



ANNUAL REPORT 2021-22



ZARA ZARA HOME



A member of PG Group



A member of PG Group

ANNUAL REPORT 2021-22

contents

4	Chairman's Statement
6	Board of Directors
8	Senior Management, Group Services and Operations
10	Chief Executive Officer's Review



CHAIRMAN'S STATEMENT

The financial year ended on 30 April 2022 was a highly successful one for PG Group.

The group registered a turnover of €147.0m, an increase of 13.6% on the turnover of €129.4m recorded in 2020/21.

The financial year just ended did not see a repeat of the COVID-19 lock downs experienced in the previous two years. Home consumption of foodstuffs was no longer augmented by an enforced isolation, and as expected there was a shift in favour of the external consumption of food once restrictions on circulation were lifted. Turnover in our supermarket and associated retail operations nevertheless increased by 8.9%, which is encouraging. This segment of our operations has grown by 29% over the last three years, exceeding our expectations from two mature locations such as Pama and Pavi.

By the same token, the end of the lock down experienced in early 2021 was followed by a period of expansion within the non-food retail sectors. This benefited our Zara and Zara Home franchise operations, which recorded an increase in turnover of 42.7% when compared to the financial year 2020/21.

Our gross profit for the year amounted to €22.4m, compared to €20.0m in 2020/21, and remained largely constant as a percentage of turnover. Operating profit amounted to €18.1m (12.3% of turnover), while an amount of €16.3m (12.6% of turnover) was registered in 2020/21. Operating profit grew by 4.3% in our supermarket and associated retail segment, and by 46.6% in our franchise operations. Both segments were impacted by rising costs, particularly in the second half

of the financial year; while that administrative costs within our two supermarkets were also impacted by the cost of implementing new core IT systems.

Profit before tax amounted to €16.7m (€14.8m in 2020/21). The tax expense for the year amounted to €4.7m. The group incurred an effective tax charge of 27.9%, reflecting the benefit of having the group's income from rentals taxed at 15%. The resultant profit for the year amounted to €12.0m, representing an increase of 14% over the comparable result of €10.6m recorded in the year ended 30 April 2021.

The group has paid two interim distributions totaling €5.85m in respect of the financial year (€5.2m in respect of 2020/21), amounting to 49% of the profit for the year.

Given the profitable performance recorded by the group, our cash flow and balance sheet remain strong. Net cash flows from operating activities amounted to €15.6m (€13.1m in 2020/21). The group's bank borrowings, net of cash at bank, stood at €221,000 at 30 April 2022 compared to €8.5m a year earlier. The group remains well poised to pursue investment opportunities, a topic that receives constant attention by management and the board.

As already reported by the group, one of PG's achievements in the current financial year was the successful implementation of new core IT systems in our supermarket operations in May 2021. This was a seamless transition that did not impact day to day operations, and that was largely invisible to our clients. The new systems replaced old software that was at the end of its lifecycle and introduced a number of features



"We remain committed to offer an entry level brand that can match or better the prices offered by other supermarkets."

and tools that assist the management and control of our operations. Above all, however, they are aimed at enhancing our clients' experience. Important enhancements have already been made, such as the full integration of our loyalty points system and the introduction of self-checkout points, that are rapidly increasing in popularity. A major step forward will be taken in the near future with the launch of a customer mobile app. This app will facilitate booking and queuing at specialist counters; and amongst other features introduce price checker and product locator facilities, allowing clients to better plan their shopping and facilitating their visit to our supermarkets.

Client centricity remains a key focus for the group. Our outlets continue to score highly in client satisfaction surveys. In a time of rapidly rising food prices, we remain committed to ensuring that, across our product range, we offer an entry level brand that can match or better the prices offered by other supermarkets. At the same time, we continue to stock a wide range of brands catering for our clients' preferences. We can fully accommodate shoppers who are constrained to economize, but without sacrificing our ability to offer our clientele a complete range of alternatives.

Looking ahead at the current financial year, we have once again recorded a positive start. Overall, our sales between May 1 and 15 August 2022 show an encouraging increase over the comparable period in 2021. As with all businesses, however, the group is experiencing severe cost pressures across its operations. Our target for the coming year will remain that of repeating and possibly improving upon the results attained in the financial year to 30 April 2022.

Much will depend of course on macro economic events that are beyond the group's control. Global supply and logistical issues, the war in Ukraine and rising interest rates are all factors that will have a negative impact on disposable incomes. This impact has to date been partly mitigated in Malta by the Government's decision to absorb the cost of rising energy prices, but this may not remain sustainable indefinitely if the current energy crisis is a prolonged one.

In situations such as these, shopping priorities and patterns will necessarily change. Having said this, your board remains confident on the group's outlook in the years ahead. PG Group is particularly well placed to weather a possible decline in consumer spending with its core focus on foodstuffs and on two franchise brands that offer excellent value for money at affordable prices.

The success of the group is the product of a sustained effort by our employees, management and the board; supported by our key business partners, particularly suppliers and tenants. I extend my thanks and congratulations to all concerned for the positive result attained.

John B Zarb

Chairman

25 August 2022

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

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

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



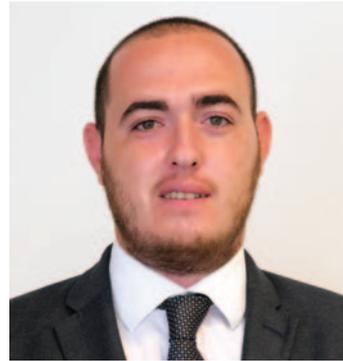
Paul Gauci
Executive Vice-Chairman



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

Jackie Micallef Brand Manager - Zara Home®

Stephen Gauci General Manager - Pama



OPERATIONS MANAGEMENT

LEFT TO RIGHT

Michelle-Marie Buttigieg Head Finance

Giannella Richardson Finance Manager

Sylvienne Xuereb Finance Manager

Marthese Gatt Human Resources Manager

Nadia Spiteri Finance Manager

Mark Mifsud Head Purchasing

Isabelle Spina PA to CEO



CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to present to you the financial and operational performance of PG Group (PG) for the financial year ending April 2022. Following two difficult years with the COVID-19 pandemic, financial year 2021/2022 was yet another uniquely challenging year in which unprecedented events and an uncertain environment meant that we had to continuously adapt our business model to meet and exceed our customers' expectations.

This has been an important year for PG Group. Not only have we managed the ongoing impact of the COVID-19 pandemic, but we have also been looking forward to setting out our new multi-year performance framework and the strategic priorities that will help us deliver good results going forward.

COVID-19 posed significant challenges for both our personnel as well as our various customers and our immediate priority was to provide proactive support and flexibility to our customers from the outset of the pandemic.

"Overall turnover for financial year 2021/22 for the group was €147m up by 13.6% from the previous year."

Two other important factors have influenced our business this year. One related to the logistical problems we were encountering to get products in time, and the other was the consistent increases in the prices of these products. Sourcing the right products at the right pricing is becoming our biggest challenge since suppliers are finding a lot of difficulty in sourcing raw materials, partly as a result of the war in Ukraine and partly due to the significant increase in the prices of fuel.

Notwithstanding, our teams 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 2021/22 was stronger than in previous years and this is a reflection that the business of PG Group has matured enough to withstand these challenging situations.

At the same time, the Board continued to explore and analyse a number of investment opportunities to grow the business and I am pleased to report that we will soon be announcing such investments.

The strategy of the group with respect to the two supermarket complexes remains that of focusing its activities on areas closely aligned to its core expertise and to attain an adequate spread of risk.

The overall objective 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.

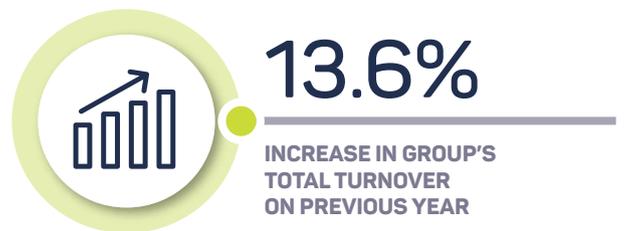
In order for us to be able to compete effectively, we have increased our direct sourcing from suppliers abroad and



“Direct sourcing gives us a competitive advantage over our competition and the benefits derived are generally passed on to our consumers by way of lower prices.”

invested more in our Purchasing Department to be able to source new suppliers. Direct sourcing gives us a competitive advantage over our competition and the benefits derived are generally passed on to our consumers by way of lower prices and availability of supply. Having said this as I mentioned earlier, this year was particularly difficult, and we have encountered significant problems with respect to the transportation of goods as well as increased prices. As a result of the war in Ukraine and the logistical bottlenecks in various countries, we have encountered significant delays in the delivery of containers and consistent increases in the prices of products. These increases in prices are being felt by all our consumers and as a result, we are noticing a shift in the habits of people. We understand the pressures being felt by the Maltese families and have reacted by providing everyday low-price strategy.

As a group we continue to focus on a sustained strategy of low-price offers which directly benefit our many customers. We are focusing primarily on the most essential day-to-day products to make sure that we guarantee the supply at affordable prices. Whilst maintaining the customary short-term price offers, tactful procurement from reliable foreign sources and proficient logistical planning, ensured that our supermarkets could offer daily low prices on the most essential day-to-day products. At the same time, we





embarked on a campaign to promote our own imported products and branded them as 'super prices'. Today we can say that the two supermarkets offer over 800 staple products within this category of 'super prices'. These prices are locked in for long term. Our strategy of promoting our branded products as 'super prices' has been successful and the results we are publishing today clearly reflect the success of this strategy.

As a result of this strategy, we continue to see an increase in the number of customers coming to do their shopping from our supermarkets. Our commitment is to continue to provide good quality products at competitive prices so that we will cater for all the needs of our clients.

Overall turnover for financial year 2021/22 for the group was €147m up by 13.6% from the previous year. The total turnover of the supermarkets and associated retail operations segment increased by €10m or 8.9% when compared to the previous financial year. The turnover of our franchise business exceeded €25.8m an increase of 42.7% over the figures of the previous year. We expected an increase in our fashion retail business since following COVID-19 many people started to go out again and they wanted to buy new clothes. However, this increase in sales was more than what we had anticipated. The total footfall within the two supermarkets totalled 4.9 million persons during the financial year (4.6 million in 2021).

"Our commitment is to continue to provide good quality products at competitive prices."

We continued on our strategy for the supermarkets to carry a wide range of brands aimed at catering for different tastes and means of customers, without compromising our margins, while offering patrons highly competitive prices. 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. To maximise efficiency and margins, the group imports certain products directly. We have continued to increase this direct sourcing of products and today we import directly around 25% of all products that are placed on our shelving. To safeguard our supply, we increased our stockholdings particularly of essential commodities to ensure the availability of supply.





To further enhance operational efficiency and reduce operating risk, a number of specialist activities within the supermarkets are subcontracted 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, and to ensure price competitiveness. 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 destination.

Zara & Zara Home franchise operations

The Zara and Zara Home brands belong to the Spanish firm Inditex S.A. which is one of the world's leading retail brands. It has over 7,000 outlets around the world with a group turnover of €27.7 billion as at the financial year end. Our main store in Sliema offers 3,710 square metres of retail space consisting of four floors of clothing and one floor of household goods offered by Zara Home. We also have two levels of storage where we keep all the stock of clothing and household goods. A second Zara Home outlet is situated at the Pama Shopping Mall and measures around 880





"The turnover of our franchise business exceeded €25.8m, an increase of 42.7%"



"We ensure that our supermarkets could offer daily low prices on the most essential day-to-day products."



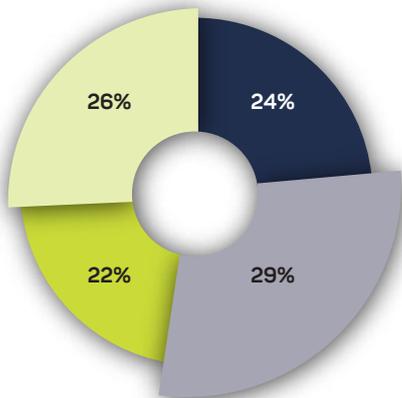
square meters. This is the ideal size to exhibit the range of products available from this brand. This outlet has been very successful, and we are continuously investing in it to retain its attractiveness. A third outlet measuring 480 square metres is located at the Pavi complex. As the franchisee for Zara and Zara Home, the group is responsible amongst other things for the recruitment and management of staff, the accounting, stock control, as well as the security and upkeep of the premises.

Operations within the three stores are at the same time conducted in close liaison with the brand owner, Inditex, which is very much involved in the placement of orders for stock. Zara and Zara Home ensure that the range of merchandise being offered in Malta represent its current offerings of the two brands. As expected, the COVID-19

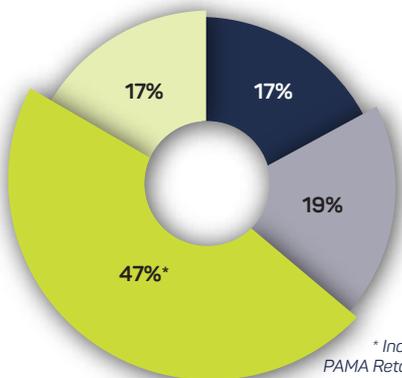
pandemic had a material impact on our Zara and Zara Home business and this was reflected in the sales of the previous two years. However, sales picked up significantly in May 2021 and this trend continued throughout the year. This is reflected in our turnover which has exceeded €25.8m or 42.7% increase over the previous year. Sales of Zara and Zara Home items continue to do well even during this financial year 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 have invested heavily on their online platform and as a result we continue to experience a healthy increase in our online sales. Our Zara online sales have now reached 16% of total sales. This strong performance clearly shows that online business will be an integral part of our future in the fashion industry.

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	



€121.2m

SUPERMARKET AND ASSOCIATED
RETAIL OPERATIONS REVENUE
2021-22



8.9%

INCREASE IN
SUPERMARKET AND ASSOCIATED
RETAIL OPERATIONS REVENUE
ON PREVIOUS YEAR



€25.9m

FRANCHISE OPERATION
TURNOVER
2021-22



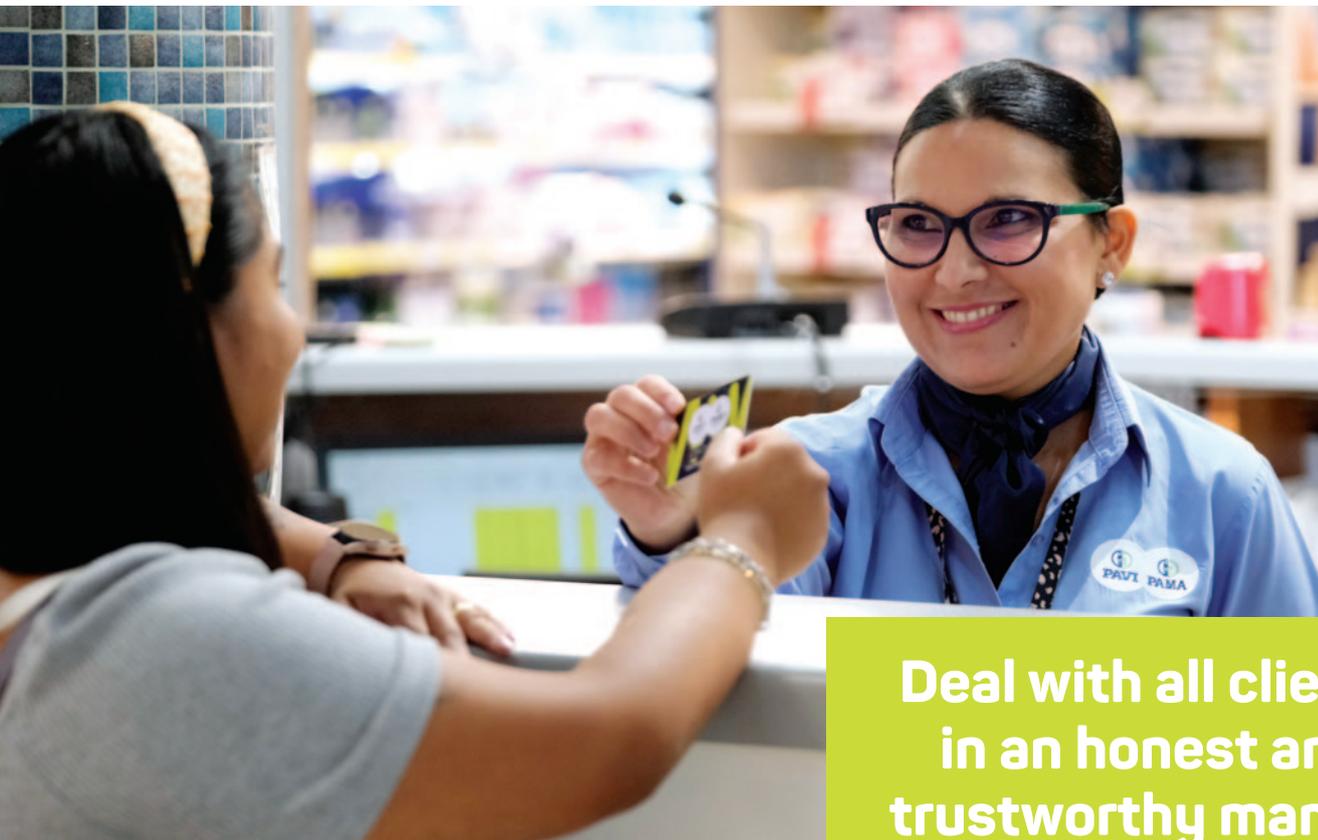
42.7%

INCREASE IN
FRANCHISE OPERATION
TURNOVER ON PREVIOUS YEAR

Environmental, Social, and Governance (ESG)

Many companies and boards are actively looking at introducing concrete initiatives towards the betterment of society in the three main pillars of the **environment, social and governance**. This has become the main thrust in corporate thinking. The European Commission will soon be introducing a directive dealing specifically with this ESG criteria. Environmental, Social, and Governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors and clients use to screen potential investments.

- (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, 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



**Deal with all clients
in an honest and
trustworthy manner**



€12.0m

GROUP'S PROFIT AFTER TAX
2021-22



14.0%

INCREASE IN GROUP'S
PROFIT AFTER TAX
ON PREVIOUS YEAR



€0.2m

GROUP'S BANK BORROWINGS
NET OF CASH IN HAND
2021-22



97.4%

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



€15.6m

GROUP'S CASH FLOW FROM
OPERATING ACTIVITIES
2021-22

ESG FACTS AND FIGURES



ETHICS & CORPORATE GOVERNANCE

The group's **PURPOSE, VALUES** and **STRATEGY** are aligned to our culture

Views of all key stakeholders are considered in Board discussions and decision-making

Board has a majority of non-executive directors

An **appointment mixture of skills and experience on the Board**

ALL DIRECTORS are subject to re-election during AGMs

Introduction of a **WHISTLEBLOWERS' POLICY** in 2021



COMMUNITY IMPACT

Making good food affordable to everyone by offering low prices on staple items – over **800 PRODUCTS** tagged as **SUPER PRICES**

SUPER PRICES EVERYDAY

Staple items reduced by up to **30%**

431 million loyalty points redeemed by supermarket customers in FY 2022. These were exchanged for supermarket cash discounts amounting to **€3.6 million**

11.1% average increase in salary per staff member



Increased customer value with more than **12,000** grocery home deliveries



Partnered with delivery company to enable customers order essential groceries and get them delivered in as little as **30 minutes**



€354,167 dividends received by charitable institutions deriving from donated company shares

Over **€150,000** in donations to local community clubs and charitable institutions

WE STRIVE TO LOWER OUR ENVIRONMENTAL FOOTPRINT AND MAKE A POSITIVE CONTRIBUTION TO THE COMMUNITY WE SERVE.



DIVERSITY, INCLUSION & EQUALITY

Staff members deriving from **40 different countries**, all with different ethnicities, cultures, and way of thinking

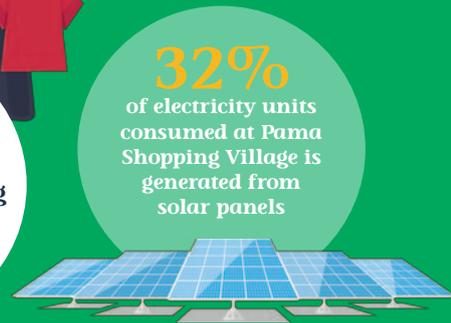


ENVIRONMENT SUSTAINABILITY

We abide by our main principle – **REMOVE** where we can, **REDUCE** what can't be removed, **REUSE** more, **RECYCLE** the remaining



47% of clothes sold at ZARA in 2021 have been produced using sustainable materials at processes



Introduction of clothes bins at ZARA and ZARA Home outlets for customers to donate used clothes to charity



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

GREEN PALLETS – extended pallet life by reusing good ones and fix the broken ones. Material from pallets which are beyond repair is reused for new pallets.



Offer customers the opportunity to get their free water in a returnable container. This shall help reduce



Foster a family like environment that makes clients feel welcome.



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 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 undue 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 as our shareholders and stakeholders that at PG Group, we take these guidelines as our guiding principles and international best practice. In fact, earlier on this year, PG Group joined twelve other Maltese reputable business organisations to launch a new alliance called Malta ESG Alliance (MESGA) - a private sector initiative to tackle environmental, social and governance priorities being faced by the country.

As a start, the Malta ESG Alliance's founding members' aspiration is to increase committed members substantially from all economic sectors (whether small,



€5.9m

NET DIVIDEND DISTRIBUTED TO SHAREHOLDERS 2021-22



3.7%

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

medium or large), whereby every company would join in this transformation mission by taking the lead and acting by example as an honest and credible corporate citizens.

During the launch, the Malta ESG Alliance the promoters explained that the first ESG theme to be prioritised will be that of decarbonisation. Each of the founding members committed itself to launch an initiative to reduce its own carbon footprint. The transition to a decarbonised future is critical for the Maltese community.

Mr David Xuereb who is one of the main promoters behind this important private initiative, has been quoted as saying that *“the businesses that have joined the Malta ESG Alliance (MESGA) have demonstrated great maturity by jointly committing to take the necessary and effective actions to be truly impactful to motivate and drive a sustainable and healthy society in good time. These initiatives are not straight-forward, but by collectively championing long-term value ahead of short-sighted gains or profit we stand to focus on what matters most by walking-the-talk and credibly leading*



by example. The Alliance is open to any business that shares these values and willing to form part of this mission. ESG makes business sense. The objective of MESGA is to reach out to all business and supply-chain to develop momentum that will reach the desired tipping points. We will be increasing initiatives that drive absolute decarbonisation actions and explore further ESG goals and actions."

PG Group's main initiative will be to introduce reusable water bottles in replacement to the one-time use water bottles. Today we distribute close to 10 million single-use bottles a year. With this initiative, we aim to reduce 1.7 million plastic bottles a year equivalent to 72 tonnes of plastic. It is our objective that in the next three years, we will reduce the amount of plastic bottles by 50%.

We have also taken other initiatives by ensuring that our purchasing people give preference to suppliers and manufacturers that operate with reusable packaging. This is an initiative that is becoming more prevalent with large suppliers and manufacturers of food items.

On the social and governance front, our group is already doing quite a lot in terms of gender equality and staff working conditions. The group's level of governance is

high since we adopt international best practice in terms of board composition, management committees and transparency in reporting.

This ESG initiative is a long term journey and different initiatives will be implemented over the coming years. It is a process adopted by the company to make it a better corporate citizen and to plough back part of its annual earnings into the society where it operates. Furthermore, institutional investors are more and more looking positively at those companies that engage themselves in ESG initiatives and contribute towards the society of which they form part.

Financial performance of Financial Year 2022

The group's annual report turnover reached €147m an increase of 13.6% over the previous financial year. Pama and Pavi supermarkets contributed the bulk of this increase because of their strong performance, notwithstanding the challenges being faced as a result of the logistics and increased prices. The profit before tax for financial year 2021/2022 was €16.7m reflecting

Għall-irħas xirja...



**SUPER
PRICES
EVERYDAY**

Kulhadd jaf!

PAVIPAMA.COM.MT



an increase of 12.4%. As stated earlier the sales of the two supermarkets and associated retail operations exceeded €121.2m whilst that of the fashion retail reached €25.9m. The increase in our Zara and Zara Home sales was 42.7% compared to the previous year.

Management has sought to keep tight control over its administrative, sales and marketing expenses, notwithstanding the continued pressure on staff salaries. The Maltese economy is at full employment and as a result we are experiencing significant pressure on staff retention. Management has decided to adjust staff salaries in order to retain key personnel. As a result of this, our overall expenses increased by 17% from €4.5 million last year to €5.25 million this year. The group's overall employment cost, including direct employees included in cost of sales, selling and marketing costs and administration expenses amounted to €10 million (including Government employment subsidies, which amounted to €0.2 million) when compared to €8.2 million in financial year 2021. The staff complement during the financial year averaged 384 persons. In line with our commitment to ensure gender equality, the group employs 244 females and 140 males coming from 40 different countries.

The group's net finance costs continued to decrease from €1.3 million in financial year 2021 to €1.2 million in financial year 2022. Taxation for the year amounted to €4.65 million, representing an effective tax charge of 27.9% (28.9% in financial year 2021). After deducting taxation, PG Group registered a net profit for the year of €12 million, when compared to €10.6 million the previous year, representing an increase in profits of 14%.

The group also generated a net positive cash flow from operating activities amounting to €15.6 million and ended up the financial year with €7.7 million 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 2022, the group had bank borrowings net of cash in hand of €0.2 million. This compares very favourably with the €8.5 million net bank debt as at 30 April 2021 reflecting a reduction of 97.4%.

Dividends

As in previous years, 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 €5.85 million in respect of financial year 2022 compared to €5.2 million the previous year. This reflects an increase of 12.5% in the dividend paid. The net dividend of €5.85 million paid represents €0.05 per share and a gross dividend yield of 3.7% on the market value of the company's share price as at year end.

Implementation of new IT systems

As we had already mentioned in previous annual reports and even during our annual general meetings, the group embarked on an ambitious project to implement an integrated IT platform to replace the legacy systems that supported our operations for many years. This project had to be planned and executed whilst the supermarket operation was still ongoing and without any downtimes and disturbances to our customers. I am pleased to report that this project went live in the beginning of this financial year and it was clearly a successful implementation. We are now benefitting from the new functionalities that this new system offers. We have also implemented self-check-out counters at Pama and will soon be replicating the same in Pavi. Going forward, our IT team will be implementing other solutions that will impact favourably our customers such as the information app on all our products. Clearly this is a major achievement for our people since they have

"ESG initiative is a long term journey and different initiatives will be implemented over the coming years. It is a process adopted by the company to make it a better corporate citizen."

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



HELP US REDUCE GET YOUR FREE WATER IN A RETURNABLE CONTAINER

12L

WATER COUPON
+
500 POINTS
↓
FILLED RETURNABLE CONTAINER

**REFUSE
SINGLE
USE**

HELP US REDUCE

1.7 MILLION
SINGLE-USE
BOTTLES

72
TONNES
OF PLASTIC

EVERY
YEAR

REDUCE
REUSE
RECYCLE

PGGROUP.COM.MT/REFUSE-SINGLE-USE





successfully replaced the core engine of the group's supermarket business whilst our operations were still on-going. And we have managed to do this without any disruptions to our customers.

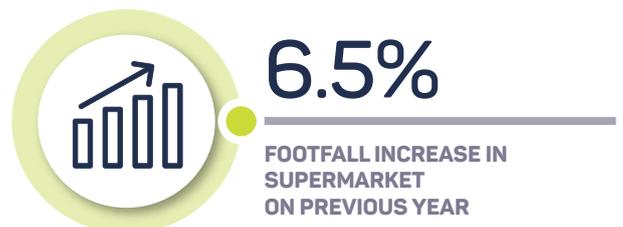
Way forward

As stated in my report, this financial year was characterised by new challenges primarily in the logistics and the increase in the general level of prices. Managing these has not been easy particularly following two years of disruption as a result of the COVID-19 pandemic. However, we can safely say that our group has been quite successful in sourcing the right products, negotiating the best deals and making sure that products are available to our many customers at competitive prices. In actual fact the results we are publishing confirm this. At the same time, we are actively looking at opportunities to grow our business in the areas related to our core operations. We have been evaluating a number of different investment opportunities and we hope to be in a position to conclude some of them in the months to come.

The long term success of this group will depend on our ability to cope with the different challenges we face and the future investments we need to make. I have full faith in what we are doing and am convinced that the Group's strategy will continue to drive us forward.

Before concluding I would like to take this opportunity to thank all our employees especially my senior management team, for their dedication and hard work and for never losing sight of our purpose and values. Living our new purpose is essential to the running of this business. It is what drives us forward and guides the decisions we make. Reflecting our commitment to the communities we serve and the wider environment, it is right that we have evolved our purpose: serving our customers and communities a little better every day.

I would also like to express my gratitude to our board of directors for their continuous guidance and support. The board continues to engage with stakeholders both inside and outside the business. As a business, we have a deep understanding of our customers, and the expertise in our team to help drive progress.





Starbucks opened at Pama in December 2021



Cinnabon shop opened at Pama Shopping Mall in January 2022



Crispy Flavoured Chicken opened at Pavi in February 2022



8,328

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



47

NUMBER OF OUTLETS AT PAMA SHOPPING VILLAGE AND PAVI SHOPPING COMPLEX



Häagen-Dazs opened at Pama in March 2022



Crocs shop opened at Pama Shopping Mall in May 2022

PG group will continue to focus on driving greater value for all stakeholders – doing the basics brilliantly and leveraging our many unique advantages across the group to enhance competitiveness, accelerate growth and generate cash. We will also deliver ongoing capital returns to shareholders, through our declared dividend policy.

Last but not least, I would also like to thank all our customers for trusting us and do their shopping with us. Without their custom we would not be able to be successful.

Charles Borg
Group Chief Executive Officer

25 August 2022

