ANNUAL REPORT 2016/17

PAVI SHOPPING COMPLEX — QORMI —

PAMA SHOPPING VILLAGE — MOSTA —

A member of PG Group

ZARA

ZARA HOME

PG plc

A member of PG Group

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Chairman's Statement

The PG Group attained a turnover of €91.7 million in the year ended 30 April 2017, representing a growth of 66% on the previous year, which had registered a turnover of €55.3 million. Operating profit amounted to €11.4 million, compared to €6.5 million in 2016, an increase of 76%.

This growth was in part attained through the acquisition of the full ownership of the Pavi Supermarket in August 2015 and in part through the impact that Pama Shopping Village, which opened in October 2015, is having on the results of the group. Pama has been an outstanding success, and even today continues to show substantial monthly sales growth when compared to a year ago. The new Zara Home® outlet opened within the Pama retail mall has also yielded results that have exceeded expectations.

The group's net profit after taxation amounted to €7.4 million, compared to €4.6 million in 2016.

Net cash flow generated from operating activities totalled €6.8 million. The group's profitability and retail business model permits a healthy cash generation that will drive new investment moving ahead. Our immediate priority is the commencement of the Zara® store expansion project in Sliema, and the continued refurbishment of the Pavi Supermarket, two investments that are commented upon in more detail later in this annual report.

Beyond these projects, the board is focused on the continued strengthening of the internal resources of the group and on examining the scope for new opportunities that would widen its activities.

The business growth attained in these last two years has inevitably posed a strain on the group's management and infrastructural resources. More investment is being planned to address such strains. The group is recruiting additional management resources and initiating training and mentoring programmes in its supermarket operations – Zara® franchise employees already enjoy the benefits of similar training, provided by the Inditex Group. But perhaps the more significant investment the group is planning as it moves ahead will be in the field of IT. Our core supermarket systems will need to be upgraded in the immediate years ahead, and this constitutes a major challenge.

In the meantime, work has commenced on smaller but equally important IT projects aimed at enhancing our customers' convenience, such as launching a new PG Group website and improving the on-line shopping offering at the two supermarkets. The group's various outlets enjoy circa 90,000 visitors per week. Catering for the needs of our customers and facilitating their shopping at our outlets at competitive prices remains the paramount mission of this business.

The management and board of the group are equally focused on identifying new growth opportunities that may be pursued both by expanding the group's existing businesses in additional locations or by undertaking new ventures judged to be within our competence. The group will at the same time ensure that it embarks upon ventures that can be comfortably contained within its financial resources and that can be brought to maturity without impeding the dividend flows resulting from existing businesses.

The successful sale of shares to the general public earlier this year and the listing of the company's equity on the Malta Stock Exchange constituted major milestones in the development of the PG Group. Over €112 million worth of applications were received for the €27 million of shares on offer. This is a testament to the public's confidence in the group, in the board and in the business acumen and reputation of the group's founder and major shareholder, Mr Paul Gauci.

The PG Group today has a market capitalisation of €135 million, with a shareholder base comprising circa 750 individual, corporate and institutional investors.

One of Mr Gauci's main motivations for the listing of the group's equity was that of enhancing the governance of the business and thus of better safeguarding its continuity. The members of the board of directors have the primary responsibility of attaining this objective. All directors have been instrumental in bringing to bear their collective skills and experience for the benefit of the group and I am grateful for their continued assistance. One cannot but acknowledge as well the contribution made by all the employees of the group in attaining the results being reported upon today.

The overall economic environment remains a favourable one at present. It is of course far too early to make predictions for the current financial year, but it is worth noting that the limited results at our disposal, for the period April to June 2017, are in line with our expectations.

The group employs a total of 309 employees throughout its operations. It remains committed to safeguard and promote the well being of all its employees; to provide a varied and attractive offering to its customers, in a welcoming environment; and to meet the legitimate expectations of its investors, tenants and concessionaires, suppliers and other stakeholders. I am confident in the group's ability to meet these commitments.

John B Zarb
Chairman

10 August 2017

Directors and senior management

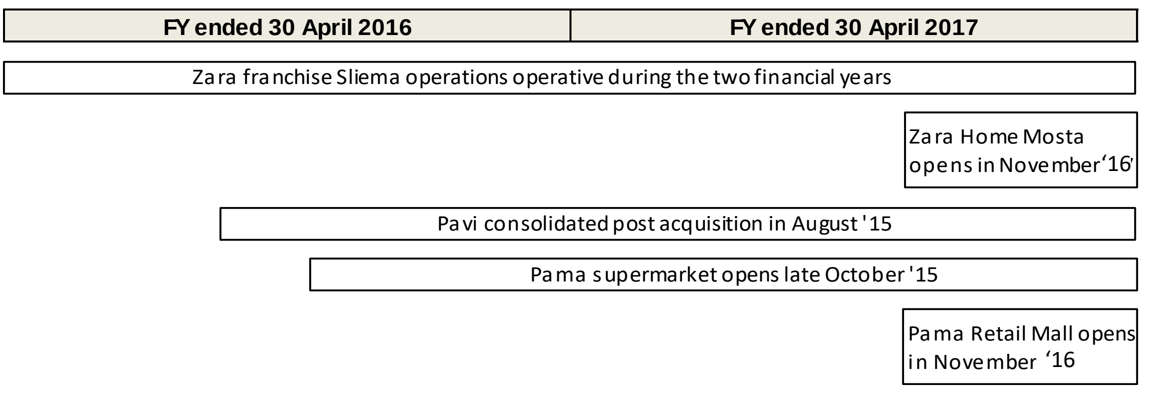
From left to right - Dr Fransina Abela (Company Secretary), Mr Lawrence Zammit, Dr Ramona Piscopo, Mr Paul Gauci (Executive Vice-Chairman), Mr John Zarb (Chairman), Mrs Claire Alexia Gauci Borg, Mr William Spiteri Bailey, Mr Charles Borg (Chief Executive Officer)

From left to right – Mr Stephen Ellul (Chief Executive Officer), Mr Gianluca Borg (Head of Purchasing), Mr Charles Borg (Chief Executive Officer), Mr Malcolm Camilleri (Deputy Chief Executive Officer), Mr Silvio Carabott(Chief Business Development Officer)

Operating review

Composition of the Group

The two year period ended 30 April 2017 was one marked by significant growth. The group acquired full ownership of the Pavi supermarket, previously a 50% associate, in August 2015. Pama Supermarket and its adjacent retail outlets commenced operations in late October 2015, while that the retail mall and the Zara Home outlet situated therein commenced operations in November 2016.



The Group's business model

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 business segments namely:

- the retailing of food and non-food products, carried out in the main through the operation of the two supermarkets;
- income-sharing arrangements with third party operators in respect of certain specialist activities carried out from designated areas within the supermarkets; and
- the management, operation and letting of other retail and commercial outlets within the two complexes.

The relative importance of each of these business segments is illustrated by the use of the net usable space available within the complexes:

	Pavi sm	Pama sm
Supermarket operations		
Own operation	2,250	2,252
Conducted to specialist operators	2,750	2,548
	5,000	4,800
Retail space rented out to third parties	2,098	5,350
Retail space utilised by Zara Home	-	880
Total revenue generating areas	7,098	11,030
Stores	2,000	1,500
Administration offices	450	700
Total net usable areas (excluding car parking)	9,548	13,230
Car parking spaces available	500	1,200

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. A number of commercial strategies are utilised to attain this objective. Location, ease of access on main arterial roads and the provision of adequate free car parking to patrons are the starting point that characterise both complexes.

The President of the Republic and Mr Paul Gauci, the founder of the Group, at the official opening of the Pama Retail Mall.

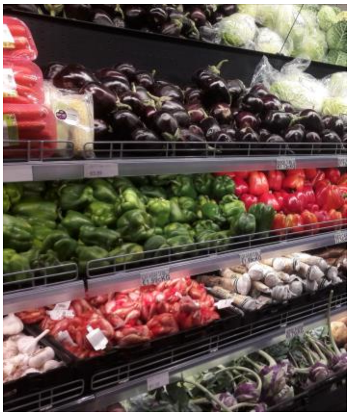
Paul Gauci commenced Zara® franchise operations in 2001 in conjunction with his brothers, and opened the Pavi Supermarket in 2006 in partnership with Mr Victor Grech. He acquired full control over these operations in 2008 and 2015 respectively, and subsequently launched Pama Shopping Village, that commenced operations in late October 2015.

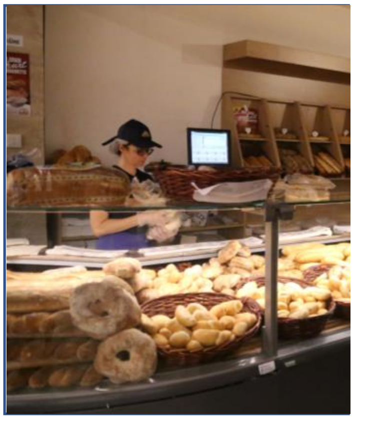
The PG Group today comprises all the businesses that are fully owned and managed by Paul Gauci. He remains actively involved in monitoring the overall management of the group and plays a leading role in the identification and actioning of new initiatives.

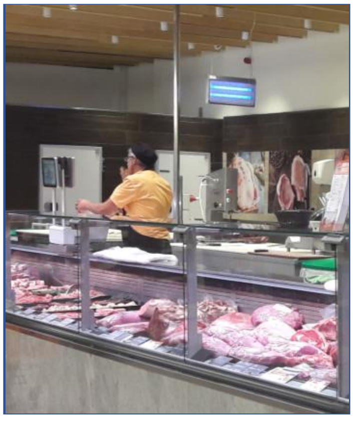
The supermarkets are the key anchors of each complex. In both cases, they are set out on one floor, employing a logical and customer-friendly layout that has proved popular with patrons, supported by numerous check-out points that facilitate customer flows and minimise queues during peak shopping hours. The overall shopping experience is accentuated by high levels of customer service, supported by continual staff training.

Certain specialist activities within the supermarkets are sub-contracted to third-party 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, generating revenue on an income-sharing basis with such third-party 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 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.







Specialist fruit and vegetable, bakery and butcher stalls at Pama, pictured above, are among the various specialist third party operations active within the supermarket

To maximise efficiency and margins, the group also imports certain products directly. The group has entered into a supply arrangement with Punto Franchising s.r.l., which operates the Sma-Auchan chain in Italy, for the supply of a wide variety of Sma-Auchan products to Malta. Sma-Auchan forms part of Groupe Auchan which is a major international food retailing business with interests across the hypermarket, supermarket, real estate and banking sectors. Sma-Auchan offers a range of low cost products with a strong focus on product selection and verification criteria as well as quality.

Marketing remains an important tool to the group's strategy to increase revenues, whether through direct advertising on various media, direct messaging or promotional offers. The group also maintains detailed records of its patrons within the confines of relevant data protection legislation and operates a popular lottery, drawn from among its active customer base where a cash voucher of €1,000 is awarded daily.

The success of the group's supermarkets and the high level of footfall they generate has in turn attracted third-party operators to establish operations within the complexes. This has 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 market has reacted positively to this approach with all outlets within the Pama Shopping Village being successfully leased out even before the commencement of operations.

Income from the areas 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.

Pavi Supermarket is scheduled to be the recipient of substantial new investment in coming months, including the upgrading of the butcher, fishmonger and bakery outlets, the replacement of older equipment, redecoration and the opening of new retail outlets

A marketing spend directed mainly at our customers

Mrs Joanne Sammut being presented with the keys of a Citroen C1 by PG Group CEO Mr Charles Borg on 28th July 2017

The group's supermarkets and associated retail business segment invests heavily in advertising. While regular recourse is made to traditional advertising via newspapers, TV and radio, social media and direct post, the major part of the annual marketing spend is pitched directly at customers and includes:

- *A daily lottery draw, broadcast on radio, of a prize of €1,000 that is drawn from sales made in the previous 48 hours. The draw is made from tickets completed by customers based on the value of their purchases. Prizes are payable in cash, and need not be spent at the group's outlets.*
- *A six monthly draw of a motor vehicle which is also extracted from tickets completed by customers.*
- *An entitlement to free bottles of mineral water that is made available to shoppers based on the value of their purchases; the two supermarket complexes are currently distributing 20 million litres of mineral water annually under this scheme.*
- *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. These offers are further enriched during the Christmas festive season both in frequency and magnitude.*
- *Loyalty points 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.*

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., reputed as one of the world's largest clothes retailers and which reported record sales of €20.9 billion in 2016 (€13.6 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® has over 1,900 stores strategically located in leading cities in over 90 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 more than 550 stores in 58 markets.

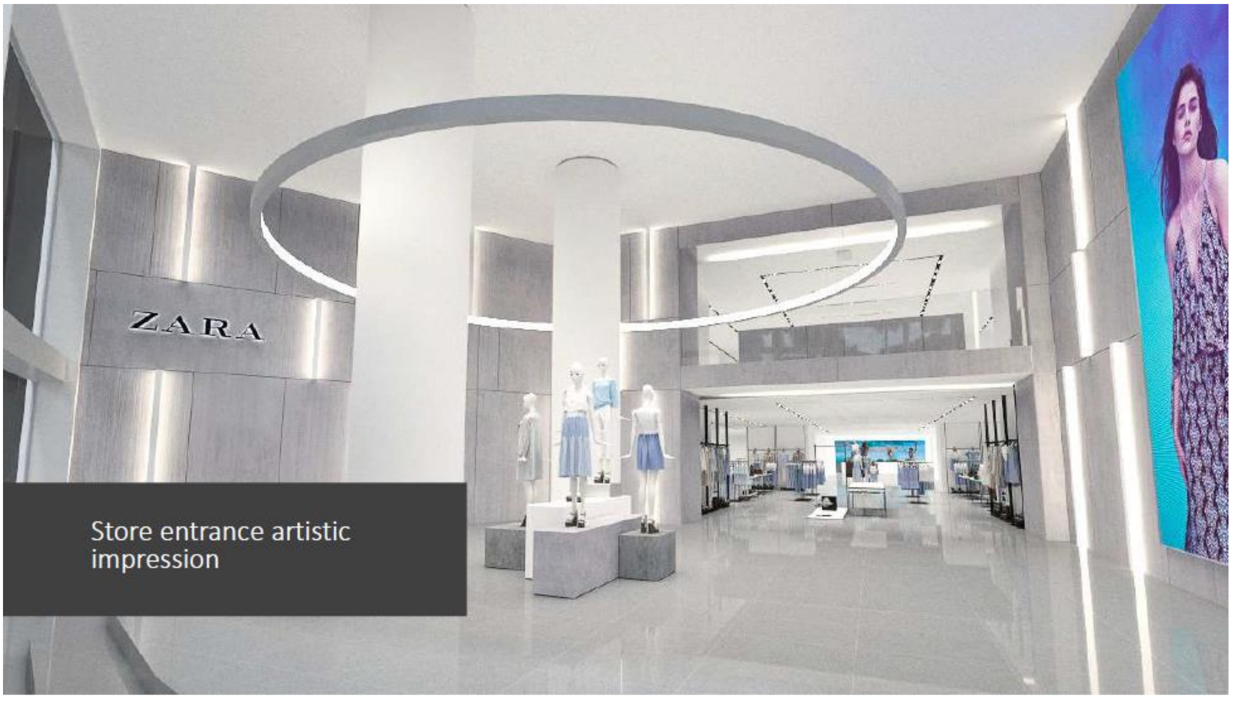
The PG Group's Zara® franchise operations were initiated in 2001 at the Alhambra store in Tower Road, Sliema. The outlet is owned on a freehold basis and is situated in what is possibly Malta's prime retail location, attracting a high footfall. The outlet houses 2,120 sqm of retail space spread over two floors, supported by office and storage spaces on site.

As already explained, 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, which is responsible, inter alia, for staff recruitment and management, accounting, stock control and 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 also 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.



Store entrance artistic impression

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 is possible within the existing Alhambra outlet. In this respect, an agreement has been 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 is currently constructed up to two floors. This will increase the retail space within the building to 4,400 sqm, excluding supporting staff and storage areas, making it one of the largest Zara® department stores in Europe. The enlarged outlet will also include one floor dedicated completely to Zara Home®.

Detailed designs for the project have been completed by the Group, working in conjunction with Inditex specialist architects. The joint objective is that of creating a modern outlet that will be a landmark not only in Malta but also within the wider Zara® stable.

An application for detailed planning approval, respecting existing planning guidelines relevant to the location, was submitted in December 2016. Construction is expected to commence in Autumn 2017, such that the extension could be completed in 2018. The site will be accessed from behind the outlet such that construction work will not interfere with the flow of traffic and customers on Tower Road. The project will, however, necessitate the closure of the store for a relatively short period in 2018 to connect the new floors and refurbish the existing ones.

Preparatory work for the project has in the meantime commenced, including the construction of temporary stores and the relocation of merchandise such that the upper levels of the existing building could be accessed, and the existing roof removed, without disrupting operations. A number of technical consultants are assisting the Group, including a Health and Safety specialist who will oversee the safeguards applied throughout the project. Invitations for tenders for construction work have already been issued, and tenders for mechanical & electrical and for various finishing works are expected to be issued in the coming weeks.

Review of operating performance

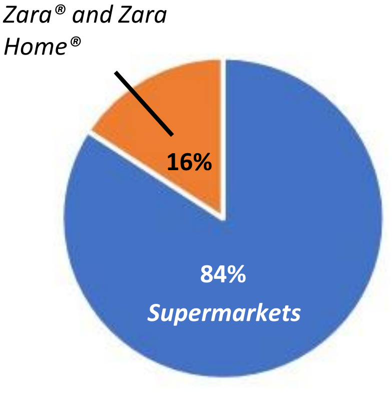
The Group's operating performance for the year ended 30 April 2017 is summarised below:

	Year ended 30 April 2017 €'000	Year ended 30 April 2016 €'000
Revenue	91,686	55,311
Cost of sales	(77,425)	(47,092)
Gross profit	14,261	8,219
Gross profit %	*15.6%*	*14.9%*
Other income	764	456
Selling and marketing costs	(1,195)	(744)
Administration expenses	(2,445)	(1,463)
Operating profit	**11,385**	**6,468**
Share of results of associates	(21)	496 (*)

(*) Includes the Group's share of the results of Pavi Supermarket before its full acquisition in August 2015

The growth in turnover is in large part driven by the expansion in the activities of the group during the year. It is also driven by the increasing maturity of Pama Supermarket's operations, and by the turnover attained at Zara Home® within the Pama Retail Mall; albeit in both cases offset by some customer rebalancing at the expense of Pavi Supermarket and of Zara Home® in Sliema.

Turnover – Segmental analysis



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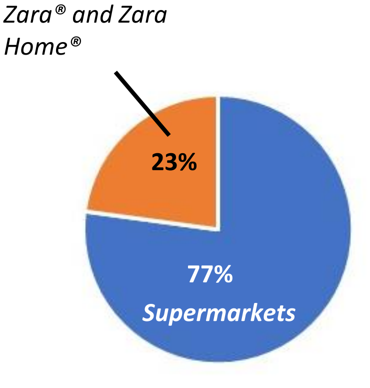


YE 30 April 2016

The progressive development of the Group's business during the two financial years ended on 30 April 2017 is clearly illustrated in the monthly build-up of turnover:

Key development timelines:

Acquisition of full ownership of Pavi Supermarket	Late August 2015
Opening of Pama Supermarket	Late October 2015
Opening of Zara Home® at Pama Retail Mall	November 2016

During the period gross profit percentages remained fairly constant, apart from the expected impact of the change in sales mix. Operating efficiencies were moreover attained at Pama, driven by the high sales volumes, and this has in overall terms resulted in a slight improvement in margins.

Rentals (included with turnover) and other income also increased significantly, given the full year's operation of the retail outlets adjacent to the Pama supermarket and to the opening of the mall in November 2016. Further growth is expected in this area in the course of the current financial year, ending on 30 April 2018, which will be the first financial year that will portray the full import of the group's current businesses.

Corresponding increases were recorded in sales and marketing expenses and in administration costs. The group's marketing and administrative resources however remain lean, and require additional commitment moving ahead. As indicated in the chairman's statement, the need has been recognised for a major investment in the group's core supermarket infrastructure. The preparatory work required is still in its early stages, but firm plans should be developed, and potential solutions identified, in the course of the next twelve months. Additional resources are also being committed to corporate governance, including the recent initiation of internal audit.

Detailed consideration was given to energy conservation in the construction of the Pama Shopping Village, including the extensive use of solar panel systems, the selection of efficient electrical equipment (particularly in the areas of refrigeration and air conditioning), and prudent building management. As a result, during the year ended 30 April 2017, electrical consumption at Pama, net of amounts generated, was 65% of the equivalent consumption at Pavi.

This deficit in efficiency will in part be tackled in the current financial year in the planned refurbishment of the Pavi Supermarket, which will include the replacement of old equipment with more energy efficient modern plant. Beyond this replacement project, a further material improvement in efficiency could be attained at Pavi once a solar panel system is installed. A decision on the installation of such a system is necessarily tied to a decision being first taken, in the course of the coming year, on whether to construct an additional car parking floor at Pavi for the added convenience of patrons.

Finance costs and cash flow

Net finance costs amounted to €557,000 in the year ended 30 April 2017, compared to €550,000 in the previous financial year.

The group generated a net cash flow from operating activities amounting to €6.8 million. As at 30 April 2017, it had borrowings of €23.9 million (2016 - €27.9m), including term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €1.7 million per annum.

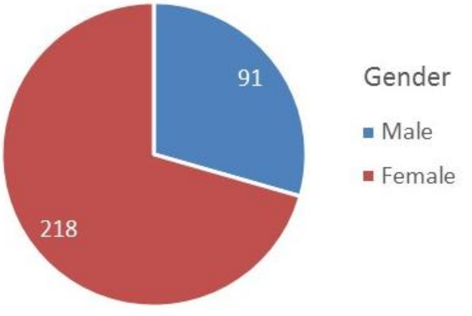
As explained earlier, PG Group is committed to ensure the refurbishment of the Pavi Supermarket, working also in conjunction with its concessionaires, and to undertake the expansion of its Sliema store. It is expected that the overall investment required for these projects over a two year period, which will be in the region of €6 million, can be met from internal resources, and from existing unutilised bank facilities.

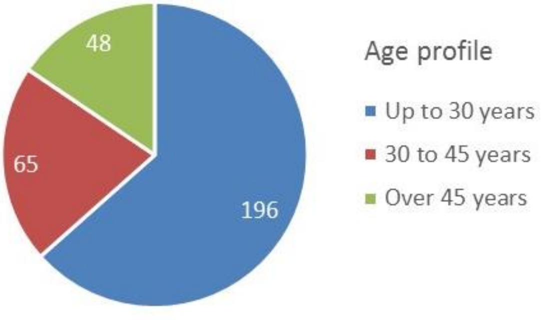
The Group's employees – at a glance
(based on full time equivalents)

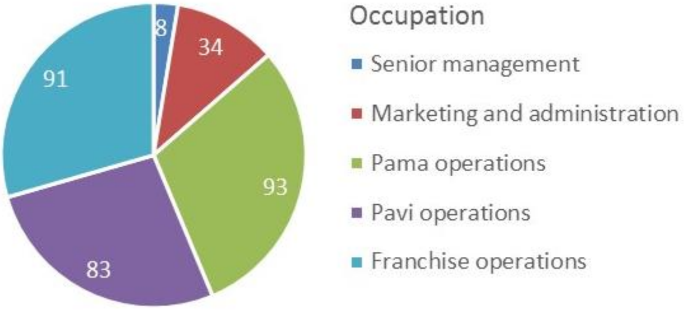
Our people constitute the heart and soul of the group. They represent a diverse range of skills and competencies and this helps us to build long-standing relationships with our customers. We value our employees and we support them in a number of ways and develop them in their career progression. The PG Group fosters a culture of ethical values of integrity, honesty and trust and these values underpin our dealings with our diverse clients.

The PG Group seeks at all times to be a very customer-driven organisation. During the course of this year, our two supermarkets were shortlisted in the national campaign for customer service. We are proud to report that the PAVi and PAMA supermarkets ranked equal second and third, in Malta, for their customer centricity.

Our large client base values our service highly and continues to support us by shopping from our two supermarkets as well as from our Zara and Zara Home outlets in Sliema and Mosta.







After deduction of taxation, the PG Group attained a profit for the year of €7.36 million, compared to €4.62 million in 2016 and to a forecast of €7.45 million included in the Prospectus approved by the Board of Directors on 27 March 2017.

Current year prospects

The same prospectus projected sales of €93.7 million for the year ending 30 April 2018, representing an increase of 5% over the sales attained by the group in the financial year just ended; together with a net profit after taxation of €8.4 million. This projected profit represents an increase of €1.0 million over the net profit attained in the year ended 30 April 2017, driven in the main by the impact of the Pama Retail Mall, including the Zara Home® outlet, being in operation for a full financial year (compared to five months' operations in the year just ended).

This profit expectation has been confirmed by the operating budgets approved by the Board of Directors for the current financial year. Sales recorded in the three month period ended 31 July 2017 show an increase of 10% over the same period in 2016, and this also augers well.

It would be premature to reach any conclusions from these indications. The year is still in its infancy, and it is too early to predict its outcome. There are a number of risks that could negatively impact the Group's results, such as staffing costs and limitations; pressures on margins; or the impact of the construction project at the Zara® Sliema store. The commencement of the year has nevertheless been an encouraging one. The overall economic environment remains positive. The Board considers that there are therefore valid grounds for looking at the current financial year with optimism.

Bringing Pama Village to fruition, completing the mall, and opening the new Zara Home® outlet, followed soon afterwards by the public sale of shares and the listing of the group's equity, have all constituted major steps forward in the evolution of the business. The successful enterprise that has been created now needs to pursue growth, such as the planned Alhambra outlet expansion, while applying a sharper focus on the detail – optimising the staff complement, enhancing management and staff development, launching the new website and facilitating and promoting on-line sales, maximising the utilisation of space within Pama Shopping Village, and completing the planned refurbishment at Pavi Supermarket. The group has a number of plans in all these areas, and after a period of rapid growth, will enjoy a year of relative stability. Its ability to maximise the profitability of the business depends on successfully executing its plans in a timely fashion in the immediate months ahead.

Our Involvement in the Community

During the financial year ended 30 April 2017 we have participated in various CSR activities within the Maltese islands and also assisted foreign missionary initiatives. Amongst these social initiatives, the PG Group participated actively in the 2016 l-Istrina campaign under the patronage of the President of Malta. We also published two cookery books which were distributed to all our customers and the proceeds were donated to Puttinu Cares. The Group also contributed to other NGOs and national charitable initiatives such as Ohloq Tbissma.

Our members of staff also felt the need to contribute and organised a number of activities during the year. With the revenue generated from these activities we were able to donate food, computers and even a TV set to childrens' institutes in Malta and Gozo. This initiative will continue to be part of our Community Program in the coming years.

PG Group's participation in the annual BOV Volleyball Marathon

Dar il-Kaptan was one the institutions that benefited from donations made from funds raised by the group's employees in Christmas 2016

PG p.l.c.

Annual Report and Consolidated Financial Statements

30 April 2017

Company Registration Number: C78333

Directors' report

The directors present their first annual report and the audited consolidated financial statements for the year ended 30 April 2017.

Incorporation

The company was incorporated on 25 November 2016 under the terms of the Maltese Companies Act, 1995 and commenced business operations on 10 March 2017. Accordingly, the financial statements of the company reflect the period from the date of incorporation to 30 April 2017.

As disclosed in Accounting policy 1 "basis of preparation" on page 32, on 10 March 2017, PG p.l.c. acquired a number of entities which operated the two main business activities of the PG Holdings group of companies namely the supermarkets and associated retail operations and the franchise operations. The shareholder of PG Holdings Limited is Mr Paul Gauci and the acquisition was made in exchange for the issue of shares to Mr Gauci.

The substance of this transaction was that of a group restructuring and consequently, in accordance with generally accepted accounting principles, the transaction has been accounted for in the consolidated financial statements using the predecessor basis of accounting as if it had occurred at the beginning of the earliest period reported. Consequently, comparative figures for 2016 are disclosed for information purposes only and have been prepared as if the Group was in existence prior to the date that the holding company was incorporated.

Principal activities

The Group is engaged in the retailing of food, household goods and other ancillary products through the PAVI Shopping Complex and PAMA Shopping Village, and the selling of Zara® clothing and Zara Home® household goods as a franchisee of the Inditex Group. The company also leases a number of retail outlets within PAVI Shopping Complex and PAMA Shopping Village to third parties.

Review of the business

Development of the business

The financial year ended 30 April 2017, as well as the comparable period ended 30 April 2016, were impacted by material changes in the composition of the Group.

The Group increased its shareholding in PAVI Supermarket from 50% to 100% on 31 August 2015. Between 1 May 2015 and 31 August 2015, the Group's share in the net results of this supermarket are included in the Income Statement under 'Share of Associates'. Following this date, the results of this activity are consolidated in full.

PAMA Shopping Village opened for business in late October 2015, and the financial year ended 30 April 2016 accordingly only includes six months operation of the supermarket and its related retail outlets; whereas a full year's trading results of this business are reflected in the financial year ended 30 April 2017.

The retail mall within the PAMA Shopping Village, including the Zara Home® outlet situated therein, commenced operations in November 2016.

Directors' report - continued

Review of the business - continued

Trading Performance

Turnover for the year ended 30 April 2017 amounted to €91,686,000 (€55,311,000 in 2016). The growth of 66% in turnover reflects the development in the business that has been described above. It also reflects the increasing popularity of PAMA Shopping Village as it established itself within the market.

The increased turnover resulted, as expected, in a corresponding growth in direct costs and in marketing and administration costs. Administrative overheads were also impacted by the sale of shares to the general public and by the listing of the company's equity that was completed on 4 May 2017. While the expenses associated with the sale of shares were borne by the vendors, the company's change in status – and indeed the growth in the business – necessitated an added investment in governance processes and oversight, with a corresponding increase in administration costs.

The resultant operating profit amounted to €11,385,000, an increase of 76% over the comparative of €6,468,000 recorded in 2016.

Income from associates earned during 2016, amounting to €496,000, includes the Group's 50% share in the profits earned by PAVI supermarket until its full acquisition on 31 August 2015. Net finance costs amounted to €557,000, compared to €550,000 in the previous financial year.

The resultant profit before taxation amounted to €10,807,000, an increase of 60% over the 2016 comparative of €6,741,000. The Group incurred an effective tax expense of 31.9% (31.5% in 2016), which reflects in part the entitlement of incurring a final tax of 15% on rental income received. The profit for the year after taxation amounted to €7,360,000 compared to €4,616,000 in 2016.

Cash flow

The Group generated a net cash flow from operating activities of €6,841,000 (€7,042,000 in 2016), which was applied in the main towards the reduction of borrowings and towards the completion of works at the PAMA retail mall, including the new Zara Home® outlet. As at 30 April 2017, PG p.l.c. had bank borrowings of €23,378,000, including fixed term loans on which it bears a servicing obligation, inclusive of interest and capital repayments, of €1,700,000 per annum.

The Group moreover enjoyed unutilised banking facilities of €2,335,000, as at that date.

Financial position and associated financial and other risks and uncertainties

Group equity increased by 27% to €27,821,000 as at 30 April 2017 as a result of the profit for the year, which has been fully retained within the business.

At 30 April 2017 gearing stood at 45% when measured on a historical cost basis, and at 18% when judged by reference to the Group's enterprise value at 30 April 2017, assessed on the basis of the offer price for the share sale.

The Group operates in a highly competitive business environment and is subject to various risks such as increasing pressures on margins and increased competition to attract and retain customers. In a period of relatively high employment, the market is also characterised by increased difficulty in attracting and retaining staff, with corresponding pressures on compensation levels.

Directors' report - continued

Review of the business - continued

The Group plans to embark on a major expansion project at its Alhambra store in Sliema. While works are planned to be handled in a manner that will minimise interference with the store's operations, some degree of disruption may occur that cannot be accurately foreseen.

The Group is currently operating in a buoyant economy and favourable economic conditions. This has benefited its operations in the periods covered by the financial statements, and the current environment is expected to persist in the immediate months ahead. No period of economic prosperity is of an indefinite duration and, like all businesses, the Group will at some stage face a less favourable economic climate.

The business of the Group is accordingly conducted in a prudent manner seeking to avoid undue levels of risk that could impair its resilience when faced with unfavourable market conditions or that could inhibit its ability to capitalise on suitable opportunities that may be identified from time to time. In particular:

- The major part of purchases and other expenditure, and all revenues, are denominated in euro and the Group does not maintain any material assets or liabilities denominated in foreign currency. Its exposure to currency risk is negligible.

- The Group's term borrowings carry a fixed interest rate and any future increases in interest rates would have a minimal impact on its results.

- The Group's annual term loan servicing commitments represented 25% of the net cash flow generated from operating activites in the year ended 30 April 2017, and this is considered by the Board of Directors as a relatively contained commitment that does not unduly inhibit business resilience. This percentage is projected to reduce further in the current financial year, which will enjoy the benefit of a full year's operation of the PAMA retail mall opened in November 2016, together with added stability in working capital levels.

- The Group operates retail businesses where the granting of credit is limited and the credit risk carried is low in the overall context of the Group.

- The Group carries a net current liability position that results in part from supplier credit being extended to it in excess of its own investment in working capital, and in part from the use of bank overdraft facilities. The Group maintains a healthy relationship with its suppliers and care is taken to respect agreed credit terms.

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

Dividends and reserves

The income and equity movements statements are set out on pages 26 and 28-30 respectively.

In the absence of unforeseen adverse circumstances, the first dividends payable by the company will be for the current financial year ending 30 April 2018, in line with the policy declared in the company's prospectus dated 27 March 2017.

Directors' report - continued

Directors

The directors of the company are:

Mr John Zarb - Chairman
Mr Paul Gauci – Executive Vice Chairman
Mr Charles Borg – Chief Executive Officer
Mrs Claire Alexia Gauci Borg
Dr Ramona Piscopo
Mr William Spiteri Bailey
Mr Lawrence Zammit.

Dr Ramona Piscopo was appointed a director of the company on 21 December 2016. All other directors held office since the incorporation of the company on 25 November 2016.

In accordance with the company's Memorandum and Articles of Association, all directors remain in office.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of PG p.l.c. for the year ended 30 April 2017 are included in the Annual Report 2017, which is published in hard-copy printed form and is available on the parent company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the parent company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the parent company as at 30 April 2017, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the parent company, together with a description of the principal risks and uncertainties that the Group and the parent company face.

Going concern basis

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the parent company have adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Additional information pursuant to Listing Rule 5.64

Details of the company's share capital are disclosed in note 11 of the financial statements on pages 59 and 60.

The issued share capital consists of one class of ordinary shares with equal voting rights attached. All shares are freely transferable.

Mr Paul Gauci owns 75% of the issued share capital of the company. No other shareholder holds 5% or more of the share capital of the company.

At present, in terms of the Articles of Association of the Company, the board of directors shall consist of a maximum of seven (7) directors. The first directors may serve in office for a period of three years, following which one third of the board shall retire by rotation every year, and shall be eligible for election.

The appointment of the directors (not being the Chief Executive Officer, who shall be appointed to the board by virtue of his office following his engagement by the company) shall take place at the annual general meeting of the company. The Articles of Association of the company provide for a mechanism pursuant to which recommendations of prospective directors to the Nominations Committee may be made by any shareholder or shareholders, holding in the aggregate not less than €250,000 in nominal value of shares having voting rights in the company. No person shall be or become entitled to act or take office as a director of the company unless approved by the Nominations Committee, which is empowered by the Articles of Association of the company to reject any recommendation made if in its considered opinion, the appointment of the person so recommended as a director could be detrimental to the company's interests or if such person is not considered as fit and proper to occupy that position. Where the number of candidates approved by the Nominations Committee is more than the number of vacancies on the Board of Directors, then an election would take place in accordance with the provisions of the Articles, pursuant to which those candidates obtaining the highest number of votes overall from amongst the candidates listed on the ballot paper distributed in advance of the general meeting shall be elected and appointed directors.

Directors' report - continued

Additional information pursuant to Listing Rule 5.64 - continued

Any director may be removed at any time by the ordinary resolution of the shareholders of the company in accordance with the Act, or in accordance with any other applicable law, or in the specific cases set out in the Articles of Association of the company.

The administration and management of the company shall be conducted by the directors, who shall appoint one of their number to act as chairman. The Articles of Association of the company do not contemplate any specific instances of administration and management of the company which are reserved for the decision, or the prior approval of, the shareholders of the company and/or any committee of the company.

The company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

It is hereby declared that, as at 30th April 2017, with the exception listed below, the company is not party to any significant agreement pursuant to Listing Rule 5.64.10.

The franchise agreement with Inditex Group re Zara® and Zara Home® requires its prior consent to any change in control of the Group. In the absence of such prior consent, Inditex would be entitled to exercise its rights under the option agreement referred to in the company's prospectus dated 27 March 2017 whereby Inditex could terminate the franchise agreements and assume the ownership of the operation of the stores.

The board declares that the information required under Listing Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.11 is not applicable to the company.

Directors' report - continued

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Registered address:

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

Telephone (+356) 2349 6100

Dr. Fransina Abela
Company Secretary

10 August 2017

Corporate governance statement

A. Introduction

PG p.l.c. was incorporated on 25 November 2016 and acquired control of the subsidiaries and associates that constitute the Group's business on 10 March 2017. The company's equity was admitted to the Official List of the Malta Stock Exchange on 4 May 2017, after the company's financial year end.

The company is accordingly not required to submit a report on its corporate governance pursuant to Listing Rules 5.94 and 5.97 issued by the Listing Authority of the Malta Financial Services Authority and given the brevity of its operation as a statutory entity such a report covering the year ended 30 April 2017 would not be a meaningful one.

The Board of Directors has nevertheless ensured, in the course of preparing for the listing of the company's equity, that the company adopts corporate governance procedures that are appropriate to the business, safeguard its continuity and comply with the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Listing Rules. Rather than constituting a report made in terms of Listing Rule 5.94 and relating to the financial year ended 30 April 2017, this statement reports on the measures adopted by PG p.l.c. to ensure compliance with the Code moving ahead. It also reports on the remuneration payable to directors and senior management, in lieu of a separate report thereon.

B. Compliance with the Code

Principle 1: The Board

The board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of PG p.l.c., the affairs of the company are managed and administered by a board composed of seven directors.

The board is in regular contact with the Chief Executive Officer, who is a board member, in order to ensure that it is in receipt of timely and appropriate information in relation to the business of the Group and management performance. This enables the board to contribute effectively to the decision making process, whilst at the same time exercising prudent and effective controls.

The board delegates specific responsibilities to the Audit Committee and to the RemNom Committee. Further detail in relation to the committees and the responsibilities of the board is found in Principles 4, 5 and 8 of this statement.

Principle 2: Chairman and Chief Executive

The statute of PG p.l.c provides for the board to appoint a chairman from amongst the directors. It also provides for the appointment of a Chief Executive Officer who will also serve, by virtue of his office, as a director of the company. Mr John Zarb and Mr Charles Borg were appointed chairman and Chief Executive Officer respectively.

The chairman is responsible to lead the board and set its agenda, ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company, ensure effective communication with shareholders and encourage active engagement by all directors during board discussions.

Corporate governance statement - continued

B. Compliance with the Code - continued

The Chief Executive Officer leads the management team of the Group. He reports regularly to the board on the business and affairs of the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the board are timely, give a true and correct picture of the issue or issues under consideration, and are of a professional standard suited to the subject matter concerned.

The Chief Executive Officer is supported by Mr Paul Gauci, the founder and major shareholder of the company, who serves as Executive Vice-Chairman. Mr Gauci also takes a leading role in the business development of the Group and in identifying and developing opportunities for expansion.

The Chief Executive Officer chairs a Management Committee composed of the Group's senior executives, The committee meets on a weekly basis to review the conduct of operations, to review and discuss monthly management accounts and to review and approve annual plans and budgets prior to their presentation to the board. The heads of the respective business areas are invited to attend the Management Committee and to answer any questions of the members of the committee.

The Deputy Chief Executive Officer, Mr Malcolm Camilleri, chairs a Purchasing Committee charged with assisting the Head Purchasing Officer in the operation of the Group's purchasing activities and in negotiations with suppliers. The committee also exercises oversight on the Group's relationships with its principal suppliers.

Principle 3: Composition of the Board

The composition of the company's first Board of Directors was designed to attain a diverse mix of professional and business skills and backgrounds appropriate to the needs of the Group; an appropriate balance between executive and non-executive directors; and the representation of the majority shareholder sufficient to attain continuity in leadership and an ongoing detailed awareness of the operations of the Group, so as to ensure the proper exercise of the voting rights, and the associated responsibilities, that are pertinent to such shareholder.

The Board of Directors is composed of:

Non-executive directors

Mr John Zarb FCCA FIA CPA - Chairman
Dr Ramona Piscopo LL.M., LL.D
Mr William Spiteri Bailey FIA CPA
Mr Lawrence Zammit MA (Econ)

Executive directors

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

Corporate governance statement - continued

B. Compliance with the Code - continued

All the non-executive directors are considered as independent and they are free from any business or other relationship with the company which could interfere materially with the exercise of their independent and impartial judgment.

In terms of the Articles of Association of the company, the first directors may serve in office for a period of three years, following which one third of the board shall retire by rotation every year, and shall be eligible for election.

Nominations for the appointment of directors must be approved by the Nominations Committee, which is empowered by the Articles of Association of the company to reject any recommendation made if, in its considered opinion, the proposed appointment could be detrimental to the company's interests or if such person is not considered as fit and proper to occupy that position. The Nominations Committee is also empowered on its own initiative to take steps to ensure that the board remains constituted by a diverse mix of professional and business skills and backgrounds appropriate to the needs of the Group.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The board meets regularly every month in addition to other occasions as may be needed from time to time. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below.

Since the incorporation of the company and up to the date of approval of this report, ten board meetings were held. Attendance at these meetings was as follows:

Board member	*Meetings attended*
Mr John Zarb	10
Mr Paul Gauci	10
Mr Charles Borg	10
Mrs Claire-Alexia Gauci Borg	7
Dr Ramona Piscopo (appointed 21 December 2016)	9
Mr William Spiteri Bailey	9
Mr Lawrence Zammit	10

The board is entrusted with the overall direction, administration and management of the Group. The board, in fulfilling this mandate, assumes responsibility for the following:

- reviewing and approving the business plan and budgets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the Group and overseeing the implementation and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the Group are in place;
- assessing the performance of the Group's executive officers, including monitoring the establishment of appropriate systems for succession planning, and for approving the compensation levels of such executive officers; and

Corporate governance statement - continued

B. Compliance with the Code - continued

- ensuring that the Group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the board.

Principle 6: Information and Professional Development

The directors were made familiar with the key provisions of the company's memorandum and articles and its overall objectives before the company was formed, as part of the process of seeking their consent to their proposed appointment. The incorporation of the company was followed by a process whereby the non-executive directors were introduced in more detail to the Group's business and its plans, and to its senior management team.

The recruitment and selection of senior management is the responsibility of the CEO in consultation with the board. Likewise, the CEO consults with the board on matters relating to succession planning for senior management within the company. The board considers and discusses succession planning measures at all senior management levels taking into account the size and depth of the management team of the company. The board, acting through the RemNom Committee, is also concerned with ensuring the ongoing training and development of the Group's management team.

The directors have access to the advice and services of the Company Secretary, Dr Fransina Abela, who is responsible for ensuring that board procedures are adhered to. Additionally, directors may seek independent professional advice on any matter at the company's expense.

Principle 7: Evaluation of the board's Performance

The board undertakes to carry out an evaluation of its own performance together with that of the Committees, the chairman, the individual directors and the CEO. This evaluation will be made under the direction of the chairman of the RemNom Committee.

Principle 8: Committees

The directors have constituted the following board committees, the terms of reference of which shall be determined by the board from time to time with the purpose of fulfilling the below mentioned purposes:

Audit Committee

The Audit Committee is composed of Mr William Spiteri Bailey (Chairman), Mr John Zarb and Dr Ramona Piscopo, all occupying an independent non-executive director role within the company. Mr William Spiteri Bailey and Mr John Zarb are the Audit Committee members who are considered to be competent in accounting and/or auditing in terms of the Listing Rules.

The committee is responsible for reviewing the financial reporting processes and policies, the system of internal control and management of financial risk, the audit process, any transactions with related parties and the company's process for monitoring compliance with laws and regulations. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the board on the action needed to address the issue or make improvements.

Corporate governance statement - continued

B. Compliance with the Code - continued

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Group. Its primary objective is to assist the board in dealing with issues of risk, control and governance and in reviewing the Group's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the external audit and facilitates communication between the board, management and external auditors. The Audit Committee is a committee appointed by the board and is directly responsible and accountable to the board. Its main role and responsibilities are:

(a) to review procedures and assess the effectiveness of the internal control systems, including financial reporting;

(b) to assist the board in monitoring the integrity of the financial statements, the internal control structures, the financial reporting processes and financial policies of the company;

(c) to make recommendations to the board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting;

(d) to monitor and review the external audit functions, including the external auditor`s independence, objectivity and effectiveness;

(e) to establish internal procedures and to monitor these on a regular basis;

(f) to establish and maintain access between the internal and external auditors of the company and to ensure that this is open and constructive;

(g) to review and challenge where necessary, the actions and judgements of management, in relation to the interim (if applicable) and annual financial statements before submission to the board, focusing particularly on:
   (i) critical accounting policies and practices and any changes in them;
   (ii) decisions requiring a major element of judgement;
   (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
   (iv) the clarity of disclosures and compliance with International Financial Reporting Standards;
   (v) significant adjustments resulting from the audit;
   (vi) compliance with stock exchange and other legal requirements; and
   (vii) reviewing the company's statement on Corporate Governance prior to endorsement by the board;

(h) to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;

(i) to establish and exercise oversight upon the internal audit function of the company, and to review its plans, activities, staffing and organisational structure;

(j) to monitor the statutory audit of the annual and consolidated accounts;

(k) to discuss company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the company; and

Corporate governance statement - continued

B. Compliance with the Code - continued

(l) to consider other matters that are within the general scope of the committee that are referred to it by the Board of Directors.

The Audit Committee has met four times since the incorporation of the company, and the meetings were attended by all committee members.

RemNom Committee

In view of its size, the company has taken the view that whilst it considers the role and function of each of the remuneration committee and the nomination committee as important, it would be more efficient for these committees to be merged into one committee ("RemNom Committee") that would serve a dual role.

The RemNom Committee is composed of Mr John Zarb (Chairman), Mr Paul Gauci and Mr Lawrence Zammit.

In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the company with respect to its management and employees. Its objectives are those of deciding a remuneration policy aimed to attract, retain and motivate directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the company. It is responsible for making proposals to the board on the individual remuneration packages of directors and senior management and is entrusted with monitoring the level and structure of remuneration of the non-executive directors.

In its function as nomination committee, the RemNom Committee's task is to propose to the board candidates for the position of director, including persons considered to be independent in terms of the Listing Rules, whilst also taking into account any recommendation from shareholders. It is to periodically assess the structure, size, composition and performance of the board and make recommendations to the board regarding any changes, as well as consider issues related to succession planning. It is also entrusted with reviewing the board's policy for selection and appointment of senior management.

The RemNom Committee met once since the incorporation of the company, and this meeting was attended by all committee members.

Remuneration of directors and senior management

As explained in the Directors' Report, the Group was formed as a result of a restructuring exercise whereby, on 10 March 2017, PG p.l.c. acquired a number of entities which operated the two main business activities of the PG Holdings group of companies namely the supermarkets and associated retail operations and the franchise operations. The shareholder of PG Holdings Limited is Mr Paul Gauci and the acquisition was made in exchange for the issue of shares to Mr Gauci.

The remuneration of the company's directors was established at the time, before the formation of the RemNom Committee, in the following manner:

(a) Continuity was assured in the salaries payable to executive directors after these were reviewed by the board and judged appropriate in the context of the responsibilities and experience of the individuals concerned.

Corporate governance statement - continued

B. Compliance with the Code - continued

(b) The remuneration of the non-executive directors was set by reference to the time they are expected to dedicate, annually, to the affairs of the Group, remunerated at a rate that recognizes the professional status and experience of the individuals concerned. The process was designed to attain transparency on the time input that directors are expected to dedicate annually to the Group; at the same time creating a basis on which to determine future revisions should directors be required to dedicate more time to the Group's affairs.

Once the resultant remuneration was approved by the board, the results were reflected in the prospective financial information included in the company's prospectus dated 27 March 2017.

All remuneration payable to directors is of a fixed nature. It is the intention of the RemNom Committee, in due course, to introduce an element of variable, performance based remuneration for executive directors and for senior management, based on a balanced scorecard, and a process has been initiated that will facilitate, inter alia, the determination of suitable parameters for the purpose.

No director has a contract with the company that contains provisions for termination payments and other payments linked to early termination.

Non-cash benefits for two executive directors include the use of a company car.

The maximum annual aggregate emoluments that may be paid to the directors as approved by the shareholders in terms of Article 22 of the company's Articles of Association is fixed at an aggregate sum of €750,000 per annum.

The following is an outline of the directors' remuneration for the financial year under review:

Directors' fees	€73,000
Directors' salaries	€397,000

Emoluments of directors and senior management

	Fixed Remuneration	Share Options	Others
Directors	€470,000	None	Non-cash benefits referred to above
Senior Management	€206,000	None	Non-cash benefits referred to above

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The company will communicate effectively with shareholders by publishing its results on a six-monthly basis during the year, by way of half yearly and annual reports and financial statements, through Interim Directors' Statements, through periodical company announcements and through press releases in the local media to the market in general. The financial results will be made available on the company's website www.pggroup.com.mt.

Corporate governance statement - continued

B. Compliance with the Code - continued

Annual general meeting

Within seven months of the end of the financial year, the annual general meeting of the shareholders will be convened to consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors, appoint auditors and to set their remuneration. A presentation will be given to the shareholders present showing how the company operated in the light of prevailing economic and market conditions, and an assessment on future prospects will be given. The chairman arranges for all directors to attend the Annual General Meeting.

Principle 11: Conflicts of Interest

Directors having conflicts of interest on any matters being discussed at board level are required to disclose the conflict in a timely manner to the board and the director so conflicted will not be allowed to vote on such matters.

None of the directors save Mr Paul Gauci have any shares in the company.

Any material transactions with related parties, which pose intrinsic potential conflicts of interests, require the approval of the Audit Committee, which is charged with ensuring that such transactions are necessary for the conduct of the company's business and are transacted on an arms' length basis.

As explained in the prospectus issued by the company on 27 March 2017, the Group was re-organised in its current form to include, as far as practicable, all the businesses that are controlled by Mr Paul Gauci, and managed by his management team. This serves to reduce the scope for any future potential conflicts of interests involving the majority shareholder.

Principle 12: Corporate Social Responsibility

The Company recognises the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations the environment is respected. The directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt environmentally responsible practices.

Corporate governance statement - continued

C. Non-compliance with the Code

In the opinion of the board, the company has instituted governance procedures which shall ensure full compliance with the Code.

D. Internal Control and Risk Management in relation to financial reporting

The board is ultimately responsible for the company's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute assurance against material misstatement or loss.

The company operates through the Board of Directors and the management team with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. The board plans, controls and monitors business operations in order to achieve the set objectives.

The directors, with the assistance of management, are responsible for the identification, evaluation and management of the key risks to which the company may be exposed. The company has clear and consistent procedures in place for monitoring the system of internal financial controls. The directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the company's set targets. This process is applicable specifically in relation to the company's financial reporting framework.

Through the Audit Committee, the board reviews the effectiveness of the company's system of internal controls, including financial reporting, which will be monitored by an Internal Audit team that was appointed in April 2017 and which has recently commenced operations. The Audit Committee also determines whether significant internal control recommendations made by the internal and external auditors have been implemented.

Approved by the board of directors on 10 August 2017 and signed on its behalf by:

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

pwc

Independent auditor's report

To the Shareholders of PG p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- PG p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 30 April 2017, and of the Group's and the Parent Company's financial performance and cash flows for the year/period then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

PG p.l.c.'s financial statements, set out on pages 24 to 79, comprise:

- the Consolidated and Parent Company statements of financial position as at 30 April 2017;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year/period then ended;
- the Consolidated and Parent Company statements of changes in equity for the year/period then ended;
- the Consolidated and Parent Company statements of cash flows for the year/period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

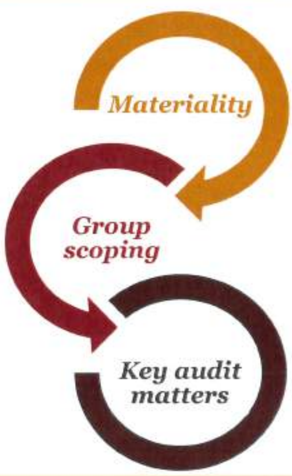
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report - *continued*

To the Shareholders of PG p.l.c.

Our audit approach

Overview



- Overall Group materiality: €540,000, which represents 5% of profit before tax.

- The Group is composed of 10 reporting units all located in Malta.
- The Group engagement team carried out the audit of the financial statements of the parent company as well as the audit of the financial statements of all the subsidiaries of the company.

- Existence, valuation and cut-off of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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Independent auditor's report - continued

To the Shareholders of PG p.l.c.

Overall group materiality	€540,000
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €27,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Existence, valuation and cut-off of inventory Refer to Note 8 Inventory as at 30 April 2017 amounted to €6.1 million and represented 50% of total current assets of PG p.l.c. This inventory mainly consists of stocks held in the supermarkets and stores and in the fashion retail outlets. Inventory is valued at the lower of cost and net realisable value. The valuation of inventory at cost is based on the weighted average cost per unit of inventory (the AVCO-principle). Due to the nature of the Group's operations, the number of transactions recorded through the inventory cycle during the year is very significant and dependant on the reliability of the Group's operating systems. We focused on this area because of the materiality of these balances and the related impact on working capital as well as on the cost of items sold.	Our audit procedures included testing of the IT general controls. We tested the existence of inventory mainly by attending a selection of inventory cycle counts in the supermarkets and related stores as well as participating in the year-end stock counts in the fashion retail outlets. We performed test counts on a sample basis and compared the quantities counted by us with the results of the counts by the entities. We also checked that variances arising from our test counts were followed up by management and reflected in the accounting records. Our tests of detail on the valuation of inventory included the verification of inventory records against the respective supporting documentation on a sample basis. Furthermore, we also assessed slow moving items. Our audit procedures to assess inventory cut-off consisted of performing substantive procedures to ensure that the transfer of rights and obligations over inventory had been correctly reflected in the books of the Group.

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Independent auditor's report - *continued*

To the Shareholders of PG p.l.c.

How we tailored our group audit scope

The Group is composed of 10 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group audit team performed all of this work by applying the overall group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, the Operating review, the Directors' report and the Corporate governance statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Independent auditor's report - continued

To the Shareholders of PG p.l.c.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Independent auditor's report - *continued*

To the Shareholders of PG p.l.c.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - *continued*

To the Shareholders of PG p.l.c.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

10 August 2017

Statements of financial position

		As at 30 April		
		Group		Company
	Notes	**2017 €'000**	2016 €'000	**2017 €'000**
ASSETS				
Non-current assets				
Property, plant and equipment	4	**52,359**	52,148	**-**
Investment property	5	**2,500**	2,500	**-**
Investment in subsidiaries	6	**-**	-	**34,456**
Investment in associates	7	**3,417**	3,438	**3,502**
Trade and other receivables	9	**-**	-	**4,479**
		58,276	58,086	**42,437**
Current assets				
Inventories	8	**6,135**	4,915	**-**
Trade and other receivables	9	**4,772**	3,736	**22**
Cash and cash equivalents	10	**1,320**	1,366	**-**
Total current assets		**12,227**	10,017	**22**
Total assets		**70,503**	68,103	**42,459**

Statements of financial position - continued

		As at 30 April		
		Group		Company
	Notes	**2017 €'000**	2016 €'000	**2017 €'000**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	11	**27,000**	15,822	**27,000**
Share premium	15	**-**	1,932	**-**
Revaluation reserves	13	**-**	7,308	**-**
Retained earnings		**825**	(3,183)	**4**
Total equity		**27,825**	21,879	**27,004**
Non-current liabilities				
Trade and other payables	17	**245**	315	**15,448**
Borrowings	14	**17,752**	18,721	**-**
Deferred taxation	16	**3,434**	3,481	**-**
		21,431	22,517	**15,448**
Current liabilities				
Trade and other payables	17	**13,161**	13,037	**7**
Borrowings	14	**6,159**	9,178	**-**
Current tax liabilities		**1,927**	1,492	**-**
Total current liabilities		**21,247**	23,707	**7**
Total liabilities		**42,682**	46,224	**15,455**
Total equity and liabilities		**70,503**	68,103	**42,459**

The notes on pages 32 to 79 are an integral part of these financial statements.

The financial statements on pages 24 to 79 were authorised for issue by the boards of directors of the company on 10 August 2017 and were signed on their behalf by:

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Income statements

		Year/Period ended 30 April		
		Group		Company
		2017	2016	**2017**
	Notes	**€'000**	€'000	**€'000**
Revenue	19	**91,686**	55,311	**-**
Cost of sales	20	**(77,425)**	(47,092)	**-**
Gross profit		**14,261**	8,219	**-**
Selling and marketing costs	20	**(1,195)**	(744)	**-**
Administrative expenses	20	**(2,445)**	(1,463)	**(65)**
Other income	23	**764**	456	**-**
Operating profit/(loss)		**11,385**	6,468	**(65)**
Investment income	25	**-**	-	**5,215**
Net income on acquisition of investment	24	**-**	327	**-**
Finance income	26	**81**	93	**-**
Finance costs	26	**(638)**	(643)	**-**
Share of results of associates	7	**(21)**	496	**-**
Profit before tax		**10,807**	6,741	**5,150**
Tax expense	27	**(3,447)**	(2,125)	**(1,825)**
Profit for the year/period		**7,360**	4,616	**3,325**

Earnings per share for the year attributable to shareholders

Basic earnings per share	29	**€0.35**	€0.25

The notes on pages 32 to 79 are an integral part of these financial statements.

Statements of comprehensive income

		Year ended 30 April		
		Group		Company
		2017	2016	**2017**
	Notes	**€'000**	€'000	**€'000**
Profit for the year/period		**7,360**	4,616	**3,325**
Other comprehensive income				
Share of revaluation surplus on property, plant and equipment of an associate	13	-	2,692	-
Adjustment to deferred tax related to related to prior reporting period	16	-	1,256	-
Total comprehensive income for the year/period		**7,360**	8,564	**3,325**

The notes on pages 32 to 79 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €'000	Share premium €'000	Valuation reserves €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 May 2015		9,178	-	7,308	-	2,903	19,389
Comprehensive income							
Profit for the year		-	-	-	-	4,616	4,616
Other comprehensive income							
Revaluation surplus on property, plant and equipment of associate	13	-	-	2,692	-	-	2,692
Transfer to retained earnings upon acquisition of subsidiary		-	-	(2,692)	-	2,692	-
Adjustment to deferred tax related to prior reporting period	16					1,256	1,256
Total other comprehensive income		-	-	-	-	3,948	3,948
Total comprehensive income		-	-	-	-	8,564	8,564
Transactions with owners							
Increase in share capital of associate and acquired subsidiary	11	6,644	1,932	-	-	-	8,576
Deduction of movements in amounts due by shareholders	15	-	-	-	(10,930)	-	(10,930)
Transfer between reserves	15				10,930	(10,930)	-
Dividends for 2016	28	-		-		(3,720)	(3,720)
		6,644	1,932	-	-	(14,650)	(6,074)
Balance at 30 April 2016		**15,822**	**1,932**	**7,308**	**-**	**(3,183)**	**21,879**

Statements of changes in equity - continued

Group	Notes	Share capital €'000	Share premium €'000	Valuation reserves €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 May 2016		15,822	1,932	7,308	-	(3,183)	21,879
Comprehensive income							
Profit for the year		-	-	-	-	7,360	7,360
Transactions with owners							
Issue of share capital (before Group restructuring)	11	50	-	-	-	-	50
Increase of issued share capital (after Group restructuring)	11	23,629	-	-	-	-	23,629
Capitalisation of reserves	11	3,321				(3,321)	-
Deduction of movements in amounts due by shareholders	15	-	-	-	(1,464)	-	(1,464)
Transfer between reserves	15				1,464	(1,464)	-
		27,000	-	-	-	(4,785)	22,215
Adjustments related to Group restructuring							
Restructuring of the Group	12,13	(15,822)	(1,932)	(7,308)	-	1,433	(23,629)
Balance at 30 April 2017		**27,000**	**-**	**-**	**-**	**825**	**27,825**

The notes on pages 32 to 79 are an integral part of these financial statements.

Statements of changes in equity - continued

Company	Note	**Share capital €'000**	**Retained earnings €'000**	**Total €'000**
Balance at 25 November 2016		-	-	-
Comprehensive income				
Profit for the period		-	3,325	3,325
Transactions with owners				
Issue of share capital upon incorporation	11	50	-	50
Increase in issued share capital	11	23,629	-	23,629
Capitalisation of reserves	11	3,321	(3,321)	-
		27,000	(3,321)	23,679
Balance at 30 April 2017		**27,000**	**4**	**27,004**

Statements of cash flows

		Year ended 30 April		
		Group		Company
	Notes	**2017**	2016	**2017**
		€'000	€'000	**€'000**
Cash flows from operating activities				
Cash generated from/(used in) operations	30	**10,457**	9,410	**(80)**
Interest received		**81**	93	**-**
Interest paid		**(638)**	(643)	**-**
Tax paid		**(3,059)**	(1,818)	**(1,825)**
Net cash generated from/(used in) operating activities		**6,841**	7,042	**(1,905)**
Cash flows from investing activities				
Net purchases of property, plant and equipment		**(1,394)**	(4,241)	**-**
Increase in investment in associates		**-**	(2,347)	**-**
Advances to subsidiaries		**-**	-	**(3,360)**
Proceeds from disposal of non-current assets		**138**	-	**-**
Acquisition on investment in subsidiary		**-**	(6,228)	**-**
Subsidiary cash and cash equivalents acquired		**-**	(1,740)	**-**
Net cash used in investing activities		**(1,256)**	(14,556)	**(3,360)**
Cash flows from financing activities				
Increase in share capital		**50**	8,576	**50**
Proceeds from bank borrowings		**-**	20,009	**-**
Repayments of bank borrowings		**(1,106)**	(12,479)	**-**
Advances to shareholders		**(1,464)**	(10,930)	**-**
Payment of finance leases		**(36)**	-	**-**
Dividends paid		**-**	(3,720)	**-**
Dividend income		**-**	-	**5,215**
Net cash (used in)/generated from financing activities		**(2,556)**	1,456	**5,265**
Net movement in cash and cash equivalents		**3,029**	(6,058)	**-**
Cash and cash equivalents at beginning of year/period		**(6,674)**	(616)	**-**
Cash and cash equivalents at end of year/period	10	**(3,645)**	(6,674)	**-**

The notes on pages 32 to 79 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

PG p.l.c. was incorporated by Mr. Paul Gauci on 25 November 2016 under the terms of the Maltese Companies Act, 1995. On 10 March 2017, PG p.l.c. acquired a number of entities (listed in note 35) which operated the two main business activities of the PG Holdings group of companies namely the supermarkets and associated retail operations and the Franchise operations. The shareholder of PG Holdings Limited is Mr Paul Gauci. This acquisition by the company was made in exchange for the issue of shares to these shareholders. Effectively the shareholder of PG Holdings Limited, Mr. Paul Gauci, restructured the operational entities within PG Holdings Limited under a new entity, PG p.l.c.

The substance of this transaction was that of a Group restructuring and accordingly the provisions in respect of business combinations set out in IFRS 3 are not applicable. In accordance with generally accepted accounting principles, the transaction has been accounted for in the consolidated financial statements as a restructuring, and these accounts have been compiled as if the company, was the parent company of the Group from incorporation. Accordingly, in order to provide more meaningful information to potential investors, the comparative figures for 2016 include the financial performance and position of the Group even though the new parent company was legally incorporated during the current period.

These consolidated financial statements include the financial statements of PG p.l.c. and its subsidiaries and associates have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial information has been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category within property, plant and equipment and investment property, and except as disclosed in the accounting policies below. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3 – Critical accounting estimates and judgements). These accounting policies are consistent with the policies previously adopted by the entities acquired by PG p.l.c. except for the reorganisation between the Group entities under common control which is accounted for using the reorganisation method of accounting. Under this method, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entities as recognised and measured in those entities pre-organisation financial statements. No goodwill arises in reorganisation accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entities, is included in equity. The financial statements, incorporate the acquired entities full year results, including comparatives, as if the post-reorganisation structure was already in place at the commencement of the comparative period.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 May 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 May 2016. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The Group is considering the implications of the standard and its impact on the Group's financial results and position.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Group is presently assessing the impact of IFRS 15.

IFRS 16, 'Leases' deals lease accounting. Certain operating leases will be recognised in the statement of financial position as an asset (including the right to use the leased item) and a corresponding financial liability to pay rentals. As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 31. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. This standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group is still in the process of assessing and evaluating the impact of IFRS 16.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations except as disclosed in note 1.4. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between entities forming part of group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. **Summary of significant accounting policies** - continued

1.2 Consolidation - continued

(b) Associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.4 Business combinations involving entities under common control

As disclosed in the basis of preparation note 1.1 above, PG p.l.c acquired a 100% shareholding in a number of entities as listed in Note 35 and 49% shareholding in two associates as listed in Note 35 on 10 March 2017, in exchange for the issue of shares to the previous ultimate shareholders of these entities. In accordance with generally accepted accounting principles, the pooling of interest basis of accounting has been adopted and this transaction has been recorded as if it had occurred at the beginning of the earliest period reported.

Business combinations involving entities under common control are transactions in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory. The key feature of a transaction among entities under common control is that there is no change in the ultimate control of the combining entities as a result of the transaction. Control could be exercised by a group of individuals that are all part of the same close family group when they have the collective power to govern the financial and operating policies of the entity.

The Group has chosen to apply the pooling of interests method to account for transactions involving entities under common control. The Group accounts for business combinations involving entities under common control by recording:

a) the transaction as if it had taken place at the beginning of the earliest period presented;
b) the assets and liabilities of the acquired entity using predecessor book values from the consolidated financial statements of the controlling party, and
c) the difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity as an adjustment to equity.

When the controlling party does not prepare financial statements, the book values from the financial statements of the acquired entity are used.

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown in valuation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the valuation reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the valuation reserves to retained earnings.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

	%
Buildings	2
Improvements to premises	3 - 10
Furniture and fittings	10 – 25
Plant, machinery and equipment	6.67 - 25
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. In particular, the Group assesses on a periodic basis the economic useful lives of integral and movable assets directly related to the retailing and fashion sector.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the valuation reserves relating to the assets are transferred to retained earnings.

1. **Summary of significant accounting policies** - continued

1.6 Investment property

Investment property is held for long-term rental yields or for capital appreciation or both, and is not presently occupied by entities forming part of the Group. Investment property comprises freehold and leasehold land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed periodically by the Group's directors, after taking into consideration valuations prepared by external professional valuers.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other factors, the value of similar properties in the local market. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

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

1.7 Impairment of non-financial assets

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

1.8. Investments in subsidiaries and associates

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

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39.

1. Summary of significant accounting policies - continued

1.9 Financial assets

1.9.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.10 and 1.13).

1.9.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1. **Summary of significant accounting policies** - continued

1.9 Financial assets - continued

1.9.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial regroup.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.10 Trade and other receivables

Trade receivables comprise amounts due from customers for goods sold or services performed and rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.9.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within 'selling and marketing costs'. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in profit or loss.

1.11 Inventories

Goods held for resale

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of inventories comprises the invoiced value of goods, and, in general, cost also includes freight charges. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

1. Summary of significant accounting policies - continued

1.12 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Under this method the Group is required to make provision for deferred income taxes on the revaluation of certain property assets and provisions on the difference between the carrying values for financial reporting purposes and their tax base.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statements of financial position at face value. In the statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks, net of bank overdrafts. In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

1.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

1. Summary of significant accounting policies - continued

1.15 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.16 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.17 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.19 Provisions

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

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

1. Summary of significant accounting policies - continued

1.20 Revenue recognition

Revenue comprises at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Sales of goods - retail

Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. Certain retail sales are on credit. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in 'cost of sales'.

It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of goods - wholesale

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related trade and other receivables is reasonably assured. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer.

(c) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(d) Property related income

Rentals receivable, short-term lets receivable and premia charged to tenants of immovable property are recognised in the period when the property is occupied. Premia are taken to profit or loss over the period of the leases to which they relate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.21 Finance income and costs

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

1. Summary of significant accounting policies - continued

1.22 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying non-current assets are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed.

Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Group's interest bearing borrowings.

1.23 Operating leases

(a) The Group is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) The Group is the lessor

Assets leased out under operating leases relate to assets being leased from the Group under a non-cancellable operating lease agreement. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

1.25 Finance lease - where the Group is a lessee

The Group has property, plant and equipment acquired under finance leases. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. Finance leases are recognised at the earlier of the lease's commencement or the time when the Group's obligations come into effect.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1. Summary of significant accounting policies - continued

1.26 Earnings per share

1.26.1 Basic earnings per share

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

1.26.2 Diluted earnings per share

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

1.27 Segment reporting

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

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

2. Financial risk management

2.1 Financial risk factors

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

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

2. **Financial risk management** - continued

2.1 Financial risk factors- continued

(a) Market risk

(i) Foreign exchange risk

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

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

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

(ii) Cash flow and fair value interest rate risk

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

Borrowings issued at variable rates, comprising short-term bank borrowings (refer to Note 14), expose the Group to cash flow interest rate risk. Certain Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's base rate.

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

The Group has considerable bank borrowings issued at fixed rates (Note 14). These bank loans do not expose the Group to cash flow interest rate risk.

(b) Credit risk

Credit risk arises on cash and cash equivalents, deposits with banks, loans and receivables, advances to related parties as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company
	2017	2016	2017
	€'000	€'000	€'000
Loans and receivables category:			
Trade and other receivables (Note 9)	**4,593**	3,576	-
Cash and cash equivalent (Note 10)	**1,320**	1,366	-
	5,913	4,942	-

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The Group banks and invests only with local financial institutions or entities with high quality standing or rating. The Group's operations are principally carried out in Malta. The Group has no concentration of credit risk that could materially impact the sustainability of its operations.

The Group sales are mainly generated from retail customers and are made in cash or via major credit cards. Despite credit sales are limited, the Group has policies in place to ensure that sales of products and services on credit are effected to customers with an appropriate credit history.

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history. The Group monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's receivables, taking into account historical experience in collection of accounts receivable.

As of 30 April 2017, trade receivables of €2,191,000 (2016: €1,454,000) were fully performing.

Impairment provisions of €25,000 (2016: €25,000) were present at year end in respect of trade and other receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €1,451,000 (2016: €780,000). The Group holds no security against these receivables. The unsecured overdue amounts consisted of €984,000 (2016: €394,000) that were less than three months overdue and €467,000 (2016: €386,000) that were greater than three months.

The company's receivables also include advances to subsidiaries within the Group on which no credit risk is considered to arise.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to Notes 17 and 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that when additional financing facilities are expected to be required over the coming period there are adequate credit facilities in place with external sources and within the treasury function of the Group.

The Group's liquidity risk is monitored in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the Group's committed borrowing facilities and Group's treasury support that it can access to meet liquidity needs as referred to previously.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The following table analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €'000	Contractual cash flows €'000	Within one year €'000	Between 1 and 5 years €'000
30 April 2017				
Bank borrowings	23,378	22,167	1,641	20,526
Trade and other payables	13,410	13,410	13,165	245
Finance leases	533	613	61	552
	37,321	**36,190**	**14,867**	**21,323**
30 April 2016				
Bank borrowings	27,559	31,847	9,680	22,167
Trade and other payables	13,352	13,352	13,037	315
Finance leases	340	394	35	359
	41,251	**45,593**	**22,752**	**22,841**

2.2 Fair values of financial instruments

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

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

2. Financial risk management - continued

2.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amounts of dividends paid to shareholders.

The Group monitored the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt was calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital was calculated as equity, as shown in the statement of financial position, plus net debt. The aggregated figures in respect of the Group's equity and borrowings are reflected below:

	Group	
	2017	2016
	€'000	€'000
Total borrowings (Note 14)	**23,911**	27,899
Less: Cash at bank and in hand	**(1,320)**	(1,366)
Net borrowings	**22,591**	26,533
Total equity	**27,825**	21,879
Total capital	**50,416**	48,412
Gearing	**44.8%**	54.8%

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above from period to period, with a view to managing the cost of capital. The level of capital of the Group, as reflected in the statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period is deemed adequate by management.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, with the exception of the fair valuation of property, plant and equipment and investment property (Note 4 and Note 5), the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Property, plant and equipment

Group	Land and buildings €'000	Assets in the course of construction €'000	Machinery, motor vehicles and equipment €'000	Furniture fixtures and fittings €'000	Total €'000
At 30 April 2015					
Cost or valuation	23,468	567	421	711	25,167
Accumulated depreciation	(541)	-	(114)	(471)	(1,126)
Net book amount	22,927	567	307	240	24,041
Year ended 30 April 2016					
Opening net book amount	22,927	567	307	240	24,041
Transfers upon commissioning	-	(567)	386	181	-
Acquisition of subsidiary (note 18)	23,813	-	525	311	24,649
Additions	-	116	3,552	912	4,580
Disposals	-	-	(122)	-	(122)
Depreciation charge	(450)	-	(437)	(235)	(1,122)
Depreciation released on disposal	-	-	122	-	122
Closing net book amount	**46,290**	**116**	**4,333**	**1,409**	**52,148**
At 30 April 2016					
Cost or valuation	47,281	116	4,762	2,115	54,274
Accumulated depreciation	(991)	-	(429)	(706)	(2,126)
Net book amount	46,290	116	4,333	1,409	52,148
Year ended 30 April 2017					
Opening net book amount	46,290	116	4,333	1,409	52,148
Net transfers including commissioning	-	(116)	(106)	222	-
Additions	301	-	286	1,032	1,619
Disposals	-	-	(182)	(4)	(186)
Depreciation charge	(225)	-	(669)	(376)	(1,270)
Depreciation released on disposal	-	-	47	1	48
Closing net book amount	**46,366**	**-**	**3,709**	**2,284**	**52,359**
At 30 April 2017					
Cost or valuation	47,582	-	4,760	3,365	55,707
Accumulated depreciation	(1,216)	-	(1,051)	(1,081)	(3,348)
Net book amount	46,366	-	3,709	2,284	52,359

4. Property, plant and equipment - continued

Fair valuation of property

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's land and buildings within property, plant and equipment (Note 4) and investment property (Note 5) comprises :

- the Zara Complex situated in Sliema, which mainly includes retail outlets selling Zara branded fashion garments and home furnishings. This property is operated by Alhambra Trading Limited and Centre Point Properties Limited (members of the Group) and is classified as property, plant and equipment.

- undeveloped airspace in the same location of the above noted Complex in Sliema. This mixed use/commercial use developable property is held for capital appreciation and is classified as investment property.

- the PAVI Shopping Complex situated in Qormi, which operates a supermarket including the management of shared activities within the retailing operations and the concessions of commercial areas that compliment the complex

All the recurring property fair value measurements at 30 April 2017 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 30 April 2017.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above and as disclosed in Note 5. The only movements in land and buildings classified as property, plant and equipment and investment property reflect additions and depreciation charge for the year ended 30 April 2017.

In 2013, the directors assessed the valuation in respect of the Zara Complex and the undeveloped airspace in Sliema on valuation reports prepared by a professionally qualified valuer. During 2013, the directors adjusted the carrying amount of this property determined using the noted fair value. Valuations were made on the basis of open market value after considering the returns being attained by the property and its intrinsic value. For 2017 and 2016 the directors reassessed these valuations and in their opinion the carrying amount of this property as at year-end does not differ materially from that which would be determined using fair values.

4. Property, plant and equipment - continued

Fair valuation of property - continued

Furthermore, the directors of PAVI Shopping Complex Limited assessed the valuation of the PAVI Shopping Complex on valuation reports prepared by a professionally qualified valuer issued in 2016. Valuations were made on the basis of open market value after considering the returns being attained by the property and its intrinsic value. The directors of the then associate adjusted the carrying amount of this property using the noted fair value. For 2017 directors reassessed these valuations and in their opinion the carrying amount of this property as at year-end does not differ materially from that which would be determined using fair values.

Valuation processes

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

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

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

Valuation techniques

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

- in case of the Zara Complex and the PAVI Shopping Complex the directors applied the capitalised rental approach;
- in case of undeveloped airspace the adjusted sales comparative was applied by the directors.

The Board of Directors approved the respective fair values after taking into consideration the intrinsic value of the property and specific tenure conditions.

In using the capitalised rentals approach, the significant unobservable inputs include a rental rate per square metre, the capitalisation rate, and, if applicable, development or refurbishment costs which must be incurred before the property can earn the potential rental cash flows. Information about fair value measurements of property using significant unobservable inputs (Level 3) include average rental rate per square metre of €602 with an average growth rate of 2% discounted at an average rate of 7.5% for the Zara Complex and average rental rate per square metre of €185 with an average growth rate of 2% discounted at an average rate of 9% for the PAVI Shopping Complex.

4. Property, plant and equipment - continued

Valuation techniques - continued

As noted above, the adjusted sales comparative approach was applied for the undeveloped airspace. In view of the limited number of sales of similar properties in the local market, the valuations have been performed using unobservable inputs. The significant input to the sales comparison approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the Group's property, with significant adjustments for differences in the size, age, exact location and condition of the property. Information about fair value measurements of this property using significant unobservable inputs (Level 3) include net sales price per square metre of €1,550.

For both the capitalised rental approach and the sales comparative approach, the higher the rate per square metre, the higher the resultant fair valuation. Conversely, the lower the capitalisation rate, the higher the resultant fair valuation.

Bank borrowings are secured by the Group's property, plant and equipment (Note 14).

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

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Direct operating expenses	**1,166**	1,033	-
Selling and distribution expenses	**6**	7	-
Administrative expenses	**98**	82	-
Total depreciation charge (Note 20)	**1,270**	1,122	-

In 2017 and 2016, the Group entered into agreements for the supply and leasing of operational equipment installed within the PAMA Shopping Village. Due to certain contractual obligations in favour of the lessor which emanate from the lease contract, the directors consider this contract as a financing arrangement. Accordingly, the Group has recognised the equipment being installed as an asset with the corresponding amounts due as a finance lease liability (Note 31).

5. Investment property

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Year ended 30 April			
Opening and closing cost and net book amount	**2,500**	2,500	-
As at 30 April			
Cost and fair value	**2,500**	2,500	-

Investment property comprises property which has been earmarked for re-development within the Alhambra complex. This project did not commence by year-end. This property mainly includes airspace and hence would not be subject to depreciation if these assets are stated on a historical cost basis.

Investment property was not leased out by the Group as at 30 April 2017 and 30 April 2016.

5. Investment property - continued

Investment property is valued annually on 30 April at fair value comprising open market values approved by the director on the basis of periodic professional valuation prepared by professional valuers.

Borrowings are secured on the Group's investment property (Note 14).

6. Investments in subsidiaries

	Company 2017 €'000
Period ended 30 April	
At beginning of period	-
Additions	**34,456**
At end of period	**34,456**
At 30 April	
Cost and net book value	**34,456**

On 10 March 2017, the company acquired the entire shareholding in a number of entities (listed in note 35) for a consideration of €34,456,000 for subsidiaries and €3,502,000 for associates (note 7). Under the requirements of the predecessor basis of accounting, the difference between the net asset value of these undertakings as at this date and the consideration paid, should be disclosed as an adjustment to equity. The consideration paid by the company to PG Holdings Limited for the transfer of these entities represents the net asset value of these entities as at 31 October 2016. Given that this transaction is considered to be a group restructuring, the directors of the company are of the opinion that effectively the company took control of these entities on 1 November 2016 and therefore did not result in an adjustment to equity.

On 13 March 2017, the company received an interim dividend (net of tax) amounting to €3,390,000 from its subsidiaries. This dividend has been distributed as part of the capital structuring transaction of the company. On 13 March 2017, €3,321,000 of this distribution has been capitalised, through a bonus issue, in accordance with the restructuring program concluded in the Group in 2017 (Note 12).

7. Investments in associates

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000
Year/period ended 30 April			
At beginning of year	**3,438**	4,458	**-**
Additions	**-**	2,347	**3,502**
Increase in value upon revaluation of property in associate	**-**	2,692	**-**
Impairment on re-measuring to fair value of interest in PAVI Group on acquisition of control	**-**	(327)	**-**
Disposal of investment in associate upon acquisition of control	**-**	(6,228)	**-**
Share of results of associates	**(21)**	496	**-**
At end of year/period	**3,417**	3,438	**3,502**
At 30 April			
Cost	**3,326**	3,326	**3,502**
Share of results and reserves	**91**	112	**-**
Net book value	**3,417**	3,438	**3,502**

The principal associates all of which are unlisted at year end, together with the nature of their business are disclosed in note 35. These associates have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business. The financial year end of these entities is 30 April. Associates are measured using the equity method in accordance with the Group's accounting policy and there are no contingent liabilities relating to the Group's interest in the associates.

Summarised financial information of associates

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

Summarised balance sheet

	Group 2017 €'000	Group 2016 €'000
Total current assets	**1,082**	1,809
Total current liabilities	**(1,279)**	(2,233)
	(197)	(424)
Non-current assets	**7,912**	8,199
Non-current liabilities	**(741)**	(758)
	7,171	7,441
Net assets as at year end	**6,974**	7,017

7. **Investments in associates** - continued

Summarised statement of comprehensive income

	Group	
	2017	2016
	€'000	€'000
Revenue	**1,440**	11,759
Profit before tax	**72**	2,243
(Loss)/profit after tax	**(43)**	1,496
Investment income not attributable to the Group	**-**	(500)
Associated results attributable to the Group	**(21)**	496

The information above reflects the amounts presented in the financial statements of the associates for the period when these entities were considered as associates of the Group (note 35).

Reconciliation of summarised financial information

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

	Group	
	2017	2016
	€'000	€'000
Opening net assets	**7,017**	8,958
Increase in share capital	**-**	5,000
Increase in property valuation reserve	**-**	5,384
(Loss)/profit for the year/period	**(43)**	1,496
Dividends paid	**-**	(710)
Disposal of equity related to associate upon acquisition of subsidiary	**-**	(13,111)
Closing net assets	**6,974**	7,017
Carrying value at year end	**3,417**	3,438

8. **Inventories**

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Goods held for resale	**6,135**	4,915	**-**

8. **Inventories** - continued

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

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Cost of sales	**147**	163	**-**

9. Trade and other receivables

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Non-current			
Amounts owed by subsidiaries	**-**	-	**4,479**
Current			
Trade receivables	**2,191**	1,454	**-**
Indirect taxation	**327**	333	**-**
Advance payments to suppliers	**767**	662	**-**
Amounts owed by associates and related parties	**23**	-	**22**
Advance payments on non-current assets	**-**	10	**-**
Other debtors	**302**	584	**-**
Prepayments and accrued income	**1,162**	693	**-**
	4,772	3,736	**22**
Total trade and other receivables	**4,772**	3,736	**4,501**

Trade and other receivables are stated net of provision for impairment charges as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Trade receivables	**25**	25	**-**

Amounts owed by associates and related parties are unsecured, interest free and repayable on demand. The Group's exposure to credit and currency risks relating to receivables are disclosed in Note 2. The other classes within trade and other receivables do not contain impaired assets.

10. Cash and cash equivalents

For the purposes of the statement of cash flows, the period-end cash and cash equivalents comprise the following:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Cash at bank and in hand	**1,320**	1,366	-
Bank overdraft (note 14)	**(4,965)**	(8,040)	-
Total cash and cash equivalents	**(3,645)**	(6,674)	-

11. Share capital

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Issued and fully paid up	**27,000**	15,822	**27,000**

The company was incorporated on 25 November 2016 with an authorised share capital of €40,000,000, divided into 40,000,000 ordinary shares having a nominal value of €1 each and an issued and fully paid-up share capital of €50,000, divided into 50,000 ordinary shares having a nominal value of €1. The issued share capital consists of one class of ordinary shares with equal voting rights attached.

Subsequent to the Group restructuring (Note 1.1) whereby the company acquired full ownership and control of the subsidiaries and an interest in the associated companies at their net book carrying amounts as at 31 October 2016, the Company owed the amount of €37,955,000 to PG Holdings Limited. From this amount, there was deducted the sum of €14,326,000 due by PG Holdings Limited to the subsidiary companies acquired by PG p.l.c, resulting in a net amount due to PG Holdings Limited of €23,629,000.

By virtue of an agreement dated 10 March 2017, this net debt was assigned by PG Holdings Limited to Mr. Paul Gauci. The resultant debt due to Mr. Paul Gauci was capitalised by virtue of a shareholders' resolution dated 13 March 2017, thereby increasing the company's issued and fully paid up share capital to €23,679,000 constituted by 23,679,000 shares having a nominal value of €1 each.

A bonus issue of 3,321,000 shares having a nominal value of €1 each was made effective on 13 March 2017, thereby increasing the company's issued and fully paid up share capital to €27,000,000 constituted by 27,000,000 ordinary shares having a nominal value of €1 each.

A 1:4 share split was effected by means of a shareholders' resolution dated 13 March 2017, such that as at 30 April 2017, the company's authorised share capital of €40,000,000 is constituted by 160,000,000 ordinary shares having a nominal value of €0.25 per share and the company's issued share capital of €27,000,000 is constituted by 108,000,000 ordinary shares having a nominal value of €0.25 per share.

11. Share capital - continued

On 10 March 2017, the company acquired full ownership and control of the subsidiaries and an interest in the associated companies. The share capital of the Group, as disclosed in these financial statements, up to this date is constituted from the aggregate amount of the nominal issued and fully paid up share capital of each acquired entities as noted hereunder.

	No. of shares	€'000
Alhambra Investments Limited	4,001	4,001
PAMA Supermarkets Limited	1	1
PAMA Rentals Limited	1	1
Pruna Trading Limited	1	1
PAVI Shopping Complex Limited	3,600	8,387
PAMA Shopping Village Limited	3,431	3,431
Nominal shareholding in acquired entities	**11,035**	**15,822**

12. Group restructuring

On 10 March 2017, the company acquired full ownership and control of the subsidiaries and an interest in the associated companies. The ultimate shareholders of the acquired entities are the shareholders of the company and this restructuring has been recognised in accordance with the accounting policy applicable to such transactions (note 1.1).

The following table summarises the net adjustment to equity and the amounts of assets acquired and liabilities assumed, that were recognised in the consolidated statement of financial position as at 31 October 2016, being the date of the economic group restructuring.

Recognised amounts of identifiable assets acquired and liabilities assumed	€'000
Assets	
Non-current assets	54,528
Investment in associate	3,502
Current assets	24,583
Liabilities	
Borrowings	(24,956)
Trade and other payables	(16,218)
Deferred taxation	(3,484)
Net asset value of acquired entities	**37,955**
Less: amounts due by PG Holdings Limited	(14,326)
Total net assets acquired	**23,629**
Equity adjustments to reserve :	
Retained earnings	1,433
Valuation reserve (note 13)	(7,308)
Share premium (note 15)	(1,932)
Net adjustment to share capital	**15,822**

13. Revaluation reserves

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Revaluation reserve	-	7,744	-
Unrealised fair value gains reserve	-	(436)	-
At 30 April	-	7,308	-

The following is an analysis of the individual fixed asset class valuation reserves:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
(a) Revaluation of property, plant and equipment			
At beginning of year, net of deferred taxation	**7,744**	7,744	-
Revaluation surplus on property, plant and equipment relating to an associate	-	2,692	-
Transfer of reserve to retained earnings upon acquisition of subsidiary	-	(2,692)	-
Adjustment related to Group restructuring (Note 12)	**(7,744)**	-	-
At end of year, net of deferred taxation	-	7,744	-

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to profit or loss. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings. Gains and losses arising from revaluation of property, plant and equipment are recognised directly in equity through the revaluation reserve in accordance with the Group's accounting policy on property, plant and equipment. The revaluation reserve is a non-distributable reserve.

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
(b) Unrealised fair value gains reserve			
At beginning of year	**436**	436	-
Adjustment related to Group restructuring (Note 12)	**(436)**	-	-
At end of year	-	436	-

Gains from changes in fair value of investment property, net of deferred tax movements, which are unrealised at financial reporting dates would be recognised in profit or loss in accordance with the Group's accounting policy for investment property. These amounts are transferred from retained earnings to the unrealised fair value gains reserve since these gains are not considered by the director to be available for distribution. Upon disposal of the respective investment property, realised fair value gains are transferred to retained earnings. The unrealised gain reserve is a non-distributable reserve.

14. Borrowings

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000
Non-current			
Bank loans	**17,265**	18,407	-
Finance leases	**487**	314	-
	17,752	18,721	-
Current			
Bank overdrafts	**4,965**	8,040	-
Bank loans	**1,148**	1,112	-
Finance leases	**46**	26	-
	6,159	9,178	-
Total borrowings	**23,911**	27,899	-

The Group's banking facilities as at 30 April 2017 amounted to €26,963,000 (2016: €27,818,000).

The Group's bank borrowings are secured by:

(a) a general hypothec over the Group's assets and a special hypothec over its property;
(b) general and special hypothecs over the assets of related parties;
(c) pledge over insurance policies;
(d) guarantees issued by the Group and related parties.

The interest rate exposure of the borrowings of the Group was as follows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000
At floating rates	**5,498**	8,380	-
At fixed rates	**18,413**	19,519	-
	23,911	27,899	-

14. Borrowings - continued

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

	Group		Company
	2017	2016	**2017**
Bank loan	**2.75%**	2.75%	-
Bank overdraft	**3.27%**	3.10%	-
Finance leases	**2.75%**	2.75%	-

This note provides information about the contractual terms of the Group's borrowings. For more information about the Group's exposure to liquidity and interest rate risks, see Note 2.

Finance lease liabilities of the Group relate to the financing of the operational equipment classified under property, plant and equipment. Disclosure of the finance lease arrangements, security and commitments is made in Note 31.

15. Share premium and Capital reserves

As part of the capital restructuring of the Group, amounts due by PG Holdings Limited to the acquired subsidiaries and associates totalling €14.3 million has been deducted from the consideration paid by the company for the acquisition made on 10 March 2017 (note 11). This deduction was recognised directly in equity within a capital reserve given that the transaction is considered to be a transaction carried out with shareholders in their capacity as equity participants. Subsequently, the directors of the company transferred this reserve to retained earnings.

The share premium amounting to €1,932,000 recorded in 2016 represents the net difference between the nominal share capital of the acquired share in the PAVI Group and the consideration paid. This reserve has been adjusted against equity as disclosed in note 12.

16. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% (2016: 10%) on the carrying amounts of property. The movement on the deferred tax account is as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
At beginning of year	**3,481**	2,999	-
Deferred tax related to the acquisition of the PAVI Group	-	1,617	-
Release of deferred tax upon re-measurement assessment related to prior reported period	-	(1,256)	-
Deferred tax on temporary differences arising on depreciation of property, plant and equipment	**(47)**	121	-
At end of year	**3,434**	3,481	-

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

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

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Revaluation of non-current assets	**3,412**	3,412	-
Deprecation on property, plant and equipment	**30**	77	-
Provisions for impairment of receivables	**(8)**	(8)	-
	3,434	3,481	-

17. Trade and other payables

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Non-current			
Capital payables	**245**	315	**-**
Amounts owed to subsidiaries	**-**	-	**15,448**
	245	315	**15,448**
Current			
Trade payables	**7,076**	6,822	**-**
Amounts due to related parties and associates	**1,114**	-	**2**
Capital payables	**462**	1,194	**-**
Other payables	**343**	327	**-**
Indirect taxation	**925**	826	**-**
Accruals and deferred income	**3,241**	3,868	**5**
	13,161	13,037	**7**
Total trade and other payables	**13,410**	13,352	**15,455**

Amounts owed by related parties and associates are unsecured, interest free and repayable on demand. The Group's exposure to credit and currency risks relating to trade and other payables are disclosed in Note 2.

18. Business combination

Up to 31 August 2015, the Group held 50% of the share capital in the PAVI Group through its direct investment in PAVI Shopping Complex p.l.c. On 31 August 2015, the Group acquired the remaining 50% of the share capital of the PAVI Shopping Complex p.l.c for €6,228,000 and obtained full control of PAVI Group. This Group owns and operates a supermarket and associated related operations. As a result of the acquisition, the Group aimed at increasing its presence in the retail shopping complex segment in Malta. During the period of acquisition of this investment, the Group was constructing and finalising the commissioning of the PAMA Shopping Village, another major retail shopping complex in the central area of Malta. This acquisition also aimed at reducing the Group's operational costs through economies of scale.

The following table summarises the consideration paid for PAVI Group, the fair value of assets acquired, liabilities assumed at the acquisition date:

	2016 €'000
Consideration as at 31 August 2015	
Cash	6,228
Fair value of equity interest in PAVI Group held before the business combination	6,228
Total consideration	**12,456**

Recognised amounts of identifiable assets acquired and liabilities assumed	€'000
Assets	
Property, plant and equipment (Note 4)	24,649
Inventories	2,013
Trade and other receivables	1,889
Cash	343
	28,894
Liabilities	
Borrowings	(7,083)
Trade and other payables	(7,084)
Deferred taxation	(1,617)
Total identifiable net assets	**13,110**
Consideration attributed to the acquisition	(12,456)
Excess of net assets acquired over consideration paid	**654**

The fair value of trade and other receivables is €1,889,000 and includes trade receivables with a fair value of €854,000. The gross contractual amount for trade receivables due is €879,000, of which €25,000 is expected to be uncollectible.

18. Business combination – continued

The fair value of the non-controlling interest in PAVI Group, an unlisted Group, was estimated by using the purchase price paid for acquisition of the remaining 50% stake in the PAVI Group.

The Group recognised a loss of €327,000 as a result of measuring at fair value its 50% equity interest in the PAVI Group held before the business combination. This loss is included under net income on acquisition of investment in the Group's statement of comprehensive income for the year ended 30 April 2016.

The revenue included in the consolidated statement of comprehensive income since 1 September 2015 contributed by the PAVI Group was €25,875,000. The PAVI Group also contributed profit of €1,854,000 over the same period. Had the PAVI Group been consolidated from 1 May 2015, the consolidated statement of income would show pro-forma revenue of €36,625,000 and profit of €2,624,000.

19. Segment information

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

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

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

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

Sales between segments are carried out at arm's length. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the income statements.

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Segment assets consist primarily of land and buildings, investment property, machinery and equipment, inventories, trade and other receivables and cash and cash equivalents. Taxation is not considered to be segment assets but rather is managed by the treasury function.

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. Segment liabilities comprise trade and other payables and exclude tax and borrowings. The Group's interest-bearing liabilities and taxation are not considered to be segment liabilities but rather are managed by the treasury function.

19. **Segment information** - continued

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
2017			
Revenue	80,940	15,947	**96,887**
Less: inter-segmental sales	(3,923)	(1,278)	**(5,201)**
	77,017	14,669	**91,686**
Segment results	8,416	2,969	**11,385**
Net finance costs			**(557)**
Share of associates results			**(21)**
Profit before tax			**10,807**
Tax expense			**(3,447)**
Profit for the year			**7,360**
Segment assets	39,168	27,918	**67,086**
Investment in associates	3,417	-	**3,417**
Total assets	42,585	27,918	**70,503**
Segment liabilities	10,901	2,509	**13,410**
Unallocated liabilities			**29,272**
Total liabilities			**42,682**
Additions to non-current assets	909	710	**1,619**
Depreciation	(948)	(322)	**(1,270)**

19. Segment information - continued

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	Group €'000
2016			
Revenue	45,348	13,909	59,257
Less: inter-segmental sales	(2,668)	(1,278)	(3,946)
	42,680	12,631	55,311
Segment results	3,869	2,599	6,468
Net finance costs			(550)
Net acquisition income			327
Share of associates results			496
Profit before tax			6,741
Tax expense			(2,125)
Profit for the year			4,616
Segment assets	37,554	27,111	64,665
Investment in associates	3,438	-	3,438
Total assets	40,992	27,111	68,103
Segment liabilities	11,275	2,077	13,352
Unallocated liabilities			32,872
Total liabilities			46,224
Additions to non-current assets	29,185	44	29,229
Depreciation	(684)	(438)	(1,122)

20. Expenses by nature

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Employee benefit expense (note 21)	**5,537**	3,724	**-**
Depreciation of property, plant and equipment (note 4)	**1,270**	1,077	**-**
Purchases of goods and consumables	**68,800**	41,514	**-**
Leases and parking fees	**1,434**	1,013	**-**
Movement in inventories	**(1,220)**	(1,562)	**-**
Utilities costs	**808**	549	**-**
Other expenses	**4,436**	2,984	**-**
	81,065	49,299	**-**

Audit fees

Fees charged by the auditor for services rendered during the financial periods ended 30 April 2017 and 2016 relate to the following:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Annual statutory audit	**110**	106	**5**
Tax advisory and compliance services	**6**	6	**-**
Other non-assurance services	**68**	-	**-**
	184	112	**5**

21. Employee benefit expense

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Wages and salaries	**5,263**	3,621	**-**
Social security	**292**	184	**-**
	5,555	3,805	**-**
Recharged to third parties and related parties	**(18)**	(81)	**-**
	5,537	3,724	**-**

Average number of persons employed during the year:

	Group		Company
	2017	2016	**2017**
Operational	**267**	180	**-**
Administration	**32**	24	**-**
Selling and distribution	**10**	6	**-**
	309	210	**-**

22. Directors' remuneration

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Amounts paid			
Fees	**73**	-	**-**
Salaries	**397**	294	**-**
	470	294	**-**

A number of directors availed themselves of an allowance for the use of company cars during the year. The estimated value of this benefit has been included within the directors' salaries, which also includes other allowances.

23. Other income

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Recharges of expenses to retail operators	**764**	456	-

24. Net income on acquisition of investment

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Excess of net assets acquired of the PAVI Group over consideration paid and carrying value of investment (notes 7 and 18)	-	327	-

25. Investment income

The company's revenue is derived from dividend income from its subsidiaries in accordance with the Group's dividend policy.

On 10 March 2017, the company received gross dividends from its subsidiary totalling €5,215,000.

26. Net finance costs

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Finance income			
Bank interest receivable	**1**	1	-
Interest charged to associate and related parties	**80**	92	-
	81	93	-
Finance costs			
Bank interest	**615**	611	-
Finance lease interest	**9**	3	-
Other financial charges	**14**	29	-
	638	643	-

27. Tax expense

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000
Current tax expense:			
on taxable profit subject to tax at 35%	**3,185**	2,004	**1,825**
on taxable profit subject to tax at 15%	**309**	-	**-**
Deferred tax (credit)/charge	**(47)**	121	**-**
	3,447	2,125	**1,825**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000
Profit before tax	**10,807**	6,741	**5,150**
Tax on profit at 35%	**3,782**	2,359	**1,802**
Tax effect of:			
share of results of associates	**7**	(173)	**-**
maintenance allowance on rental income	**(193)**	(185)	**-**
expenses and provisions not allowable for tax purposes	**155**	243	**23**
unrecognised deferred tax related to prior years	**(21)**	-	**-**
gains not subject to tax	**-**	(114)	**-**
income subject to reduced rates of tax	**(285)**	-	**-**
other differences	**2**	(5)	**-**
Tax expense	**3,447**	2,125	**1,825**

28. Dividends paid

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000
Final dividend	**-**	3,720	**-**
Total net dividend	**-**	3,720	**-**
Euro per share (net)	**-**	0.34	**-**

29. Earnings per share

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

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Profit attributable to shareholders	**7,360**	4,616	**3,325**
Weighted average number of ordinary shares in issue	**20,833**	18,480	**33,957**
Basic earnings per share for the year attributable to shareholders	**€0.35**	€0.25	**€0.10**

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

30. Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations:

	Group		Company
	2017	2016	2017
	€'000	€'000	€'000
Operating profit/(loss)	**11,385**	6,468	(65)
Adjustment for:			
Depreciation on property, plant and equipment	**1,270**	1,122	-
Changes in working capital:			
Inventory	**(1,220)**	(1,570)	-
Trade and other receivables	**(1,109)**	(1,220)	(22)
Trade and other payables	**131**	4,610	7
Cash generated from/(used in) operations	**10,457**	9,410	(80)

31. Commitments

(a) Finance lease commitments – where the Group is a lessee

In 2017 and 2016, the Group entered into finance lease agreements for the supply and leasing of equipment to be installed within the operational premises of the PAMA Shopping Village.

The future minimum lease payments under the finance lease liabilities are as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Not later than 1 year	**61**	35	-
Later than 1 year and not later than 5 years	**245**	149	-
Later than 5 years	**307**	210	-
	613	394	-
Future finance charges on finance leases	**(80)**	(54)	-
Present value of finance lease liabilities	**533**	340	-

The lease commitments are effectively secured as the rights of the leased asset revert to the lessor in the event of default. The lease commitments disclosed above include the lease payment obligations on the assumption that the Group will lease the equipment for the full lease term of eleven years.

31. **Commitments** - continued

(b) Capital commitments

As at 30 April, the Group had commitments for capital expenditure relate to its property not provided for in these financial statements as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Authorised but not contracted for	**6,000**	-	-
Contracted but not provided for	**-**	230	-
	6,000	230	-

(c) Operating lease commitments - where the Group is a lessor

The future minimum lease payments receivable under non-cancellable property operating leases are as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Not later than 1 year	**1,209**	427	-
Later than 1 year and not later than 5 years	**1,034**	747	-
Later than 5 years	**323**	-	-
	2,566	1,174	-

(d) Operating lease commitments - where the Group is the lessee

In 2016, the Group entered into an operating lease agreement in relation to the rental of the property, within its associate, PAMA Shopping Village Limited.

The total lease payments payable under the property operating lease are as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Not later than 1 year	**503**	436	-
Later than 1 year and not later than 5 years	**2,121**	2,067	-
Later than 5 years	**16,847**	17,404	-
	19,471	19,907	-

31. Commitments - continued

The future minimum lease payments payable under non-cancellable operational equipment operating leases are as follows:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Not later than 1 year	**29**	70	-
Later than 1 year and not later than 5 years	-	29	-
	29	99	-

32. Related party transactions

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

Mr. Paul Gauci incorporated PG p.l.c. on 25 November 2016 with the aim of restructuring his operational investments held through his fully owned holding company, PG Holdings Limited. On 10 March 2017, PG Holdings Limited transferred its operational entities to PG p.l.c. as disclosed in notes 1.1 and 11. Mr. Paul Gauci offered to the general public 25% of his shareholding in PG p.l.c. in accordance with the prospectus dated 27 March 2017. On 4 May 2017 the shares of PG p.l.c. were admitted on the Malta stock exchange.

At the date of these financial statements, Mr. Paul Gauci owned 75% of the shareholding in PG p.l.c. and hence controls the Group. The remaining 25% of the shares are widely held.

The entities constituting the PG Group are ultimately fully owned by PG p.l.c. Other entities on which Mr. Paul Gauci can exercise significant influence are also considered to be related parties. Hence, related parties also include subsidiaries and associates of PG Holdings Limited.

In the opinion of the directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Group. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements except for the following:

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Interest income from associate and related parties	**80**	92	-
Rents and parking fees payable to associate	**1,440**	1,009	-

32. Related party transactions - continued

Year-end balances with associated related parties are disclosed in Notes 9 and 17 to these financial statements.

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

	Group		Company
	2017	2016	**2017**
	€'000	€'000	**€'000**
Directors	**470**	294	-
Senior Management	**206**	113	-
	676	407	-

33. Contingent liabilities

At 30 April 2017, the Group had contingent liabilities amounting to €2,285,000 (2016: €2,035,000) with regards to guarantees mainly in favour of third parties issued by the bank on behalf of the Group in the ordinary course of business.

34. Statutory information

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

35. Subsidiaries and jointly-controlled entities

The subsidiaries and associates at 30 April 2017 are shown below:

	Registered office	Principal activities	Percentage of shares held 2017	2016
Subsidiaries				
Alhambra Investment Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Investment holding	**100**	100
Alhambra Trading Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of branded fashion retail outlet	**100**	100
Centre Point Properties Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of branded fashion retail outlet	**100**	100
PAVI Shopping Complex Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing	**100**	100
PAVI Supermarkets Limited	PAVI Supermarkets Triq Manuel Dimech Qormi	Operation of supermarket and management of retail area	**100**	100
PAMA Supermarkets Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Operation of supermarket	**100**	100
PAMA Rentals Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing	**100**	100
PG Finance Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing and Group treasury function	**100**	100
PRUNA Trading Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Importation and wholesale of retail products	**100**	100
Associates				
PAMA Shopping Village Limited	PG Group Head Offices PAMA Shopping Village Valletta Road, Mosta	Property leasing	**49**	49
PAMA Carparks Limited	Ta' Clara Farmhouse Ramla Road, Maghtab, Naxxar	Carpark management	**49**	49

Up to 31 August 2015, PAVI Shopping Complex Limited (which in turn owns PAVI Supermarkets Limited) was considered an associate as the Group owned 50% of its shares. On 31 August 2015, the remaining 50% shareholding in this entity were acquired by the Group and consequently these entities where considered to be a fully owned subsidiaries.