PGI Group Limited

Report & Accounts

Year ended 31 December 2020

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Strategic report

Group Performance
Profits before tax increased in the year to $9.9 million (2019: loss $0.7 million). Profit after tax increased to $8.7 million (2019: $5.4 million), delivering an earnings per share of $513.16 (2019: $365.19 per share).

We are recommending the payment of a dividend of £36.00 per share (2019: £36.00). Payment will be made on 18 August 2021 to shareholders on the register on 28 July 2021.

The Group had net debt of $11.7 million at 31 December 2020 (2019: $13.4 million) and gearing was 14% (2019: 17%).

Group Strategy and Objectives
The strategy is to create long term value for our shareholders by investing across the Southern African region in renewable energy power schemes and large scale export agriculture.

Operational Review

Throughout the year under review, the Group's operating companies were largely unaffected by the Covid-19 pandemic declared by the World Health Organisation on 11 March 2020. The overseas operations continued to operate throughout the year, with minimal disruption to the production and distribution of agricultural produce and electricity output.

Renewable energy division
Operating profit increased to $12.8 million (2019: $7.2 million). Electricity output for the year increased to 116,403 MWh (2019: 73,976 MWh). Generation improved with the commissioning of the Ruo-Ndiza hydroelectric scheme in Malawi and a return to normal rainfall patterns after the 2019 drought.

Zimbabwe's currency reforms continue to be very challenging for all investors in their power sector as evidenced by the 79% loss of value of the Zimbabwe dollar (ZWL) against the US$ in 2020. In March 2020, the Government permitted the use of the US$ as a payment currency for domestic transactions. Since then, where electricity generation has been invoiced in US$, the national grid offtaker has been unable to settle on time.

The Ruo-Ndiza hydroelectric scheme in Malawi operated to plan in its first full year. The commercial arrangements with the grid offtaker have worked well. Accordingly, we are actively looking to develop new schemes in the country.

Agribusiness division
Operating profit decreased to $1.2 million (2019: $4.6 million).

The tea and macadamia businesses suffered from lower output and low prices. Tea output was 8% lower at 15,236 tonnes (2019: 16,542 tonnes). Macadamia kernel output was 12% lower at 368 tonnes (2019: 418 tonnes).

The cut flower rose business increased its output by 3% to 137 million stems (2019: 133 million stems). After the initial supply chain interruptions emanating from the March lockdowns, both logistics and markets re-opened and the business was trading normally by the end April.

Russian property management division
One asset has yet to be sold, after which the Fund can be wound up.

Financial Review

The audited financial statements are presented in US dollars.

Group key financial performance indicators

	2020	2019
Profits/(losses) before tax	**$9.9 million**	($0.7 million)
Earnings per share	**$513.16**	$365.19
Dividend paid per share	**£36.00**	£36.00
Gearing ratio	**14%**	17%

Cash and net borrowings
At 31 December 2020, the Group had net borrowings of $11.7 million (2019: $13.4 million). During the year under review, the Group conserved cash during the period of uncertainty caused by the pandemic, by reducing operating and capital expenditure across the Group.

The cash balances in the Company at the year end amounted to $9.0 million (2019: $8.6 million).

Financial risk management
Details of the Group's financial risk management objectives and policies including capital management and capital structure are contained in Note 25 to the Accounts on pages 30 to 33.

The effect of Zimbabwe currency changes on monetary assets and liabilities and non-monetary assets
The functional currency of the Zimbabwe subsidiaries is US dollars. On 22 February 2019, a new domestic currency, the Zimbabwe dollar (ZWL) was formally introduced in Zimbabwe, by breaking the ZWL1: US$1 peg and substituting it with a market rate to be set by an interbank market. At 31 December 2019 the ZWL had devalued by 94% against the US dollar to ZWL16.8: US$1.

On 26 March 2020, the Government of Zimbabwe abandoned its policy of the Zimbabwe dollar exchange rate being set by an interbank market. In its place, it introduced a fixed exchange rate, which was pegged at ZWL25: US$1. On 23 June 2020 the fixed exchange rate was substituted with a foreign exchange auction trading system, organised and managed by the Reserve Bank of Zimbabwe. In the year to 31 December 2020 the ZWL had devalued by 79% against the US dollar to ZWL81.8: US$1.

Strategic report (continued)

Due to continued US dollar scarcity in the interbank market, there is evidence that a parallel market operates by charging a premium above the interbank rate on the conversion of ZWL into US dollars. At 31 December 2020, a market rate of ZWL101.3: US$1 has been used to translate the Zimbabwe denominated monetary assets to US$ and an official interbank rate of ZWL81.8: US$1 to translate the Zimbabwe denominated monetary liabilities.

The resultant foreign exchange differences, fair value movements and impairments have been incorporated in the total column of the income statement in 2020 and recognised separately in a middle column of the income statement in 2019.

Pensions
The Group's defined benefit pension plan, valued in accordance with IAS19, recorded an increase in its deficit from US$7.0 million at the end of 2019 to US$10.3 million at the end of 2020. The main reason for the increase is due to a reduction in the discount rate, which has served to increase the plan's liabilities. The discount rate, which is based on the yield of high quality corporate debt, reduced from 2.0% to 1.3%.

The deficit of the pension plan is a pound sterling denominated liability recognised in the Company. As the Company's functional currency is US dollars, exchange differences arise. In 2020 the weaker US$ to GBP resulted in a US$0.2m charge to other comprehensive income.

Full details of the pension plan are contained in Note 23 to the accounts on pages 27 to 29.

Going concern basis
The Group's financial position and its business activities together with the factors likely to affect its future development and performance are included in this Strategic Report. The principal risks and uncertainties that are likely to affect the Group's future development are reviewed below. Throughout the year under review, the Group's operating companies were largely unaffected by the Covid-19 pandemic. The overseas operations continued to operate throughout the year, with minimal disruption to the production and distribution of agricultural produce and electricity output. At the date of this report, the operations are currently continuing as normal and based on this experience, the risk of the pandemic affecting the ability of the Group and Company to continue as a going concern, is considered low.

A summary of the Group's policies and processes in respect of capital and financial risk management including foreign exchange, interest rate, credit and liquidity risks are included within Note 25 to the accounts.

The Group meets its day-to-day working capital and other funding requirements through a combination of medium term loans and short term overdraft lending. The overseas bank facilities are regularly renewed and the directors are not aware of any reason why these facilities should not be renewed in the future. As a consequence, and after reviewing the current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2020.

Section 172 Statement of the Companies Act 2006
This section serves as the Company's section 172 statement and should be read in conjunction with the Strategic Report and the Statement of Directors' Responsibilities in the Directors' report. In implementing its strategy, the board meets its obligations under section 172 (1) of the Companies Act 2016 to promote the success of the Company for the benefit of its members. Acting in good faith and fairly between members, the directors consider what is most likely to promote the success of the Company for its members in the long term and to act fairly between members of the Company.

The Company's annual general meeting is an important part of shareholder communication with all shareholders having the opportunity to hear from the Company and to ask questions, with directors on-hand to provide answers.

The directors continue to have regard to the interests of the Company's employees, suppliers and other stakeholders, the community and the environment when making decisions, including any impact on the reputation of the Company. The Company has no customers, few suppliers and employs 4 people in the UK. Further details can be found in the Directors' report.

The overseas operating companies in the group are situated in jurisdictions across southern Africa. Each operating company:

- Abides by local laws and regulations
- Is managed by a board of directors who are responsible for promoting the long-term success of their business.
- Adheres to environmental standards whilst working towards reducing the impact of the business on the environment.
- Develops lasting relationships with its customers and suppliers to help ensure long term sustainability of all stakeholders
- Engages with their employees and strives to create a workplace free of any forms of discrimination.
- Actively supports their local communities through charitable giving.

Rural electrification is an example of the community-based work that the overseas renewable energy businesses have undertaken. Electricity transmission and distribution wires have been erected to extend the national grid into the rural villages in the environs of the renewable energy schemes. This has brought reliable, clean, mains electricity into village schools and homes for the first time.

Principal risks and uncertainties
The Group's operating companies are primarily based in Malawi, Zambia and Zimbabwe. The political, economic, legal and regulatory environments in the countries differ, in many respects, from those in more developed countries. Consequently, the Group results and assets could be affected by factors such as: political or labour unrest; violence and lack of law enforcement; expropriation of property; high inflation and interest rates not off-set by devaluations of the local currency and imposition of, or changes to exchange controls. The Covid-19 pandemic remains a risk to the Group, but to date the operating companies have not been materially affected.

Based on the nature of the operating company businesses within the Group, the principal risks of the Group are:

Run of river hydro-electric power generation is directly linked to river levels which are closely correlated to rainfall. Likewise, agricultural productivity is affected by deviations from average temperatures and rainfall. The output is concentrated on the five months of the main rainy season and drought conditions during this period have a major impact on profitability.

Strategic report (continued)

The renewable energy schemes despatch electricity into the national transmission grids of Zimbabwe and Malawi. The sole offtakers are the state owned transmission and distribution utilities. Electricity supply contracts are denominated in US dollars. Invoices are raised and paid in local currency pegged to the US dollar at the prevailing interbank spot rate. The offtakers sell electricity to their consumers in the local currency of the country at tariffs that are regulated by the Government. The tariff review processes are subject to political interference, which can be unpredictable. The Group has very limited alternatives in the short term should the counterparties become unreliable by failing to settle their invoices on time. Any prolonged failure of an offtaker to pay could result in an inability by the Group to settle its project finance loan obligations when they fall due.

The tea businesses sell their output at US dollar denominated prices referenced to the weekly Mombasa tea auction. This price is volatile and any movement directly impacts their profitability.

In Zimbabwe, there remains a shortage of US dollars in the banking system which impacts on the renewable energy businesses capacity to service their offshore debts and buy equipment. This risk is expected to remain material to the Group for the foreseeable future.

The Group operates a pound sterling defined benefit pension plan which was closed to new members from 2000 and closed to future accrual for active members from 1 October 2011. A material proportion of the assets of this scheme is invested in equities and the value of these assets will fluctuate in line with global equity markets. The liabilities of the plan may also increase due to improvements in mortality rates and unfavourable movements in economic variables. With the change in the functional currency of the Company to the US dollar, exchange rate movement on the translation of the deficit is also a foreign currency risk.

By Order of the Board

Margaret Gage
Director
3rd Floor
45 Ludgate Hill
London EC4M 7JU
10 May 2021

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2020.

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law to prepare Group and Company financial statements in accordance with International Accounting Standards ('IAS'), in conformity with the Companies Act 2006.

The financial statements are required by law and IAS, in conformity with the Companies Act 2006, to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IAS, in conformity with the Companies Act 2006; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other financial irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activities and strategic report
The Company is a holding company limited by shares and is domiciled and incorporated in England and Wales under the Companies Act 1948. The Company operates under the Companies Act 2006.

The principal activities of the Company's subsidiaries comprise agribusinesses and renewable energy power generation. The information that fulfils the requirements relating to the Strategic Report can be found on pages 1 to 3 which are incorporated in this report by reference.

Results and dividends
The results for the year are shown in the consolidated income statement on page 6.

A final dividend in respect of the year ended 31 December 2020 of £36.00 per ordinary share is recommended by the directors for payment on 18 August 2021 to shareholders on the register on 28 July 2021 (2019: £36.00 paid on 23 September 2020). A final dividend can only be paid after it has been approved by the shareholders and cannot exceed the amount recommended by the board. Resolution 4 to be proposed at the Annual General Meeting would declare this dividend.

Next year, the intention is to recommend a dividend denominated in US dollars, to align it with the functional currency of the Company.

Share capital
Details of the issued share capital are contained in Note 17.

Authority to allot shares and pre-emption rights
The Companies Act 2006 gives a private company with only one class of shares the ability to grant its directors the authority to allot shares without having to go to the Company's shareholders to seek power to allot. The Company's articles of association also give the directors this ability.

The Companies Act 2006 requires that, subject to certain exceptions, before directors of a company can issue any new shares for cash, the shares must first be offered to existing members of the Company in proportion to the number of shares which they hold at the time of the relevant offer. The Company's articles of association allow shareholders the ability to give the directors authority to allot shares (up to a specified nominal value) so that this statutory pre-emption requirement does not apply. The directors have chosen not to seek the authority of the shareholders to allot shares on a non-pre-emptive basis at the forthcoming Annual General Meeting.

Employees
As at 31 December 2020, the Group operating companies employed 12,692 people, all located in Southern Africa and the Company employed 4 people in the UK. The Group places considerable value on the involvement of its companies' employees, recognising that achieving its objectives depends on the skills and commitment of its companies' employees. It is the policy of all Group companies to encourage and develop all members of staff to realise their potential and wherever possible, vacancies are filled from within the Group. All Group companies recognise the importance of effective communication and companies' employees are kept informed on matters affecting them as employees.

It is the policy of all Group companies to give full and fair consideration to applications for employment made by disabled persons to Group companies, having regard to their particular aptitudes and abilities. In the event of a Group company employee becoming disabled all Group companies offer, if appropriate, retraining or suitable alternative employment.

Directors' report (continued)

Creditor payment policies
Subsidiary companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made by the subsidiary company in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Liability insurance for company officers
As permitted by section 233 of the Companies Act 2006, the Company has maintained insurance cover for the directors against liabilities in relation to the Company.

Overseas branches
Two Group companies, Bandanga Ltd and Nchima Tea and Tung Estates Ltd, have branches registered outside the United Kingdom in Malawi.

Trading in the Company's shares
Shareholders may, if they wish, trade in the ordinary shares of the Company. A facility is available to find a counter party on a commission-free basis through the website. This service can be accessed at: www.pgi-uk.com and the link should be followed to the Shareholder Private Access section where it is necessary to enter the username and password that have been sent to shareholders and which can be re-sent on request.

For shareholders needing to contact the Company's share registrars, Link Group, the address is:
Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Directors
The directors of the Company who served during the year and the shareholdings of the directors and their families in the Company as at the date of this report were as follows:

	Ordinary shares
R.L. Pennant-Rea	67
S.S. Hobhouse	474
M.A. Gage	51
L. Hene	48
J.C Mackintosh	24
S.N. Roditi	12,129
C.E. Ryan	185
D.M. Ryan	60
M.W. Wright	12

Registered number
The Company's registered number is 01338135.

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:

a. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
b. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution for the re-appointment of RSM UK Audit LLP as auditor of the Company and a separate resolution to give the directors authority to determine their remuneration are to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Margaret Gage
Director
3rd Floor
45 Ludgate Hill
London EC4M 7JU

10 May 2021

Consolidated income statement
for the year ended 31 December 2020

	Notes	2020 Total $000	2019 Result before Zimbabwe adjustments $000	2019 Zimbabwe dollar exchange differences and fair value adjustments $000	2019 Total $000
Continuing operations					
Revenue	2	**59,541**	62,231	(281)	61,950
Cost of sales		**(30,175)**	(35,845)	(980)	(36,825)
Gross profit		**29,366**	26,386	(1,261)	25,125
Distribution costs		**(5,700)**	(6,003)	–	(6,003)
Administrative expenses		**(11,442)**	(14,683)	(1,616)	(16,299)
Other operating income		**739**	1,771	–	1,771
Impairment write-back/(provision)		**729**	–	(7,040)	(7,040)
Fair value losses on financial assets		**(1,859)**	–	(7,705)	(7,705)
Exchange gain on financial liabilities		**680**	–	13,530	13,530
Share of associate's results	3	**100**	156	–	156
Profit from operations		**12,613**	7,627	(4,092)	3,535
Finance costs (net)	4	**(2,729)**	(2,049)	(2,208)	(4,257)
Profit/(loss) before taxation		**9,884**	5,578	(6,300)	(722)
Taxation	7	**(1,184)**	(1,064)	7,234	6,170
Profit for the year	2	**8,700**	4,514	934	5,448
Profit attributable to:					
Owners of the parent		**8,011**	4,395	1,306	5,701
Non-controlling interests		**689**	119	(372)	(253)
		8,700	4,514	934	5,448
		$			$
Earnings per ordinary share					
- basic and diluted	8	**513.16**	281.53	83.66	365.19
Dividend per ordinary share	9	**46.31**			43.94

The notes on pages 12 to 34 form part of these accounts

Consolidated statement of other comprehensive income

for the year ended 31 December 2020

	Notes	2020 Total $000	2019 Result before Zimbabwe adjustments $000	2019 Zimbabwe dollar exchange differences and fair value adjustments $000	2019 Total $000
Profit for the year		**8,700**	4,514	934	5,448
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Net actuarial (loss)/gain on defined benefits pension plan	23	**(3,349)**	731	–	731
Other comprehensive income for the year (net of tax)		**(3,349)**	731	–	731
Total comprehensive income for the year		**5,351**	5,245	934	6,179
Attributable to:					
Owners of the parent		**4,662**	5,126	1,306	6,432
Non-controlling interests		**689**	119	(372)	(253)
		5,351	5,245	934	6,179

Items in the statement of other comprehensive income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 7.

The notes on pages 12 to 34 form part of these accounts

Statement of financial position
as at 31 December 2020

	Notes	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
ASSETS					
Non-current assets					
Goodwill	10	**464**	464	–	–
Biological assets	11	**261**	259	–	–
Property, plant and equipment	12 (a)	**102,913**	104,324	–	–
Right-of-use asset	12 (b)	**148**	242	**148**	242
Investments	14	**111**	167	**67,779**	67,914
		103,897	105,456	**67,927**	68,156
Current assets					
Biological assets	11	**1,942**	2,343	–	–
Inventories	15	**14,007**	8,224	–	–
Trade and other receivables	16	**8,094**	6,226	**98**	37
Current tax assets		**301**	225	–	–
Other financial assets	26	–	754	–	–
Cash and cash equivalents		**13,083**	12,277	**9,036**	8,572
		37,427	30,049	**9,134**	8,609
TOTAL ASSETS		**141,324**	135,505	**77,061**	76,765
LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	19	**5,831**	6,340	–	–
Trade and other payables	20	**11,482**	11,725	**986**	1,649
Lease liabilities	12	**98**	93	**98**	93
Current tax liabilities		**722**	350	–	–
Provisions	22	**1,170**	1,343	–	–
Other financial liabilities	26	**39**	–	**39**	–
		19,342	19,851	**1,123**	1,742
Non-current liabilities					
Interest bearing loans and borrowings	19	**18,901**	19,303	–	–
Trade and other payables	20	**400**	347	–	–
Lease liabilities	12	**58**	151	**58**	151
Deferred tax liabilities	21	**4,026**	4,298	–	–
Provisions	22	–	523	–	–
Defined pension plan deficit	23	**10,308**	7,018	**10,308**	7,018
		33,693	31,640	**10,366**	7,169
TOTAL LIABILITIES		**53,035**	51,491	**11,489**	8,911
NET ASSETS		**88,289**	84,014	**65,572**	67,854
EQUITY					
Share capital	17	**49,705**	49,705	**49,705**	49,705
Share premium account		**541**	541	**541**	541
Capital redemption reserve		**1,303**	1,303	**1,303**	1,303
Retained earnings		**33,196**	29,257	**14,023**	16,305
Equity attributable to owners of the parent		**84,745**	80,806	**65,572**	67,854
Non-controlling interests		**3,544**	3,208	–	–
TOTAL EQUITY		**88,289**	84,014	**65,572**	67,854

The Company's registered number is 01338135.

The Company's profit for the year was $1,790,000 (2019: $2,130,000) and its total comprehensive income for the year was a loss of $1,559,000 (2019: profit $2,861,000)

The notes on pages 12 to 34 form part of these accounts. The accounts were approved and authorised for issue by the Board on 10 May 2021 and were signed on its behalf by:

Directors
R.L. Pennant-Rea   Margaret Gage

Statement of cash flows
for the year ended 31 December 2020

		Group		Company	
	Notes	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Operating activities					
Profit/(loss) before tax		**9,884**	(722)	**1,790**	2,130
Adjustments:					
Depreciation of property, plant and equipment	12 a)	**4,866**	4,769	**–**	–
Depreciation of right-of-use asset	12 b)	**94**	93	**94**	93
Impairment (reversal)/charge of property, plant and equipment	12 a)	**(729)**	7,040		
Impairment provision against unlisted investment	14	**56**	–	**–**	–
Impairment provision reversal against investment	14	**–**	–	**(1,592)**	–
Inventories transferred from property, plant and equipment		**3,266**	–	**–**	–
Loss/(profit) on disposal of property, plant and equipment		**3**	(33)	**–**	–
Loss/(profit) on disposal of financial assets		**343**	(116)	**–**	–
Profit on disposal of associate		**(49)**	–	**–**	–
Additional retirement benefit costs		**(202)**	(205)	**(202)**	(205)
Fair value movements – other assets	26	**1,859**	7,705	**–**	–
Fair value movements – biological assets	11	**118**	(41)	**–**	–
Share of net profit of associate	3	**(100)**	(156)	**–**	–
Exchange gain on financial liabilities		**(680)**	(13,530)	**–**	–
Net finance costs		**2,729**	4,257	**133**	83
Working capital adjustments:					
Decrease in biological assets		**281**	63	**–**	–
(Increase)/decrease in inventories		**(5,783)**	310	**–**	–
(Increase)/decrease in trade and other receivables		**(1,868)**	1,815	**(61)**	(22)
Net movement in financial assets at fair value through profit or loss		**(1,448)**	(462)	**–**	–
(Decrease)/increase in trade and other payables		**(190)**	(2,293)	**(663)**	506
(Decrease)/increase in provisions		**(696)**	1,866	**–**	–
Net exchange differences		**183**	1,536	**34**	8
Overseas tax paid		**(1,162)**	(594)	**–**	–
Net cash from/(used in) operating activities		**10,775**	11,302	**(467)**	2,593
Cash flows from investing activities					
Purchase of property, plant and equipment	12 a)	**(5,995)**	**(14,492)**	**–**	**–**
Proceeds from disposal of property, plant and equipment		**–**	**73**	**–**	**–**
Proceeds from disposal of investments		**49**	**–**	**–**	**–**
Interest and finance income received		**308**	**542**	**54**	**138**
Distributions from associate		**100**	**156**	**–**	**–**
Additions to/(disposal of) investments		**–**	**–**	**1,727**	**(6,132)**
Net cash (used in)/from investing activities		**(5,538)**	**(13,721)**	**1,781**	**(5,994)**
Cash flows from financing activities					
Proceeds from loans and borrowings		**3,500**	**3,900**	**–**	**–**
Repayment of loans		**(2,491)**	**(3,943)**	**–**	**–**
Lease liability payments		**(96)**	**(92)**	**(96)**	**(92)**
Interest and finance costs paid		**(2,855)**	**(4,584)**	**(5)**	**(6)**
Dividends paid to equity holders of the parent		**(723)**	**(686)**	**(723)**	**(686)**
Dividends and other payments to non-controlling interests		**(353)**	**(429)**	**–**	**–**
Net cash used in financing activities		**(3,018)**	**(5,834)**	**(824)**	**(784)**
Net increase/(decrease) in cash and cash equivalents		**2,219**	**(8,253)**	**490**	**(4,185)**
Cash and cash equivalents at beginning of period		**9,605**	**19,400**	**8,572**	**12,765**
Effects of exchange rate changes on cash and cash equivalents		**(175)**	**(1,542)**	**(26)**	**(8)**
Cash and cash equivalents at end of period		**11,649**	**9,605**	**9,036**	**8,572**
Cash and cash equivalents comprise:					
Cash	24	**13,083**	**12,277**	**9,036**	**8,572**
Overdrafts	24	**(1,434)**	**(2,672)**	**–**	**–**
Cash and cash equivalents	24	**11,649**	**9,605**	**9,036**	**8,572**
Interest bearing loans and borrowings due within one year		**(5,831)**	**(6,340)**	**–**	**–**
Less: short term debt (other than overdrafts)		**4,397**	**3,668**	**–**	**–**
Overdrafts	24	**(1,434)**	**(2,672)**	**–**	**–**

The notes on pages 12 to 34 form part of these accounts

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Notes	Share capital $000	Share premium & capital redemption reserves $000	Retained earnings $000	Total controlling interests $000	Non-controlling interests $000	Total equity $000
		Attributable to owners of the parent					
Balance at 1 January 2019		49,705	1,844	23,511	75,060	3,890	78,950
Profit for the year		–	–	5,701	5,701	(253)	5,448
Other comprehensive income:							
Net actuarial gain on defined benefits pension plan	23	–	–	731	731	–	731
Total comprehensive income for the year		–	–	6,432	6,432	(253)	6,179
Dividend paid	9	–	–	(686)	(686)	–	(686)
Transactions with owners		–	–	(686)	(686)	–	(686)
Dividend paid to non-controlling interests		–	–	–	–	(429)	(429)
Balance at 31 December 2019		49,705	1,844	29,257	80,806	3,208	84,014
Profit for the year		–	–	**8,011**	**8,011**	**689**	**8,700**
Other comprehensive income:							
Net actuarial gain on defined benefits pension plan	23	–	–	**(3,349)**	**(3,349)**	–	**(3,349)**
Total comprehensive income for the year		–	–	**4,662**	**4,662**	**689**	**5,351**
Dividend paid	9	–	–	**(723)**	**(723)**	–	**(723)**
Transactions with owners		–	–	**(723)**	**(723)**	**0**	**(723)**
Dividend paid to non-controlling interests		–	–	–	–	**(353)**	**(353)**
Balance at 31 December 2020		**49,705**	**1,844**	**33,196**	**84,745**	**3,544**	**88,289**

Included in retained earnings are exchange losses of $18.5 million arising from the translation of the financial statements of foreign subsidiaries up to 1 January 2019. Details are disclosed in note 18.

The notes on pages 12 to 34 form part of these accounts

Statement of changes in equity – Company

for the year ended 31 December 2020

		Attributable to owners				
	Notes	Share capital $000	Share premium account $000	Capital redemption reserve $000	Retained earnings $000	Total equity $000
Balance at 1 January 2019		49,705	541	1,303	14,130	65,679
Profit for the year		–	–	–	**2,130**	**2,130**
Net actuarial gain on defined benefits pension plan	23	–	–	–	**731**	**731**
Total comprehensive income for the year		–	–	–	**2,861**	**2,861**
Dividend paid	9	–	–	–	**(686)**	**(686)**
Transactions with owners		–	–	–	**(686)**	**(686)**
Balance at 31 December 2019		**49,705**	**541**	**1,303**	**16,305**	**67,854**
Profit for the year		–	–	–	**1,790**	**1,790**
Net actuarial gain on defined benefits pension plan	23	–	–	–	**(3,349)**	**(3,349)**
Total comprehensive income for the year		–	–	–	**(1,559)**	**(1,559)**
Dividend paid	9	–	–	–	**(723)**	**(723)**
Transactions with owners		–	–	–	**(723)**	**(723)**
Balance at 31 December 2020		**49,705**	**541**	**1,303**	**14,023**	**65,572**

PGI Group Limited has not presented its own income statement as permitted by Section 408 of the Companies Act 2006.

The notes on pages 12 to 34 form part of these accounts

Notes to the accounts

General information
The consolidated financial statements of PGI Group Limited for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 10 May 2021. PGI Group Limited is a private company limited by shares, incorporated and domiciled in England & Wales. The address of the Company's registered office and principal place of business is 3rd Floor, 45 Ludgate Hill, London, EC4M 7JU. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 3 to the accounts.

1. Basis of preparation and significant accounting policies

These financial statements have been prepared in accordance with International Accounting Standards ('IAS'), in conformity with the Companies Act 2006. They have been prepared on the historical cost basis, except for certain biological assets, financial assets and liabilities, which have been measured at fair value. Freehold land and buildings have been measured at their depreciated replacement cost. The financial statements have also been prepared on the going concern basis as set out in the Strategic Report on pages 1 to 3 to the accounts.

The consolidated and Company financial statements are presented in US dollars and all values are rounded to the nearest thousand ($000) except where otherwise indicated.

Going concern basis
Throughout the year under review, the Group's operating companies were largely unaffected by the Covid-19 pandemic. The overseas operations continued to operate throughout the year, with minimal disruption to the production and distribution of agricultural produce and electricity output. At the date of this report, the operations are currently continuing as normal and based on this experience, the risk of the pandemic affecting the ability of the Group and Company to continue as a going concern, is considered low.

The Group meets its day-to-day working capital and other funding requirements through a combination of medium term loans and short term overdraft lending. The overseas bank facilities have recently been renewed and the directors are not aware of any reason why these facilities should not be renewed in the future. In addition, the Group has positive bank balances. As a consequence, and after reviewing the current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2020.

Changes in accounting policy and new and amended standards

New and amended standards adopted by the Group
A number of new standards and amendments are effective for annual periods commencing on or after 1 January 2020, none of which have any impact on the accounting policies and consolidated financial statements of the Group.

Company accounts
The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with IAS, in conformity with the Companies Act 2006. They have been prepared on the historical cost basis and the principal accounting policies adopted are the same as those set out below.

As permitted by S.408 of the Companies Act 2006, the Company has not presented its own Income Statement.

Change to functional currency
The functional currency of the Company was changed from pound sterling to the US dollar with effect from 1 January 2019. We consider that the US dollar better represents the underlying transactions, events and conditions that are relevant to the Company.

Basis of consolidation

Subsidiaries
The consolidated financial statements comprise the financial statements of PGI Group Limited and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies.

In accordance with IFRS 10, 'Consolidated Financial Statements', subsidiaries are all entities over which the Group has control. The Group is deemed to control an entity for the purposes of IFRS 10 when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, for example, through exercising its voting rights.

All intra-group balances, transactions, income and expenses, are eliminated on consolidation.

In accordance with IFRS 10, subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control for the purposes of IFRS 10 and continue to be consolidated until the date that such control ceases. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in both the income statement and within equity in the consolidated statement of financial position.

Associates
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of that entity.

Investments in associates are accounted for by the equity method of accounting. Under this method the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Notes to the accounts (continued)

1. Basis of preparation and significant accounting policies (continued)

Basis of consolidation (continued)

Foreign currency translation

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 consolidated financial statements are presented in US dollars which is the Group's presentation currency and the Company's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within the category to which they relate.

Transactions and balances where the jurisdiction has a currency of hyperinflation

The Group's entities maintain a functional currency of US dollars. Since the re-introduction of the Zimbabwe dollar (ZWL) in 2019, there has been a significant devaluation of the ZWL against the US dollar and a return of hyperinflation. Due to the foreign exchange shortage in the country, there is evidence of a parallel market operating in Zimbabwe. As at 31 December 2020 certain monetary assets denominated in ZWL have been impaired using an unofficial market rate of 101.3 (2019: 25.6). The official interbank rate was 81.8 as at the year end (2019: 16.8).

Group companies

All group entities have a functional currency of US dollars, which is the same as the Group's presentational currency.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested 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).

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Biological assets

The Group's biological assets mainly comprise the produce growing on tea bushes, macadamia trees and rose plants. The fair value of the growing crops is determined using models based on expected yields, market prices for the saleable produce, after allowing for harvesting costs and other costs yet to be incurred in getting the produce to maturity. Any changes in fair value are recognised in the income statement in the year in which they arise. The Group's livestock comprises cattle and game animals and is stated at fair value, based on selling prices, less estimated costs to sell.

Property, plant and equipment

The Group's bearer plants, which comprise tea bushes, macadamia trees and rose plants are measured at amortised cost and depreciated over their useful lives.

Freehold land and buildings comprise property in southern Africa. Factories and ancillary property of the Group located in southern Africa are revalued and stated at their depreciated replacement cost as at the balance sheet date. The directors consider that the balance sheet better portrays the state of affairs of the Group if the southern African property is included at current valuations prepared by the directors instead of including these assets at cost. Reliable full market valuations are difficult to obtain and accordingly the depreciated replacement cost approach has been adopted and applied consistently to the Group's southern African property assets since the adoption of IFRS in 2005.

Movements in the carrying amount arising on the valuation of land and buildings are credited to other comprehensive income and included in retained earnings in shareholders' equity.

Freehold land is not depreciated.

Long leasehold property, plant and equipment are stated at historical cost, less accumulated depreciation.

Depreciation on other assets is calculated on a straight line basis over the useful life of the assets, as follows:

	Years
Bearer plants	15-60
Freehold and long leasehold buildings	25-50
Plant and equipment & hydro electric power plant	10-50
Motor vehicles	4-10

Assets under construction are not depreciated until commissioned.

Notes to the accounts (continued)

1. Basis of preparation and significant accounting policies (continued)

Property, plant and equipment (continued)

Bearer plants are classified as immature until the produce can be commercially harvested. At that point they are reclassified, and depreciation commences. Immature tea bushes, macadamia trees and rose plants are measured at accumulated cost.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating income.

The residual values, useful lives and methods of depreciation for the assets are reviewed and adjusted, if appropriate, at each financial year end.

Right-of-use asset
In accordance with IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability is recognised in the statement of financial position at the date at which the leased asset is available for use by the group.

Other investments
Other investments are stated at cost or fair value.

Fair value measurement
Fair value measurements are classified in the accounts using the following levels:
Level 1 uses quoted prices in active markets for identical assets
Level 2 uses inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 uses inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Inventories
Agricultural produce at the point of harvest is measured at fair value less estimated costs to sell. Such measurement is the cost at that date when they are recognised as inventories.

Inventories including products that are the result of processing after harvest are stated at the lower of cost and net realisable value.

Trade and other receivables
Trade receivables are carried at original invoice amount and subsequently reduced by appropriate allowances for estimated expected credit losses, which are charged to the income statement. The Group applies the simplified approach to measure the expected credit losses (ECL), which requires the use of a lifetime expected impairment allowance.

Current asset investments
Current asset investments are designated as financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term and are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash and deposits held at call with banks.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Borrowings
All loans and borrowings are initially recognised at fair value net of transaction costs. Borrowing costs are recognised in the income statement in the period in which they are incurred except for those borrowing costs that are directly attributable to the construction of the Group's renewable energy projects, which are capitalised as part of the project cost.

Taxation
The tax expense represents tax currently payable adjusted for provisions for deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The Group evaluates the tax position with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances based on the amount it considers most likely to be assessed.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in 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 substantively enacted by the balance sheet date and are expected to apply when the related tax asset is realised, or the tax liability is settled.

Deferred tax assets are generally not recognised unless it is certain that future taxable profit will be available against which the temporary differences can be utilised.

Other provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Notes to the accounts (continued)

1. Basis of preparation and significant accounting policies (continued)

Dividends
Dividends are recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders.

Pension obligations
The Group has both a defined benefit plan and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension cost for the defined benefit plan is assessed in accordance with the advice of qualified independent actuaries using the Defined Accrued Benefits method.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses are recognised in full in the statement of changes in shareholders' equity.

Payments to defined contribution pension plans are charged to the income statement as an expense as they fall due.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes and after eliminating intra-group sales. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods by the agribusinesses is recognised at a point in time when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods which is deemed to be the point at which the performance obligation is satisfied. Revenue from the renewable energy power companies is recognised monthly based on the generation of megawatt hours of electricity feeding into the Zimbabwe and Malawi national grids. Management fee income, mainly derived from the investment property management companies, is recognised monthly based on a percentage of the funds under management.

Derivative financial instruments
The Group uses derivative financial instruments namely forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. The resultant estimates will differ from actual results and may require adjustment in subsequent accounting periods. Where key estimates and assumptions that may cause a material adjustment to the carrying amount of assets and liabilities in the next financial year have been applied, these are referred to in the relevant notes, the most significant being in goodwill, biological assets, property, plant & equipment, current asset investments and pension benefits.

Standards and interpretations issued but not yet effective
New standards and interpretations not yet adopted by the Group
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group.

There are no standards that are not yet effective and that would be expected to have a material impact on the consolidated financial statements of the Group.

Notes to the accounts (continued)

2. Revenue and profit for the year

	2020 Total $000	Result before Zimbabwe adjustments $000	ZWL exchange differences, impairment & fair value adjustments $000	2019 Total $000
Analysis of the Group's revenue:				
Sale of agribusiness produce	**43,516**	51,229	(35)	51,194
Renewable energy power generation	**15,812**	10,466	(246)	10,220
Property management income	**213**	536	–	536
	59,541	62,231	(281)	61,950
Profit for the year is stated after charging/(crediting):				
Cost of inventories recognised as expense	**30,175**	35,845	980	36,825
Depreciation of property, plant and equipment	**4,866**	4,769	–	4,769
Net impairment (reversal)/charge of property, plant and equipment	**(729)**	–	7,040	7,040
Loss/(profit) on disposal of property, plant and equipment	**3**	(33)	–	(33)
Loss/(profit) on disposal of other financial assets	**343**	(116)	–	(116)
Profit on disposal of associate	**(49)**	–	–	–
Foreign exchange gain on ZWL debentures	**(680)**	–	(13,530)	(13,530)
Other net foreign exchange losses/(gains)	**292**	(400)	5,085	4,685
Fair value movements:				
Biological assets	**118**	(41)	–	(41)
Other financial assets	**1,859**	–	7,705	7,705

The functional currency of the Zimbabwe subsidiaries is US dollars. In February 2019 a new domestic currency was formally introduced in Zimbabwe, the Zimbabwe dollar (ZWL). In the year to 31 December 2020, the ZWL lost 79% of its value against the US dollar (2019: 94%). The resultant foreign exchange differences, fair value movements and impairment of certain assets have been incorporated in the total column of the income statement in 2020 and recognised separately in a middle column of the income statement in 2019.

3. Share of associate's results

	Period to 19 August **2020 $000**	2019 $000
The Group's share of the results of its associated company comprises:		
Profit from operations	**69**	353
Impairment write back/(provision) against investment in associate	**31**	(197)
Profit after taxation	**100**	156

The share of associate's results relates to a 20% interest in K2 Management Ltd (2019: 20%), which is part of the Jensen Group. K2 has invested in the Russian property fund, which it manages. The Group disposed of its 20% interest in K2 on 19 August 2020.The profit on disposal was $49,000 and has been recognised in other operating income. An impairment write back of $31,000 has been made in the period up to the date of disposal (2019: impairment release of $197,000).

4. Finance income and costs

	2020 $000	2019 $000
Finance income comprises:		
Bank and other interest receivable	**35**	164
Foreign exchange gains on financing activities	**273**	378
	308	542
Finance costs comprise:		
On amounts wholly repayable within 5 years:		
Bank	**(2,405)**	(2,376)
Foreign exchange loss on financing activities	**(450)**	(2,208)
	(2,855)	(4,584)
Imputed interest on pension plan liabilities (net)	**(143)**	(215)
Fair value on derivatives	**(39)**	–
	(3,037)	(4,799)
Finance costs (net)	**(2,729)**	(4,257)

Notes to the accounts (continued)

5. Auditor's remuneration

	2020	2019
	$000	$000
The analysis of the auditor's remuneration is:		
Audit services		
Statutory audit of the Company and the group accounts	134	114
Other services		
Tax compliance	10	–
	144	114

These fees relate to fees paid to RSM UK Audit LLP and its associates. Fees paid to other auditors not associated with RSM UK Audit LLP in respect of the audit of the Company's subsidiaries amounted to $125,000 (2019: $128,000).

6. Employees and directors

Employees

	2020	2019
Average numbers employed (including executive directors) in the year:		
Agribusinesses including seasonal workers	11,579	12,071
Renewable energy power generation	305	287
Head office	4	4
	11,888	12,362

	2020	2019
	$000	$000
Staff costs:		
Wages and salaries	15,804	19,069
Social security	302	301
Other pension costs	263	217
	16,369	19,587

Directors

The emoluments of the directors in respect of qualifying services comprised:

	2020	2019
	$000	$000
Aggregate emoluments	1,024	953
Social security costs	113	99
Company pension contributions to defined contribution scheme for 2 directors (2019: 2 directors)	26	26
	1,163	1,078

None of the directors were accruing benefits under a defined benefit scheme at the year end. There were long term incentive plan payments made during the year of $171,000 (2019: $nil). For the purpose of this disclosure, the Company's directors are treated as the key management of the Group.

Emoluments of highest paid director:

	2020	2019
	$000	$000
Aggregate emoluments	567	478
Company pension contributions to defined contribution scheme	13	13
	580	491

The accrued pension for the highest paid director under the defined benefit scheme at the end of the year amounted to:

	2020	2019
	$000	$000
Highest paid director – accrued pension	71	66

Notes to the accounts (continued)

7. Taxation

a) Analysis of (credit)/charge for the year

	2020 $000	2019 $000
Current taxation:		
UK corporation tax		
UK corporation tax	–	–
Double taxation relief	–	–
	–	–
Foreign tax		
Current tax on income for the period	**1,418**	839
Adjustment in respect of prior periods	**9**	11
Withholding taxation	**29**	104
Total current taxation	**1,456**	954
Deferred taxation:		
Origination and reversal of temporary differences	(924)	(7,184)
Adjustment in respect of prior periods	652	60
Total deferred taxation	(272)	(7,124)
Total tax expense/(credit) reported in the income statement	1,184	(6,170)

b) Factors affecting the tax charge for the year:

The tax assessed for the year differs from the effective rate of corporation tax in the UK of 19.00%:

	2020 $000	2019 $000
Profit/(loss) before tax	**9,884**	(722)
Profit/(loss) before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**1,877**	(139)
Effects of:		
Items not chargeable for tax purposes	**(1,776)**	(6,030)
Net increase in tax losses	**1,055**	176
Different tax rates on overseas earnings	**(662)**	(352)
Adjustment in respect of prior years	**661**	71
Additional tax arising on the remittances from overseas companies	**29**	104
Total tax expense/(credit) reported in the income statement	**1,184**	(6,170)

c) Tax effects relating to other comprehensive income

	2020			2019		
	Before tax amount $000	**Tax expense $000**	**Net of tax amount $000**	Before tax amount $000	Tax expense $000	Net of tax amount $000
Net actuarial gain on defined benefit pension plan	(3,170)	–	(3,170)	731	–	731

Notes to the accounts (continued)

8. Earnings per ordinary share

Basic and diluted

Basic and diluted earnings per Ordinary share are calculated by dividing the profit attributable to the owners of the parent by the weighted average number of Ordinary shares in issue during the year. There are no dilutive shares.

	2020	2019
Weighted average number of ordinary shares in issue	**15,611**	15,611

	2020	Result before Zimbabwe adjustments	2019 Result after Zimbabwe adjustments
	$000	$000	$000
Profit attributable to owners of the parent:	**8,011**	4,395	5,701
	$	$	$
Basic and diluted earnings per ordinary share	**513.16**	281.53	365.19

9. Dividends

	2020	2019
	$000	$000
Amounts recognised as distributions to owners of the parent in the year:		
Dividend for the year ended 31 December 2019 of $46.31 (2018: $43.94) per share	**723**	686

Dividend pound sterling equivalent for the year ended 31 December 2019 was £36.00 (2018: £36.00) per share

A dividend for the year ended 31 December 2020 of £36.00 per ordinary share has been recommended by the directors for payment on 18 August 2021.

10. Goodwill

	2020	2019
	$000	$000
Goodwill arising on the acquisition of:		
Khal Amazi Ltd	**464**	464

The Group determines on an annual basis whether goodwill is impaired. An impairment review has been carried out for Khal Amazi Ltd at 31 December 2020 whereby its recoverable amount has been determined based on value-in-use calculations. This requires the Group to make various estimates, assumptions and judgements, which have been based on historical experience and what could reasonably have been known at the end of the reporting period. The resultant estimates will differ from actual results.

As a long term agricultural business, twenty year cash flow projections have been used, which have assumed no growth in the cash flows. A pre-tax discount rate of 15.25% (2019: 15.06%) has been used. The calculations use cash flow forecasts derived from the most recent financial budgets supplemented by forecasts of performance for the years thereafter.

Khal Amazi's recoverable amount, based on value-in-use calculations, exceeded its carrying value by $3.6 million (2019: $0.7 million), indicating that no impairment charge was necessary for the year ended 31 December 2020 (2019: $nil). A key assumption used in the value-in-use calculations is the exchange rate between the Euro and US dollar. The forecasts have been based on current rates of exchange. Based on these calculations, it is considered that there are no reasonable possible scenarios in which the goodwill would become impaired.

Notes to the accounts (continued)

11. Biological assets

Biological assets comprise the fair value of livestock and the fair value of agricultural produce growing on tea bushes, macadamia trees and rose plants until the point of harvest:

			2020			2019
		Agricultural			Agricultural	
	Livestock	**produce**	**Total**	Livestock	produce	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Opening balance at 1 January	**259**	**2,343**	**2,602**	296	2,328	2,624
Increase due to purchases	**–**	**1,234**	**1,234**	–	1,515	1,515
Change in fair value due to:						
Biological transformation	**2**	**(120)**	**(118)**	(37)	78	41
Decrease due to harvest	**–**	**(1,515)**	**(1,515)**	–	(1,578)	(1,578)
Closing balance at 31 December	**261**	**1,942**	**2,203**	259	2,343	2,602
a) Non-current assets:						
Livestock	261	–	261	259	–	259
b) Current assets:						
Agricultural produce	–	1,942	1,942	–	2,343	2,343

Biological assets are carried at fair value less estimated costs to sell, except a small amount of livestock, which is carried at selling prices less estimated costs to sell.

The fair value of growing green tea leaf, macadamias-in-husk and rose buds has been determined using models based on expected yields, market prices for the saleable produce, after allowing for harvesting costs and other costs yet to be incurred in getting the produce to maturity. The fair value of the agricultural produce has been measured using valuation Level 3, whereby inputs for the asset are not based on observable market data. This requires the Group to make various estimates and judgements, which have been based on historical experience and other factors, including the volume and stages of maturity at the balance sheet date, yields and market prices. The year end fair value amounted to $1,9 million (2019: $2.3 million). The livestock has been measured at fair value using valuation Level 2, whereby inputs other than quoted prices that are observable for the asset are used. There were no transfers between any levels during the year.

The Group's agribusinesses are exposed to international commodity prices, which are related to the prices achieved by the Group for the sale of its produce.

The areas planted to the significant crop types at the end of the year were:

	2020	2019
	Hectares	Hectares
Tea	**4,586**	4,697
Macadamia	**1,062**	1,062
Roses	**55**	55

Notes to the accounts (continued)

12 a) Property, plant and equipment

	Group						Company
		Land and buildings		Renewable energy	Plant		
	Bearer plants	Freehold	Long leasehold	Plant and equipment	Equipment and vehicles	Total	Total
	$000	$000	$000	$000	$000	$000	$000
Year ended 31 December 2020							
Opening cost or valuation	23,318	4,108	4,338	86,225	28,370	146,359	76
Additions	1,285	1	113	3,154	1,442	5,995	-
Disposals	-	-	-	(13)	(28)	(41)	-
Transfer to inventories	-	-	-	(3,266)	-	(3,266)	
Reclassification	272	-	-	-	-	272	-
Closing cost or valuation	24,875	4,109	4,451	86,100	29,784	149,319	76
At directors' valuation	-	4,109	-	-	-	4,109	-
At cost	24,875	-	4,451	86,100	29,784	145,210	76
Opening accumulated depreciation	5,046	1,171	1,140	15,806	18,872	42,035	76
Charge for the year	1,119	38	92	2,247	1,370	4,866	-
Impairment (reversal)/provision	-	-	-	(729)	-	(729)	-
Disposals	-	-	-	(11)	(27)	(38)	-
Reclassification	272	-	-	-	-	272	-
Closing accumulated depreciation	6,437	1,209	1,232	17,313	20,215	46,406	76
Net book value	18,438	2,900	3,219	68,787	9,569	102,913	-
Historical cost							
Cost	24,875	2,825	4,451	86,100	29,784	148,035	76
Accumulated depreciation	6,437	316	1,232	17,313	20,215	45,513	76
	18,438	2,509	3,219	68,787	9,569	102,522	-

Immature bearer plants of $565,000 (2019: $441,000) were reclassified as mature in 2020. Immature bearer plants at the year end amounted to $3,652,000 (2019: $3,542,000) and are not depreciated.

At the year end $3,266,000 of the cost of the renewable energy plant and equipment was transferred to inventories.

Due to the economic environment in Zimbabwe the Group has tested the renewable energy cash generating units (CGUs) for impairment in 2019 and 2020. This resulted in an impairment loss being recognised in 2019 of $7.0 million with respect to plant and equipment and a (net) reversal in 2020 of $0.7 million.

Five year cash flow and terminal value projections have been used, which have assumed that receipts are based in US dollars and no growth in the cash flows. The estimated value in use was determined using a pre-tax discount rate of 16.90% (2019: 20.76%). The calculations use cash flow forecasts derived from the most recent financial budgets supplemented by forecasts of performance for the years thereafter.

A key assumption used in the value-in-use calculation is the pre-tax discount rate. An increase in the discount rate of 1% would increase the impairment by $1,320,000; a reduction of 1% would reduce the impairment provision by $1,826,000.

At the year end $4,669,000 (2019: $4,466,000) of the cost of property, plant and equipment was under construction.

During the year, the Group did not have any capitalised borrowing costs on qualifying assets (2019: $301,000).

Net book value of property, plant and equipment pledged as security for bank loans and overdrafts:

	Net book value	
	2020	2019
	$000	$000
	24,704	25,643

Valuation method
The freehold properties recognised at directors' valuation on 31 December 2020 are located in southern Africa and have been valued on a depreciated replacement cost basis, which has required the Group to make various estimates about building replacement costs and the expected useful life of the assets. Accordingly, a degree of judgement has been applied to these valuations. This method of valuation has been applied consistently to the Group's African property assets since the adoption of IFRS in 2005.

Notes to the accounts (continued)

12 a) Property, plant and equipment (continued)

	Group						Company
		Land and buildings		Renewable energy	Plant		
	Bearer plants	Freehold	Long leasehold	Plant and equipment	Equipment and vehicles	Total	Total
	$000	$000	$000	$000	$000	$000	$000
Year ended 31 December 2019							
Opening cost or valuation	22,870	4,022	4,319	74,607	27,263	133,081	76
Additions	996	86	19	11,618	1,773	14,492	-
Disposals	(548)	-	-	-	(666)	(1,214)	-
Closing cost or valuation	23,318	4,108	4,338	86,225	28,370	146,359	76
At directors' valuation	-	4,108	-	-	-	4,108	-
At cost	23,318	-	4,338	86,225	28,370	142,251	76
Opening accumulated depreciation	4,256	1,135	1,055	6,925	18,029	31,400	76
Charge for the year	1,338	36	85	1,841	1,469	4,769	-
Impairment provision	-	-	-	7,040	-	7,040	-
Disposals	(548)	-	-	-	(626)	(1,174)	-
Closing accumulated depreciation	5,046	1,171	1,140	15,806	18,872	42,035	76
Net book value	18,272	2,937	3,198	70,419	9,498	104,324	-
Historical cost							
Cost	23,318	2,824	4,338	86,225	28,370	145,075	76
Accumulated depreciation	5,046	278	1,140	15,806	18,872	41,142	76
	18,272	2,546	3,198	70,419	9,498	103,933	-

12 b) Right-of-use assets

The Group has a lease for office premises for a term of five years at a fixed rent, expiring in August 2022, which has been accounted for under IFRS 16.9. All other leases within the Group have been classified as short term, or leases with low-value underlying assets, which are exempt from the requirements of IFRS16.

Amounts recognised in statement of financial position:

	Group		Company	
	2020	2019	**2020**	2019
Right-of-use assets	**$000**	$000	**$000**	$000
Buildings	**148**	242	**148**	242

	Group		Company	
	2020	2019	**2020**	2019
Lease Liability	**$000**	$000	**$000**	$000
Current	**98**	93	**98**	93
Non-Current	**58**	151	**58**	151

Amounts recognised in the income statement:

	Group		Company	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Depreciation charge	**94**	93	**94**	93
Interest expense	**5**	6	**5**	6

13. Capital commitments

The Group had no commitments for capital expenditure contracted for, but not provided at 31 December 2020 (2019: $140,000). Replanting and estate development costs, which are incurred on an ongoing basis, are excluded from capital commitments.

Notes to the accounts (continued)

14. Investments

Associates are accounted for in accordance with IAS 28 – Investments in Associates. The share of the associate's results relate to a 20% interest in K2 Management Ltd, up to the date of disposal on 19 August 2020.

Group	Other unlisted investments 2020 $000	Other unlisted investments 2019 $000	Associates Period to 19 August 2020 $000	Associates 2019 $000
Analysis of movement during the year:				
At beginning of year	**167**	167	–	–
(Repayment)/Additions to capital	–	–	–	(12)
Profit from operations (Note 3)	–	–	**69**	353
Impairment (provision)/write back (Note 3)	**(56)**	–	**31**	(197)
Dividends paid	–	–	**(100)**	(144)
Carrying amount at end of year	**111**	167	–	–

Other unlisted investments are recognised at cost less expected credit loss in the balance sheet at $111,000 (2019: $167,000).

Share of the associate's balance sheet	Associates Period to 19 August 2020 $000	Associates 2019 $000
Non-current assets	–	–
Current assets	**22**	7
Current liabilities	**(22)**	(7)
Carrying amount of investment	–	–
Share of the associate's revenue and profits:		
Continuing operations		
Revenue	**127**	470
Share of profit after tax (Note 3)	**100**	156

Company	Subsidiary undertakings Shares $000	Subsidiary undertakings Loans $000	Subsidiary undertakings Total $000
At 1 January 2019	39,874	21,908	61,782
Advances	–	6,132	6,132
At 31 December 2019	**39,874**	**28,040**	**67,914**
Repayments	–	**(1,727)**	**(1,727)**
Reversal of impairment provision against an investment	–	**1,592**	**1,592**
At 31 December 2020	**39,874**	**27,905**	**67,779**

The Company did not make any management charges to group subsidiaries in the year (2019: $nil).

Subsidiary undertakings

All subsidiary undertakings are listed on page 35 and operate principally in their country of incorporation. All the holdings in the operating entities are held through subsidiary undertakings.

There were no acquisitions in the year ended 31 December 2020 (2019: Nil).

Notes to the accounts (continued)

15. Inventories

	2020	2019
	$000	$000
Produce	**5,684**	3,117
Raw material	**5,057**	5,107
Held for sale	**3,266**	–
	14,007	8,224

At the year end $3,266,000 of the cost of the renewable energy plant and equipment was transferred to inventories as held for sale, at cost.

16. Trade and other receivables

	Group		**Company**	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Due within one year:				
Trade and other receivables	**7,642**	5,519	**60**	16
Loss allowance	**(257)**	(1,384)	–	–
Prepayments and accrued income	**709**	2,091	**38**	21
	8,094	6,226	**98**	37

There is no fixed repayment date on $147,000 (2019: $216,000) of the Trade and other receivables. Included in Trade and other receivables is $969,000 (2019: $916,000), which relates to VAT reclaimable in overseas jurisdictions. These amounts are being offset, where possible, against future output tax and other local taxes, as they fall due.

Credit risk
The Group's credit risk policy and the calculation of the loss allowance are provided in Note 25.

17. Share capital

	Issued and fully paid	**Issued and fully paid**
Ordinary shares of $3,184 (£2,500) each	**number**	**$000**
At 31 December 2019 and 2020	**15,611**	**49,705**

Details of the shareholdings of the directors are disclosed on page 5 in the Directors' Report.

18. Reserves and non-controlling interests

Reserves are attributable to share capital, share premium, capital redemption and retained earnings.

The movement on reserves and non-controlling interests is shown in the statements of changes in equity on pages 10 and 11. Distributions to owners of the parent may not be made from either the Company's share premium account or its capital redemption reserve, both of which are statutory non-distributable reserves.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries prior to 1 January 2019. The functional currency of the companies registered in the United Kingdom changed to the US dollar on 1 January 2019. On the same date, the Group changed its presentational currency to the US dollar. Accordingly, there has been no movement on the foreign currency translation reserve since these changes on 1 January 2019.

The reserve is included in the accompanying consolidated statement of changes in equity within retained earnings.

Exchange losses on translation of net overseas assets	Retained Earnings
	$000
At 31 December 2019 and 2020	(18,480)

Exchange differences since the adoption of IFRS, arising from the translation of the net investment in foreign entities are taken to shareholders' equity until the disposal of the net investment, at which time they are recognised in the income statement.

Subsidiary with material non-controlling interest
There is a material non-controlling interest of 25.24% in Khal Amazi Ltd. The principal place of business and country of incorporation of Khal Amazi Ltd is Zambia. The profit allocated to the non-controlling interest in the subsidiary for the year ended 31 December 2020 was $52,000 (2019: loss $437,000). Of the non-controlling interest at 31 December 2020 amounting to $3,544,000 (2019: $3,208,000), disclosed on page 10, $1,805,000 (2019: $1,753,000) relates to the non-controlling interest in Khal Amazi Ltd. No dividends were paid by Khal Amazi Ltd in the year under review (2019: $nil). Its increase in cash and cash equivalents for the year ended 31 December 2020 amounted to $6,000 (2019: decrease $121,000). Its net assets at the year ended 31 December 2020, before inter-company eliminations, were $8,952,000 (2019: $8,345,000).

Notes to the accounts (continued)

19. Interest bearing loans and borrowings

		Group	
		2020	2019
		$000	$000
Debentures, bank loans and overdrafts – secured	(i) and (ii)	**24,732**	25,643
Debentures, bank loans and overdrafts are repayable:			
Within one year		**5,831**	6,340
Between one and two years		**5,865**	3,551
Between two and five years		**12,412**	13,522
After five years		**624**	2,230
		24,732	25,643
Due within one year		**5,831**	6,340
Due after more than one year		**18,901**	19,303
		24,732	25,643

There are no interest bearing loans and borrowings in the Company.

(i) Debentures, bank loans and overdrafts are secured by floating charges over certain assets of the Group and by fixed charges over certain property, plant and equipment and book debts. A Company guarantee has been provided for an outstanding term loan of $8.1 million (2019: $8.1 million).

(ii) The carrying value of the Zimbabwe dollar (ZWL) denominated debentures raised in 2017 and 2018 amounted to $0.2 million as at 31 December 2020, compared with $0.9 million at 31 December 2019. The debentures were initially recognised in the accounts at the official exchange rate of ZWL parity with the US dollar. The reduction in the carrying value of the debentures is due to the devaluation of the ZWL throughout 2019 and 2020. The closing exchange rate at 31 December 2020 was ZWL81.8: $1.00 (2019: ZWL16.8: $1.00). The resulting exchange gain has been recognised in the income statement.

20. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Due within one year				
Trade payables	**4,585**	4,733	**6**	6
Other taxation and social security	**558**	272	**55**	53
Accruals and deferred income	**3,446**	3,351	**925**	1,576
Other payables	**2,893**	3,369	**–**	14
	11,482	11,725	**986**	1,649
Due after one year				
Trade payables	**–**	–	**–**	–
Accruals and deferred income	**159**	221	**–**	–
Other payables	**241**	126	**–**	–
	400	347	**–**	–

Notes to the accounts (continued)

21. Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises:

	2020	2019
	$000	$000
Accelerated tax depreciation	**8,002**	8,264
Unrealised foreign exchange differences	**(270)**	(96)
Other temporary differences	**289**	468
Tax losses	**(4,462)**	(4,805)
Provision for deferred tax on temporary differences	**3,559**	3,831
Potential tax due on property revaluations	**467**	467
Total provision for deferred tax	**4,026**	4,298

The movement in the provision for deferred tax was:		
At 1 January	**4,298**	11,422
Deferred tax charge in income statement (Note 7a)		
Current year from continuing operations	**(924)**	(7,184)
Prior year adjustment	**652**	60
	(272)	(7,124)
At 31 *December*	**4,026**	4,298

There are cumulative tax losses arising in the UK of approximately $5.5 million (2019: $2.2 million) which are available to offset against future taxable profits in the companies in which the loss arose. There are also capital losses of $27.8 million (2019: $26.3 million) which are available to offset against future capital gains arising in the UK. The total potential deferred tax asset of $6.3 million in relation to these losses has not been recognised as there is insufficient evidence of future profits against which this asset could be utilised.

In some of the overseas jurisdictions in which our subsidiaries operate, there is uncertainty around the tax treatment of *certain items* because the law is unclear or underdeveloped. In these situations, a tax provision has been recognised when it is considered more likely than not that a liability could arise. The amount of provision has been determined in accordance with IFRIC 23.

22. Other provisions

	2020	2019
	$000	$000
Current	**1,170**	1,343
Non-current	**–**	523
	1,170	1,866

The movement in the provision:		
At 1 January	**1,866**	–
Provided in the period	**–**	1,866
Net reduction in the period	**(696)**	–
At 31 December	**1,170**	1,866

A provision has been made in respect of legal fees in 2020 (2019: $1,866,000).

Notes to the accounts (continued)

23. Retirement benefit liabilities

The retirement benefit liabilities of the Group and Company are summarised below.

Present values of defined benefit obligations, fair value of assets and deficit

	2020 $000	2019 $000
Present value of defined benefit obligation	**(29,364)**	(26,478)
Fair value of plan assets	19,056	19,460
Deficit in plan recognised in the balance sheet	(10,308)	(7,018)

The Group operates a funded defined benefit pension plan in the United Kingdom, the PGI Group Pension Plan, which was closed to new members from 2000 and closed to future accrual for active members from 1 October 2011. The plan is subject to the funding legislation, which came into force on 30 December 2005, as set out in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. Total contributions to the plan amounted to $262,000 (2019: $261,000). The Group incurred other pension costs of $263,000 (2019: $217,000) for certain employees in respect of defined contribution plans.

Details of the risks associated with the pension plan are disclosed on page 3 in the Strategic Report.

The total membership of the plan at 31 December 2020 was 415 members (2019: 421 members), analysed as follows:

	Deferred pensioners Number	Pensioners in payment Number	Total Number
Males	102	197	299
Females	26	90	116
Total	128	287	415

The total pensions paid during the year ended 31 December 2020 amounted to $1,155,000 (2019: $1,111,000). A summary of the unaudited financial statements of the scheme for 2020 and the audited financial statements of the previous year is shown below:

	2020 $000	2019 $000
Company contributions	**262**	261
Benefits payable:		
Pensions	**(1,155)**	(1,111)
Commutation and other lump sum benefits	**(68)**	(309)
	(1,223)	(1,420)
Administration expenses	**(60)**	(56)
Exchange difference	**620**	670
Net (reduction)/return on investments	**(3)**	3,325
Net (decrease)/increase in the fund	**(404)**	2,780
Net assets at 1 January	**19,460**	16,680
Net assets at 31 December	**19,056**	19,460

Net assets statement at 31 December:	2020		2019	
	$000	**% of total**	$000	% of total
Investments				
Managed equity funds:				
Aquila Life UK Equity Index fund	**9,742**	**51**	10,633	55
Aquila Life European Equity Index fund	**2,216**	**11**	2,044	10
Aquila Life US Equity Index fund	**3,043**	**16**	2,522	13
Aquila Life Overseas Fixed Bench Equity fund	**4,000**	**21**	3,590	18
Managed gilt and corporate bond funds:				
Aquila Life Corporate Bond 5 to 15 years fund	**48**	**-**	579	3
	19,049	**99**	19,368	99
Net current assets:				
Cash deposits	**109**	**1**	195	1
Accruals	**(102)**	**-**	(103)	–
Total net assets	**19,056**	**100**	19,460	100

The Pension Plan's investment managers, BlackRock, are responsible for investing the plan's assets in indexed linked funds in the proportions agreed with the trustees. The trustees meet annually with BlackRock to monitor performance of the portfolio.
The last full actuarial valuation of the plan was performed by the Plan's actuaries, Mercer Limited, as at 31 December 2019. The valuation was carried out using the Defined Accrued Benefits method. The discount rate used was based on the nominal gilt yield curve plus 1.15% p.a.

Notes to the accounts (continued)

23. Retirement benefit liabilities (continued)

On a continuing valuation basis, the funding position at 31 December 2019 was:

	$000
Past service liabilities	(19,488)
Value of assets	14,689
Deficit	(4,799)
Funding level	75.0%

In addition to the funding level on the continuing valuation basis, the asset coverage has also been calculated at 72% on a Section 179 (PPF valuation) basis and 58% on a solvency (winding-up) basis.

IAS 19 Disclosures

To assess the position of the plan at 31 December 2020, the IAS 19 disclosures have been calculated on an approximate basis by appropriately adjusting and updating the results for the latest actuarial valuation at 31 December 2019.

The deficit of the pension plan is a pound sterling denominated liability recognised in the Company. Due to the change in functional currency of the Company with effect from 1 January 2019, the liability is translated into US dollars, which creates exchange differences that are recognised in other comprehensive income. In the year under review, the pound sterling strengthened against the US dollar which served to increase the US dollar reported value of the deficit by US$0.2 million (2019: US$0.3 million). The Company does not hedge this foreign currency exposure.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2020	2019
	$000	$000
Defined benefit obligation at start of year	**26,478**	24,419
Exchange differences	**844**	980
Expenses	**60**	56
Interest expense	**534**	667
Actuarial (gains)/losses due to plan experience	**(1,092)**	9
Actuarial losses/(gains) due to changes in demographic assumptions	**1,065**	(213)
Actuarial losses due to changes in financial assumptions	**2,758**	2,036
Benefits paid and expenses	**(1,283)**	(1,476)
Defined benefit obligation at end of year	**29,364**	26,478

Reconciliation of opening and closing balances of the fair value of plan assets

	2020	2019
	$000	$000
Fair value of assets at start of year	**19,460**	16,680
Exchange differences	**620**	670
Interest income	**391**	452
Return on plan assets (excluding amounts included in interest income)	**(394)**	2,873
Contributions by the Company	**262**	261
Benefits paid and expenses	**(1,283)**	(1,476)
Fair value of assets at end of year	**19,056**	19,460

The average duration of the benefit obligation at 31 December 2020 is 13 years (2019: 14 years).

The charge to the income statement comprises:	**2020**	2019
	$000	$000
Total Expenses	**(60)**	(56)
Other finance charges:		
Interest expense	**(534)**	(667)
Interest income	**391**	452
Net interest cost	**(143)**	(215)
Defined benefit costs recognised in the income statement	**(203)**	(271)

A deferred tax asset in relation to the plan's deficit has not been recognised as there is insufficient evidence of future profits against which this asset could be utilised.

Notes to the accounts (continued)

23. Retirement benefit liabilities (continued)

Present values of defined benefit obligations, fair value of assets and deficit:

	2020	2019	2018	2017	2016
	$000	$000	$000	$000	$000
Fair values at 31 December					
Equities	**19,001**	18,789	15,463	18,251	15,489
Bonds	**48**	579	1,099	1,756	1,648
Cash and other net assets	**7**	92	118	31	99
Present value of plan	**19,056**	19,460	16,680	20,038	17,236
Liabilities	**(29,364)**	(26,478)	(24,419)	(27,516)	(22,942)
Plan deficit	**(10,308)**	(7,018)	(7,739)	(7,478)	(5,706)
Percentage funding	**65.5%**	73.5%	68.3%	72.8%	75.1%
Contribution rate	–	–	–	–	–
Contribution towards plan's administration expenses	**$60,000**	$55,000	$60,000	$108,000	$94,000
Additional contributions	**$205,000**	$199,000	$191,000	$126,500	$115,500

The best estimate of contributions to be paid to the plan for the year ending 31 December 2021 is $607,000, made up of $60,000 contribution towards the plan's administration expenses and $547,000 deficit repair contributions.

Actual return on plan assets
There was a return on the Plan's assets for the year ending 31 December 2020 of $176,000 (2019: $3,325,000).

Major assumptions

	2020	2019
	% per annum	% per annum
Inflation	**3.1**	2.90
Discount rate	**1.3**	2.00
Pensions in payment increases	**3.0**	2.80
Revaluation rate for deferred pensioners	**3.1**	2.90

The discount rate is a key assumption in the valuation of the Plan's liabilities which may, within limits, take a range of values. The results quoted are based on a discount rate of 1.3% per annum. Adopting a different discount rate would lead to different results being disclosed. For example, if the discount rate was decreased by 0.25% per annum, the liabilities would increase by 3.3%. There would be a similar reduction in liabilities if the discount rate was increased by 0.25% per annum.

Mortality
The mortality assumptions adopted at 31 December 2020 imply the following future life expectations at age 65:

	2020	2019
	Years	Years
Male currently aged 45	**22.4**	21.0
Female currently aged 45	**24.4**	23.0
Male currently aged 65	**21.1**	19.9
Female currently aged 65	**22.8**	21.8

Movement in the plan deficit during the year

	2020	2019
	$000	$000
Deficit at 1 January	**(7,018)**	(7,739)
Pension expenses recognised in the income statement:	**(203)**	(271)
Amounts recognised in other comprehensive income	**(3,349)**	731
Contributions by the Company	**262**	261
Deficit at 31 December	**(10,308)**	(7,018)

The actuarial loss recognised in other comprehensive income comprises

	2020	2019
	$000	$000
Experience adjustment on plan assets	**(394)**	2,873
Experience adjustment on plan liabilities	**1,092**	(9)
Effect of change in assumptions	**(3,823)**	(1,823)
Exchange difference	**(224)**	(310)
	(3,349)	731

Notes to the accounts (continued)

24. Consolidated cash flow statement

Analysis of net debt:

	Opening balance 2019 $000	Cash Flow $000	Transfers $000	Exchange movement $000	**Closing balance 2020 $000**
Cash	12,277	1,220	–	(414)	**13,083**
Overdrafts	(2,672)	999	–	239	**(1,434)**
Cash and cash equivalents	9,605	2,219	–	(175)	**11,649**
Debt due within one year	(3,668)	2,435	(3,166)	2	**(4,397)**
Debt due after more than one year	(19,303)	(3,444)	3,166	680	**(18,901)**
	(13,366)	1,210	–	507	**(11,649)**

25. Financial risk management objectives and policies

Policy
The Group's principal financial liabilities, other than derivatives, comprise bank loans, debentures, overdrafts and trade payables. The purpose of bank loans and overdrafts is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group entered into forward currency contracts during 2020 with the purpose of managing currency risks arising from the Group's operations.

The Group's policy remains not to trade in derivative instruments.

The Group's activities expose it to varying degrees of financial risk. Foreign currency risk is the most significant aspect for the Group in the area of financial instruments and the Company's defined benefit pension plan. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing risks in order to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk
Through its subsidiaries the Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions, recognised assets and liabilities and net investments in foreign operations. Exposure to commercial transactions arises from sales or purchases by operating companies in currencies other than the companies' functional currency. The Group sometimes uses forward currency contracts to hedge significant sales or purchases denominated in foreign currencies.

The Company which is based in the UK and reports in United States dollars, has significant investment in overseas operations in the Southern African states of Malawi, Zambia and Zimbabwe. Zimbabwe has both a very weak currency and hyperinflation. As a result, the Group's balance sheet can be significantly affected by movements in the value of the Zimbabwe ZWL to the US Dollar.

There continues to be a foreign currency scarcity in the Zimbabwe banking system. This resulted in the Group's renewable energy division failing to pay in full, all its foreign obligations on time. Any overdue balance is subject to a default interest charge. This is a continuing risk that the Group takes very seriously. During 2020 the Government of Zimbabwe introduced a foreign exchange auction trading system designed to alleviate the scarcity of foreign currency. These reforms have resulted in a slight improvement to availability of foreign currency, although successful auction bids can take several weeks to be settled.

The table below shows the extent at 31 December 2020 to which the Group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the income statement with the exception of the Company's defined benefit pension plan, which are taken to other comprehensive income. The Company does not hedge the currency exposure of the pension plan and a strengthening of the pound sterling could materially increase the valuation of the deficit and reduce retained earnings. The monetary liability of the pension plan is included in the below table and amounts to $10.13 million for the year under review (2019: $7.02 million).

Net foreign currency monetary assets/(liabilities)

	2020				2019			
	Pound sterling	**Euro**	**Other**	**Total**	Pound sterling	Euro	Other	Total
Group	**$000**	**$000**	**$000**	**$000**	$000	$000	$000	$000
Functional currency of operations								
UK: US dollar	**(11,535)**	**–**	**–**	**(11,535)**	(8,385)	–	–	(8,385)
Malawi: US dollar	**–**	**–**	**(2,328)**	**(2,328)**	–	–	(344)	(344)
Zambia: US dollar	**295**	**1,135**	**305**	**1,735**	558	1,354	(52)	1,860
Zimbabwe: US dollar	**(5)**	**–**	**(73)**	**(78)**	(875)	–	2,086	1,211
	(11,245)	**1,135**	**(2,096)**	**(12,206)**	(8,702)	1,354	1,690	(5,658)

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a possible change in the US dollar exchange rate, with all other variables held constant, on the Group's profit before tax, due to foreign exchange movements on non-functional currency monetary assets and liabilities as at the year end.

	Increase/decrease in $ exchange rate against non-functional currency	Effect on profit before tax Pound Sterling $000	Euro $000	Other $000	Total $000
2020	**+ 10%**	**1,022**	**(103)**	**191**	**1,110**
	– 10%	**(1,125)**	**114**	**(210)**	**1,221**
2019	+ 10%	791	(123)	(153)	515
	– 10%	(870)	135	169	(566)

Interest rate risk
The Group borrows and is therefore exposed to fluctuations due to changes in market interest rates. Short term borrowings are at floating interest rates, which are mainly expressed as a percentage above local bank base rates.

The Group's policy is to place surplus funds on short-term deposit. In overseas countries these deposits are sometimes made in US dollars to protect against currency fluctuations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings.

The interest rate profile of the Group's borrowings at 31 December 2020 was:

	Floating rate $000	Fixed rate $000	Total $000	Weighted average of Fixed rate debt interest rate %	period years
2020	**21,551**	**3,181**	**24,732**	**10**	**6.0**
2019	24,607	1,036	25,643	9	4.0

Within the fixed rate borrowings are debentures issued in Zimbabwe amounting to ZWL14.9 million ($0.2 million) (2019: ZWL14.9 million ($0.9 million). At 31 December 2020 the official interbank exchange rate was ZWL81.8: US$1.00 (2019: ZWL16.8: US$1.00). The debentures have been converted and recognised in the financial statements using these exchange rates.

Interest on floating rate borrowings is re-priced at intervals of less than one year. Interest on borrowings classified as fixed rate is fixed until the maturity of the instrument. The fair value of borrowings approximate to the above stated carrying values.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate risk table
The following table demonstrates the sensitivity of the Group's profit before tax to a possible change in interest rates on floating rate borrowings as at 31 December 2020, with all other variables held constant.

	Basis points increase/ decrease	Effect on profit before tax $000
2020		
US dollar	± 100	± 216
2019		
US dollar	± 100	± 246

Credit risk
The Group trades only with recognised third parties. Receivable balances are monitored on an ongoing basis. The maximum credit risk exposure is the carrying amount disclosed in Note 16 to the accounts.

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses (ECL). This approach uses a lifetime expected loss allowance for trade and other receivables. The ECL is determined on the ageing of the receivables, historical data and expected future conditions. At each reporting date the ECL is reviewed to reflect any changes in credit risk since initial recognition. The Group reviewed its historical default rates in 2020 and subsequently reversed the expected credit loss allowance associated with this due to significantly low rates of default. The loss rate on trade receivables for current to 60 days past due is considered immaterial and not provided for in 2020.

To assess if there is a significant increase in credit risk, the Group considers actual or expected significant adverse changes in financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations.

The Group's agribusinesses subsidiaries generally have a low volume of customers with a high receivable value, which concentrates the credit risk. Within the Group's renewable energy businesses in Zimbabwe and Malawi there is a high concentration of credit risk as all electricity output is sold to a single offtaker – the state owned transmission and distribution utility.

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Credit risk (continued)

Based on this information, the expected loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows, for trade and other receivables:

31 December 2020	Current $000	> 30 days past due $000	> 60 days past due $000	> 120 days past due $000	Total $000
Expected loss rate	-	-	-	25%	
Gross carrying amount – trade and other receivables	6,132	322	142	1,046	7,642
Loss allowance	-	-	-	257	257

31 December 2019	Current $000	> 30 days past due $000	> 60 days past due $000	> 120 days past due $000	Total $000
Expected loss rate	10%	25%	30%	35%	
Gross carrying amount – trade and other receivables	1,506	892	816	2,305	5,519
Loss allowance	146	213	233	792	1,384

The closing loss allowance for trade and other receivables as at 31 December 2020 is as follows:

	2020 $000	2019 $000
At 1 January	**1,384**	1,397
Reduction in loss allowance recognised in profit and loss during the year	**(1,127)**	(13)
At 31 December	**257**	1,384

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group manages liquidity risk by holding significant cash deposits in the UK and maintaining adequate overseas borrowing facilities for the short and medium term in order to meet all its potential liabilities as they fall due, including shareholder distributions. The Group has various sources of overseas funding. The overseas bank facilities are renewed as they fall due and the directors are not aware of any reason why these facilities should not be renewed in future.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows to ensure borrowings remain within short and medium term facilities.

The table below summarises the maturity of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments.

	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
Year ended 31 December 2020					
Interest bearing loans and borrowings	**5,831**	**5,865**	**12,412**	**624**	**24,732**
Other liabilities	**7,509**	**241**	**-**	**-**	**7,750**
Trade payables	**4,585**	**-**	**-**	**-**	**4,585**
Lease liabilities	**98**	**58**	**-**	**-**	**156**
	18,023	**6,164**	**12,412**	**624**	**37,223**
Year ended 31 December 2019					
Interest bearing loans and borrowings	6,340	3,551	13,522	2,230	25,643
Other liabilities	6,720	126	–	–	6,846
Trade payables	4,733	–	–	–	4,733
Lease liabilities	93	95	56	–	244
	17,886	3,772	13,578	2,230	37,466

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Capital management
The main objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to maximise shareholder value in the long term.

The Group manages its capital structure and makes adjustments to it, in light of the requirements of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. The directors also keep under review the balance of capital and debt funding of the group on an on-going basis.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes the net equity attributable to the equity holders of the parent.

	2020	2019
	$000	$000
Interest bearing loans and borrowings	**24,732**	25,643
Less: cash and short term deposits	**(13,083)**	(12,277)
Net debt	**11,649**	13,366
Equity attributable to equity holders of the parent	**84,924**	80,806
Gearing ratio	**13.7%**	16.5%

26. Financial instruments

The carrying amounts and fair values of the Group's financial instruments are set out below:

	Group		**Company**	
	2020	2019	**2020**	2019
Categories of financial instruments	**$000**	$000	**$000**	$000
Financial assets				
Trade and other receivables	**7,385**	4,135	**60**	16
Cash and cash equivalents	**13,083**	12,277	**9,036**	8,572
At amortised cost	**20,468**	16,412	**9,096**	8,588
Current asset investments at fair value through profit or loss	–	754	–	–
Total financial assets	**20,468**	17,166	**9,096**	8,588
Financial liabilities				
Trade and other payables	**11,165**	11,579	**986**	1,596
Lease Liabilities	**156**	244	**156**	244
Bank overdraft	**1,434**	2,672	–	–
Interest-bearing loans and borrowings				
Floating rate borrowings	**20,117**	21,935	–	–
Fixed rate borrowings	**3,181**	1,036	–	–
At amortised cost	**36,053**	37,466	**1,142**	1,840
Derivative financial instruments at fair value through profit and loss	**39**	–	**39**	–
Total financial liabilities	**36,092**	37,466	**1,181**	1,840

Notes to the accounts (continued)

26. Financial instruments (continued)

	2020	2019
	Level 3	Level 3
Financial assets at fair value through profit or loss:	**$000**	$000
Other financial assets	**–**	754

Other financial assets
Other financial assets represent equities listed on the Zimbabwe Stock Exchange (ZSE). On 26 June 2020, Old Mutual Limited (OM) shares were suspended from the ZSE and there has been no indication when, or if, trading will resume. The Group's historical cost in OM shares as at 26 June 2020 was $457,000. Against this background, the Group's shares in OM have been fully impaired at 31 December 2020.

All other ZSE listed shares were sold during the year ended 31 December 2020.

Fair value reconciliation

Financial assets and liabilities – at fair value through profit or loss:	Instruments held for trading			
	Financial assets		Financial Liabilities	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
At 1 January	**754**	7,881	**–**	–
Additions	**2,536**	1,502	**–**	–
Disposals	**(1,088)**	(1,040)	**–**	–
Recognised in the income statement:				
(Loss)/profit on disposal of assets	**(343)**	116	**–**	–
Fair value loss	**(1,859)**	(7,705)	**(39)**	–
At 31 December	**–**	754	**(39)**	–

There were financial liabilities at fair value through profit or loss at the year end of $39,000 (2019: $nil).

Current asset investments
The Group has designated current asset investments as financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term and are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

27. Related party transactions

In addition to the pension contributions paid to the PGI Group Pension Plan, the Company also made net payments of $60,000 (2019: $56,000) in respect of administration and other expenses which have been charged to the plan. No amount was outstanding for payment at 31 December 2020 (2019: $nil).

The Company did not make any management charges to group subsidiaries in the year (2019: $nil).

28. Contingent liabilities

In September 2005, under the terms of the Constitution of Zimbabwe Amendment (Number 17) Act 2005 promulgated at the time, freehold title to rural land was abolished, with no right of appeal. No replacement land title has been created by the Government of Zimbabwe. The Act only affects the land titles of the Zimbabwean tea business, Eastern Highlands Plantations Ltd.

The Company, together with one of its African subsidiary companies have been served with claims in the English courts relating to allegations made by individuals concerning the African operation (though as at the date of these accounts the Claimants have indicated they intend to withdraw the claims against the African subsidiary company). A legal team is engaged to respond to these claims and a provision for legal fees has been made in the accounts. However, at this stage it is not possible to estimate either the outcome of, or the total potential exposure to the legal and other costs relating to, these claims.

29. Ultimate controlling party of the Group

Mr SN Roditi is the ultimate controlling party of the Group.

Investments in subsidiaries

The Group had the following subsidiaries at 31 December 2020. The individually significant subsidiary undertakings are all audited with the exception of Perishables Direct Ltd, which is exempt from statutory audit.

Individually significant subsidiaries	Country of Incorporation	Percentage held by Group	Principal activities
Agribusinesses			
Lujeri Tea Estates Ltd	Malawi	100	Tea and macadamia estates
Thyolo Nut Company Ltd	Malawi	100	Macadamia processing
Khal Amazi Ltd	Zambia	75	Rose producer
Khal Amazi Game Farm Ltd	Zambia	75	Game farm
Eastern Highlands Plantations Ltd	Zimbabwe	100	Tea estates
Renewable energy businesses			
Mulanje Hydro Ltd	Malawi	100	Hydroelectric power generation
Pungwe A Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Pungwe B Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Pungwe C Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Duru Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Hauna Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Nyamingura Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Tsanga Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power plant under construction
Riverside Power Station (Pvt) Ltd	Zimbabwe	100	Solar power generation
Hydro Power Contractors (Pvt) Ltd	Zimbabwe	100	Renewable energy project construction
Honde Hydro Power Consolidated (Pvt) Ltd	Zimbabwe	100	Holding company
Nyangani Renewable Energy (Pvt) Ltd	Zimbabwe	60	Renewable energy management
Trading, logistics and marketing			
PGI Holdings Ltd	England & Wales	100	Holding company and trading
Tree Nuts Direct Ltd	England & Wales	100	Logistics and marketing
Perishables Direct Ltd	Isle of Man	75	Logistics and marketing
Investment property management			
Jensen Management 1 Ltd	Cayman Islands	71	Property investment management - Russia

Other subsidiaries and holding companies			
Clover Investments Ltd	Malawi	100	Provision of warehousing
Michuru Ltd	Malawi	100	Holding company
Sunrose Ltd	Zambia	75	Dormant
Alberts (Pvt) Ltd	Zimbabwe	100	Land holding company
Aberfoyle Industries (Pvt) Ltd	Zimbabwe	100	Dormant
Aberfoyle Lodge (Pvt) Ltd	Zimbabwe	100	Provision of hotel accommodation
Hippocrene Farming (Pvt) Ltd	Zimbabwe	100	Dormant
Sayama Tea Estates Ltd	England & Wales	100	Holding company
Thyolo Nut Ltd	England & Wales	100	Holding company
Nchima Tea and Tung Estates Ltd	England & Wales	100	Holding company
Bandanga Ltd	England & Wales	100	Holding company
Cessnock Holdings Ltd	Scotland	100	Holding company
Heathleigh Investments Ltd	England & Wales	100	Holding company
Renewable Energy Africa Ltd	England & Wales	100	Holding company
Renewable Energy Malawi Ltd	England & Wales	100	Holding company
Khal Amazi Holdings Ltd	Isle of Man	75	Holding company
Jensen Ltd	Cayman Islands	80	Property investment management - Russia
JPI Ltd	Cayman Islands	71	Property investment management - Russia
Jensen Partners 1 Ltd	Cayman Islands	73	Property investment management - Russia

All subsidiary undertakings are included in the consolidation. The subsidiaries have share capital consisting solely of ordinary shares and the proportion of the voting rights held directly or indirectly by the Company in the subsidiary undertakings, do not differ from the proportion of ordinary shares held.

By virtue of Section 479A of the Companies Act 2006, the subsidiary companies Renewable Energy Africa Ltd, Renewable Energy Malawi Ltd, Sayama Tea Estates Ltd and Thyolo Nut Ltd are exempt from the Companies Act requirements relating to the audit of their individual accounts.

Investments in subsidiaries (continued)

The registered addresses of the subsidiaries are as follows:

United Kingdom companies are registered at 45 Ludgate Hill, London, EC4M 7JU, except Cessnock Holdings Ltd at 127 Eldon Street, Greenock, Scotland PA16 7 RR

Malawi companies are registered at PO Box 133, Mulanje, Malawi

Isle of Man companies are registered at 12-14 Finch Road, Douglas, Isle of Man, IM1 2PT

Zambia companies are registered at Counting House Square, Thabo Mbeki Road, Lusaka, Zambia

Zimbabwe companies are registered at 21 Mold Crescent, Avondale, Harare.

Jensen Ltd and subsidiaries are registered at Suite 6201, 62 Forum Lane, Camana Bay, Grand Cayman KY1-1201, Cayman Islands.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI GROUP LIMITED

Opinion

We have audited the financial statements of PGI Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise consolidated income statement, consolidated statement of other comprehensive income, statement of financial position, statement of cash flows, consolidated statement of changes in equity, statement of changes in equity – company and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page ..., the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 and the parent company'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 the parent company or to cease operations, or have no realistic alternative but to do so.

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 (UK) 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sectors, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are international accounting standards and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice management's application of tax regulations.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to employees. We performed audit procedures to inquire of management as to whether the group is in compliance with these laws and regulations and inspected correspondence with solicitors.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions or transactions entered into outside the normal course of business.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Geoff Wightwick (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG
United Kingdom
10 May 2021