket chains in Italy. CONAD offers a



**Lower prices and diversity of product range has given us the possibility to attract many customers who never used to shop in one of our supermarkets.**

*"The turnover of our franchise business reached €29.5m, an increase of 13.9%"*



comprehensive range of products, both branded as well as private labelled products. Their products are of high quality and their prices are quite affordable. This relationship continues to work well and it is our intention to invest more by offering a more diverse range of products carrying their own label.

As a result of our pricing strategy we are pleased to report a healthy increase in the number of customers coming to shop from our two supermarkets. In actual fact during the financial year under review, we had more than 3.5 million customers entering our two supermarkets which represents an increase of 14% over the previous year. This equates to just under 10,000 customers a day – a very encouraging number indeed. Furthermore, the actual number of loyalty card members have increased by more than 11% over the previous year. We are also pleased to note an increased footfall in our shopping mall. During financial year 2022/23, the number of customers that have visited our shopping mall in Mosta has reached one million – yet again another important milestone.

## Zara & Zara Home franchise operations

The textile section of our business also had a very good year and the popularity of Zara and Zara Home brands have continued to yield positive results. Operations within the three stores are conducted in close liaison with the brand owner, Inditex, which is very much involved in the placement of orders for stock. Zara and Zara Home ensure that the range of merchandise being offered in Malta represent its current offerings of the two brands. Coming out of the COVID pandemic where the impact on the purchase of clothing was significant, during this financial year the sales have picked up significantly and this trend continued throughout the year as well. We are therefore pleased to report increased turnover in both Zara clothing and Zara Home products. The total turnover has reached €29.5m or 13.9% increase over the previous year.

Sales of Zara and Zara Home items continue to do well even to this day and we are pleased to report that the



business strategy we have adopted, in line with that promoted by Inditex S.A. worldwide, is reaping positive results. Inditex S.A. have invested heavily on their online platform and as a result we continue to experience healthy increases in our online offering. Our Zara online sales have now reached 15.4% of total sales. This strong performance clearly shows that online business has become an integral part of our business and in the future we expect this to increase.

## Environmental, Social, and Governance (ESG)

Last year I had introduced the new initiatives being taken by the group towards our ESG program. We have continued to expand this program throughout this financial year and

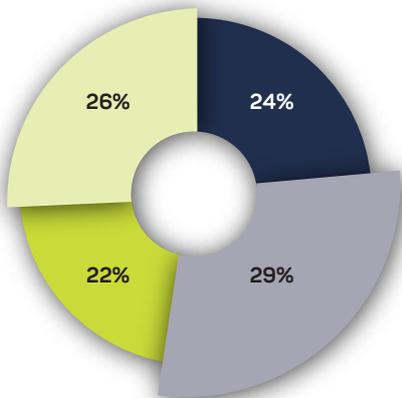
we are pleased to report to you a number of new initiatives that we have worked upon.

ESG stands for concrete initiatives towards the betterment of society in the three main pillars of the **environment, social and governance**. This has become the main trust in corporate thinking. The European Commission has introduced a directive dealing specifically with this ESG criteria. Environmental, Social, and Governance criteria are a set of standards for a company's operations that socially conscious investors and clients use to screen potential investments.

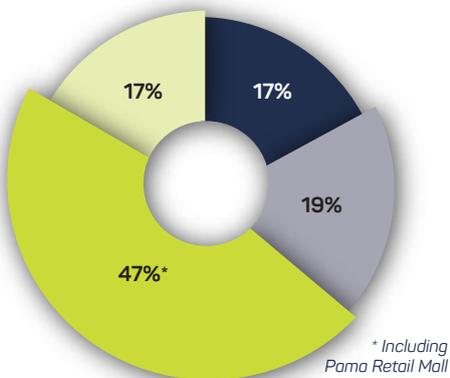
(i) Environmental criteria consider how a company performs as a 'steward of nature' and includes how a company uses energy, how much waste it generates,

## ALLOCATION OF AREA

PAVI



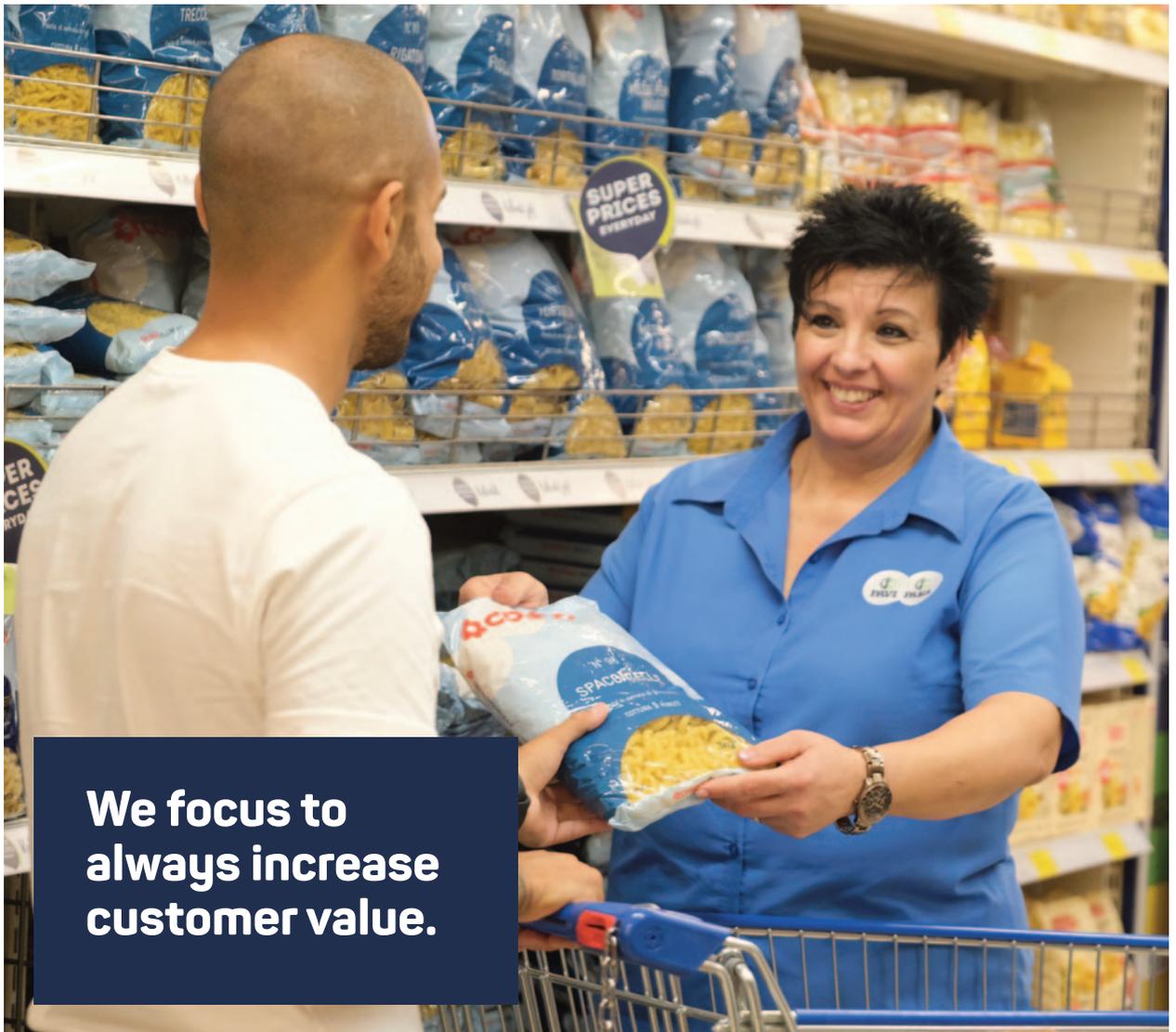
PAMA



\* Including Pama Retail Mall

- Supermarket - own operations
- Supermarket - specialist operations
- External retail areas
- Administration and stores

OWN OPERATIONS	SPECIALIST OPERATIONS
Cleaning	Pasta
Frozen	Fruit & Veg
Chilled	Delicatessen
Baby	Fish
Personal Care	Butcher
Confectionary	Bakery
Homeware	Health
Foods	Pet
Cellar	Garments
Beverages	
Do It Yourself	



**We focus to  
always increase  
customer value.**





€144.4m

SUPERMARKET AND ASSOCIATED  
RETAIL OPERATIONS REVENUE  
2022-23



19.2%

INCREASE IN  
SUPERMARKET AND ASSOCIATED  
RETAIL OPERATIONS REVENUE  
ON PREVIOUS YEAR



€29.5m

FRANCHISE OPERATION  
TURNOVER  
2022-23



13.9%

INCREASE IN  
FRANCHISE OPERATION  
TURNOVER ON PREVIOUS YEAR

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.

- (ii) On the other hand, social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates, as well as how the company conducts its business relationships with third parties. How do we interact with our suppliers? Does the company contribute back part

of its profits to the community and does it encourage its 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?

- (iii) Finally, governance deals with a company's leadership, executive pay, audits, internal controls, succession plans, business continuity plans and shareholders' rights. With regards to governance, our





To further sustain our pledge of providing customers with great value, we have marked the staple food items as 'Super Prices' with clear merchandise for easier identification. We have over 800 products marked 'Super Prices', the most essential items with the cheapest price in their respective category. Rather than having such products simply put on offer for a short period of time, we make every effort to sustain these prices for longer periods to ensure that the most essential items are accessible to all customers.



**€12.7m**

GROUP'S PROFIT AFTER TAX  
2022-23



**5.2%**

INCREASE IN GROUP'S  
PROFIT AFTER TAX  
ON PREVIOUS YEAR



**€2.9m**

GROUP'S BANK BORROWINGS  
NET OF CASH IN HAND  
2022-23



**€18.0m**

GROUP'S CASH FLOW FROM  
OPERATING ACTIVITIES  
2022-23

# ESG



Staff members deriving from  
**35 different countries**,  
all with different ethnicities,  
cultures, and way of thinking

**30%**  
– female board  
members



**45%**  
– females with a  
management role

**468 million**  
loyalty points redeemed by  
supermarket customers in  
FY 2023. These were  
exchanged for  
supermarket cash  
discounts amounting to

**€3.9 million**

**12%**  
**REDUCTION**

IN REDEMPTION  
OF FREE WATER  
IN SINGLE-USE  
BOTTLES PER

**€1,000**  
SALES



**31%**

of electricity units consumed  
at Pama Shopping Village is  
generated from solar panels

# FACTS AND FIGURES

AN AVERAGE OF  
**1.1 MILLION**  
BEVERAGE CONTAINERS  
RECYCLED EVERY  
MONTH AT OUR  
**BCRS MACHINES**



**€408,654**

dividends received  
by charitable  
institutions  
deriving from  
donated  
company  
shares



**€72,265**

in food  
donations to  
local community  
and charitable  
institutions

REDUCED  
**142,410**  
2-LITRE BOTTLES

AS WATER BEING  
SOLD/REDEEMED  
IN 12-LITRE  
RETURNABLE  
CONTAINERS



**7 TONNES**

of garments donated  
to charity collected  
from baskets located  
at ZARA and ZARA  
Home outlets



**Packaging material like  
shrink wraps, cardboard  
and plastic used in  
supermarkets is  
all made up of  
recyclable matter**



**€6.8m**

**NET DIVIDEND DISTRIBUTED TO SHAREHOLDERS 2022-23**



**4.8%**

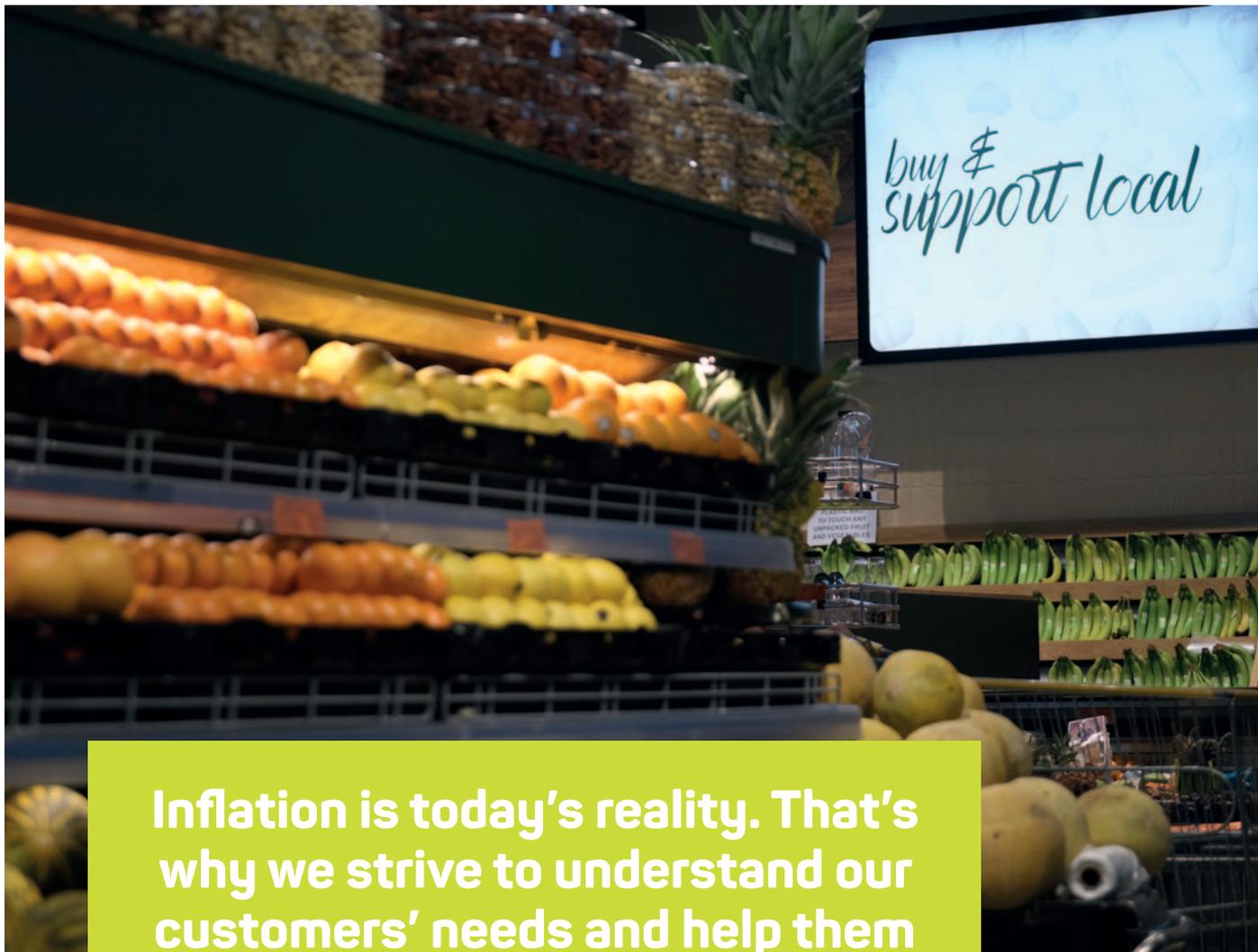
**GROSS YIELD ON MARKET VALUE OF COMPANY'S SHARE PRICE AS AT YEAR END**

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.

I am pleased to report to you our shareholders and stakeholders that at PG Group, we take these guidelines as our guiding principles.

Testimony to this, we have completed the installation of a photovoltaic system at Pama supermarket, the shopping mall in Mosta, and subsequently at our Zara



**Inflation is today's reality. That's why we strive to understand our customers' needs and help them through these difficult times.**

premises in Sliema. This investment was done to meet our objective to reduce as much as possible the group's carbon footprint.

In total over the last three of years we have installed 3,300 PV panels covering 6,500sqm of roof space. With these PV panels, we have managed to generate 31% of all our electricity needs at Pama supermarket. In future years we intend to do the same at Pavi supermarket and the adjacent land that we have just acquired.

At the same time we have continued to give out reusable plastic bottles to replace the free single use water bottles that we distribute with every shopping chit of €33. During the year under review, the Group has replaced over 1.7 million single use plastic water bottles by means of the 12 litre reusable containers. This represents 72 tonnes of plastic bottles which we have saved from the environment.

For every €1,000 spent, we distributed 58 two-litre bottles compared to 66 bottles last year. This represents a reduction of 12.5% in the redemption of single-use plastic bottles.

## Implementation of new IT systems

I reported in last year's message to you that we had successfully implemented a new integrated IT platform to be able to handle the increased business that we were generating. This project had to be planned and executed whilst the supermarket operation was still ongoing and without any downtimes and disturbances to our customers. As our customers know, we went live early in financial year 2021/22 without any serious problems and delays or cost overruns. During this financial year, our IT people continued to introduce new functionalities to facilitate the integration of our finance team with our purchasing unit. This is very important

since we have introduced proper oversight and accountability in all our departments. This 'four eye' approach greatly reduces our operational risk. As the business grows and we continue to source new suppliers, we need to have procedures in place to reduce and mitigate our risks and this can only be done by means of proper integrated systems with early warning signals.

Later on this year, we will be introducing the much awaited mobile application which will greatly facilitate the interaction with our customers. This mobile application will enable us to be more proactive and we will be able to interact directly with our many customers.

## Financial performance of financial year 2022/23

The group's annual turnover reached €173.9m an increase of 18.3% over the previous financial year. Pama and Pavi supermarkets contributed the bulk of this increase because of their strong performance, notwithstanding the challenges we faced during the year. The profit before tax for financial year 2022/23 was €17.6m reflecting an increase of 5.7% over the same period last year. The turnover of Zara clothing and Zara Home amounted to €29.5m which represents an increase of 13.9% over the previous year.

We continue to keep tight control over our discretionary expenses such as our administrative, sales and marketing expenses and in particular our salary expenses. Over the last few years, in terms of employment, Malta has experienced a situation of full employment. This situation brings with it significant pressures on staff retention and their salary packages. In order for us to retain our best trained people, we had to adjust certain salary packages. As a result of such increases, our overall expenses increased by 13.2% from €5.3m to €6.0m. The group's overall employment cost, including direct employees included in cost of sales, amounted to €12.1m when compared to €10.0m in financial year 2021/22. The staff complement during the financial year averaged 393 persons. In line with our commitment to ensure gender equality, the group employs 236 females and 157 male coming from 35 different countries. 75% of all our employees are less than 40 years old.

The group's net finance costs decreased slightly from €1.2m in financial year 2021/22 to €1.1m in financial year 2022/23. Corporate tax for the year amounted to €5.0m. After deducting the corporate tax, PG Group registered a net profit for the year of €12.7m, when compared to €12.0m the previous year, representing an increase in profits of 5.2%.

The group also generated a net positive cash flow from operating activities amounting to €18.0m and ended up



# Għall-irħas xirja...



**SUPER  
PRICES  
EVERYDAY**

*Kulhadd jaf!*

[PAVIPAMA.COM.MT](http://PAVIPAMA.COM.MT)

**90% of our customers buy at least one product from the super prices category.**

# SUPERMARKET INSIGHTS



70,000

PRODUCTS AVAILABLE



4,425

BRANDS AVAILABLE



9,800

SQUARE METRES OF  
RETAIL SPACE



14,159

RUNNING METRES OF  
SHELVING



110

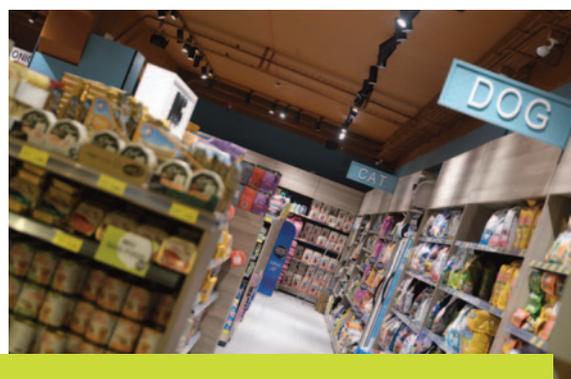
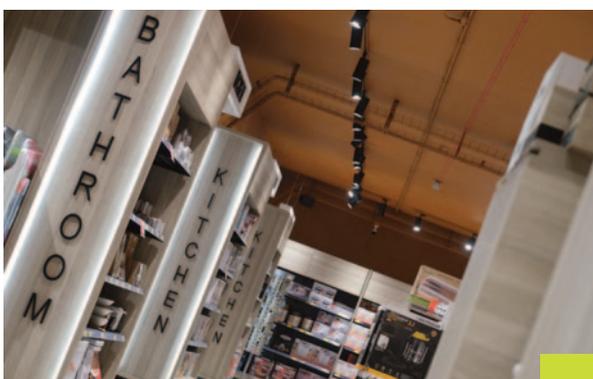
RUNNING METRES OF  
FRESH COUNTERS



1,700

PARKING SPACES





Pavi supermarket refurbishment - new DIY, Household and Pet sections - February 2023

the financial year with €9.1m in cash and cash equivalent. This is a very healthy liquidity position which 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 2023, the group had net cash over its borrowings of €2.9m. Effectively this means that the group has more cash in hand than it has borrowings with the bank.

## Dividends

In order to retain our promise to our shareholders, the Board of Directors adopted a policy 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 €6.8m in respect of financial year 2022/23 compared to €5.9m the previous year. This reflects an increase of 15.4% in the dividend distributed and is a reflection of the improvement in the overall performance of the Group.

The net dividend of €6.8m paid represents €0.0625 per share and a net dividend yield of 3.1% on the market value of the company's average share price during the last three months of this financial year.

## Way Forward

The long-term success of this group depends on its ability to meet the different challenges that we encounter every year. We are committed to offer 'value for money' to all our customers by offering them a wide range of quality products at competitive prices and in a way that exceeds our clients' expectations .

Competition from other supermarket groups continues to intensify but we strongly believe that our business model based on our core principles gives PG Group the edge. In actual fact, during financial year 2022/23 we have delivered strong sales performance in all our segments of the business. This reflects our continued investment in value creation for our customers, whilst at the same time, taking care of our colleagues and of

PAVI SHOPPING COMPLEX DOROTEE

PAMA SHOPPING VILLAGE MOSTA

OR

CONAD COLA 1.5LTR x 6

CONAD COLA ZERO 1.5LTR x 6

FOR ONLY €2.99

WHEN SPENDING €33

PAVIPAMA.COM.MT

ON FORGETTING WATER COUPON (IF NOT INCLUDED)

OFFER TILL 30/06/23 (OTHER TERMS APPLY)

WIN BIG THIS SUMMER

PLEASE SCAN COUPON BE...

FREE COUPON WITH EVERY €50 SPENT

MORE THAN 20,000 PRIZES

e-jewel

PAVI PAMA

MORE THAN 20,000 GIFTS TO BE WON

43"

course our shareholders. As reported earlier in my statement, the PG Group has also invested a lot in our community and with those who need our assistance.

Later on this year, we aim to start the development of the new property in Qormi. Our architectural consultants are working on the plans and the application process with a view to start the development in the first quarter of 2024.

With respect to our retail franchise business, we are committed to strengthen our strategic relationship with our partners at Zara and Zara Home in Spain in order to be in a better position to benefit from the increased popularity of these brands and to continue to hold our leading position in both the textile and household sectors.

Our Board of Directors is also analysing other investment opportunities that we currently have in front of us. We cannot say more about these proposals at the moment, but when the time comes we will issue a company announcement highlighting all the details of the transaction.

I am a firm believer in people. In order for our business to continue to thrive and for us to remain relevant in our community, we have to combine three important factors;

- (i) the constant availability of products;
- (ii) the cheapest prices possible;
- (iii) the right quality of service.

Service excellence is what differentiates us from all our competition, and this is our continued promise to all our clients. Irrespective how good your product range is and how competitive our prices are, it is extremely important that we offer the service that our clients deserve and expect.

To this end, I must thank all our employees for their dedication and hard work and for never losing sight of our purpose and values. It is what drives us forward and each and every decision we make is driven by our customers' needs and expectations. I would also like to acknowledge the respective management teams and my senior executives who are true leaders. Without their continued commitment and hard work we would not have been able to get these excellent results.

I would also like to express my gratitude to our board of directors for their continuous guidance and support. Their invaluable advice and stewardship reflects in the decisions we take on a day-to-day basis and in the overall performance of the group.





361 new solar panels installed at Pama



8,328

RETAIL SPACE IN  
SQUARE METRES AT  
PAMA SHOPPING VILLAGE AND  
PAVI SHOPPING COMPLEX

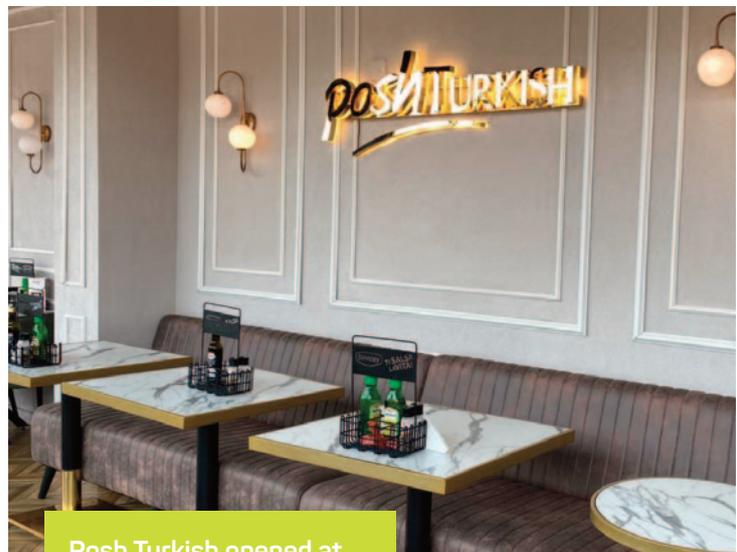


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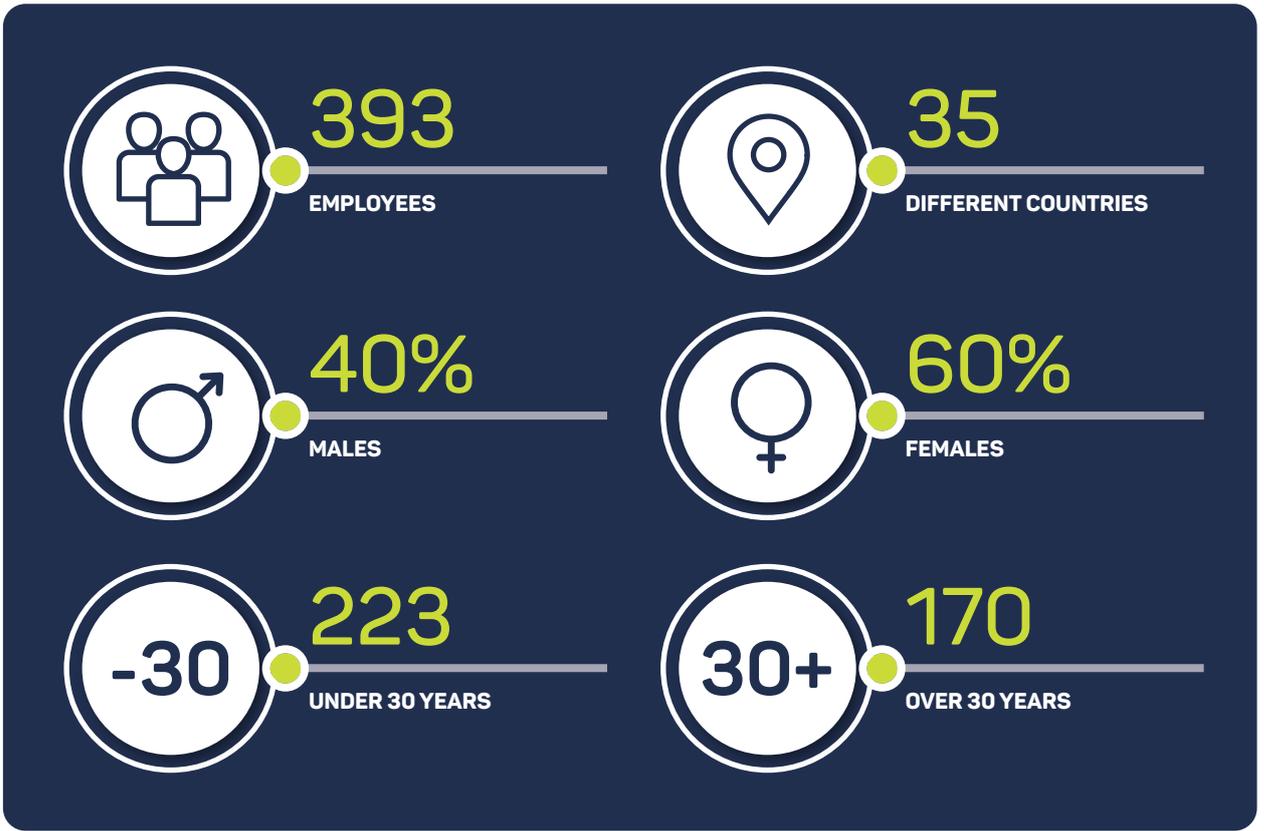
NUMBER OF OUTLETS AT  
PAMA SHOPPING VILLAGE AND  
PAVI SHOPPING COMPLEX



Pavi supermarket refurbishment – introduction of self-checkout area in March 2023



Posh Turkish opened at Pavi in February 2023



Last but not least, I would also like to thank all our customers for trusting us and for visiting our supermarkets and fashion retail outlets. Without their custom we do not have a business and would not be able to report such results.

Our commitment to all our stakeholders is that we shall continue to strive to offer value; (i) value to our customers through competitive prices and service excellence; (ii) value to our employees through better working conditions; (iii) value to our shareholders through a consistent return on their investment; (iv)

value to our community at large through our involvement in the community in need of our assistance.

**Charles Borg**  
Group Chief Executive Officer

24<sup>th</sup> August 2023



Wok to Walk opened at Pama in December 2022



Eyeland Opticians shop opened at Pama in March 2023