PGI Group Limited

Report & Accounts

Year ended 31 December 2019

Contents

Strategic report

Presentation of Audited Financial Statements
The audited financial statements are presented in US dollars. Comparative financial information including the notes to the accounts for the year ended 31 December 2018 has been restated from pounds sterling into US dollars.

We have re-introduced a middle column into the consolidated income statement to show separately the adjustments required from the translation of our Zimbabwean subsidiaries' accounts. These have come about from the chaotic monetary reforms in Zimbabwe during the year which have resulted in the newly created Zimbabwe currency (ZWL) losing 94% of its value against the US dollar and the resultant impairment of certain assets. More detail is provided in the Financial Review section of this report and in Notes 1 and 26 to the accounts.

Group Performance
Profits before tax and before Zimbabwe currency adjustments decreased to $5.58 million (2018: $14.02 million), delivering an earnings per share of $281.53 (2018: $655.04 per share).

The loss before tax after accounting for the Zimbabwe currency adjustments was $0.72 million (2018: profit $14.02 million). Earnings per share, declined from last year to $365.19 per share (2018: $655.04 per share). We are recommending the payment of a dividend of £36.00 per share (2018: £36.00). Payment will be made on 23 September 2020 to shareholders on the register on 26 August 2020.

The Group had net debt of $13.37 million at 31 December 2019 (2018: $17.1 million) and gearing was 17% (2018: 23%).

Covid-19 and Operations Update
Our agribusinesses have continued to operate with appropriate social distancing and other safety measures in place. Our customers have honoured their purchase contracts, and in the case of tea, have requested faster shipment. We encountered some logistics bottlenecks in early April, particularly in airfreighting roses to Europe. By late April these had largely been resolved.

The renewable energy companies in Malawi and Zimbabwe are generating electricity and selling to the national grids, as normal.

The impact of Covid-19 on the Group during the remainder of the year is difficult to predict with any certainty. The principal risk will come from the temporary closure of the agribusinesses should an outbreak require it. Electricity generation is unlikely to be impacted.

During this period of uncertainty, we have taken actions to conserve our cash by reducing our operating and capital expenditure across the Group. Further details are set out in the going concern section of the Strategic Report and in Note 31, Post Balance sheet events.

Group Strategy and Objectives
Subject to the unknown impact of the coronavirus pandemic, our strategy remains unchanged, which is to create long term value for our shareholders by investing across the Southern African region in both large scale export agriculture and renewable energy power schemes.

Operational Review

Agribusiness division
Operating profit decreased to $4.6 million (2018: $6.8 million).

Tea
Tea revenue declined to $30.4 million (2018: $31.5 million). A drop in black tea production in Zimbabwe reduced group output to 16,542 tonnes (2018: 17,315 tonnes). Of this 13,361 tonnes came from our own fields and 3,181 tonnes from smallholder farmers around our estates. Our estate yield per hectare (a KPI measurement) decreased to 2,951 kgs /ha from 3,025 kgs/ha.

International tea prices, as measured at the weekly Mombasa tea auction, continued their decline. The average price for the year was $2.05/kg (2018: $ 2.43/kg) This was a direct consequence of record East African tea crops. We continue to sell most of our teas on forward contracts to our European tea blending customers, who use our teas as a consistent part of their mass market black tea blends.

We work closely with our surrounding smallholder farmers to increase their yields and income. We undertake to purchase all their output, which we process through our tea factories. Over the year we purchased 13,577 tonnes of greenleaf from over 10,000 farmers.

Cut flowers
Rose stem revenue declined to $12.3 million (2018: $ 14.5 million). Export stem production at 133 million stems (2018: 138 million stems) was below our production capacity due to shortfalls in market demand at certain times of the year. We continue to replant with larger headed rose varieties, as requested by our European supermarket customers. Greenhouse output (a KPI measurement) was unchanged at 237 export stems/sq metre (2018: 237 stems/sq metre).

Macadamia nuts
Output reduced slightly to 418 tonnes of kernel (2018: 431 tonnes). The output from our orchards (a KPI measurement) reduced to 565 kgs kernel/ha (2018: 581 kgs kernel/ha.).

Renewable energy division
Operating profit declined to $7.2 million (2018: $11.8 million). Zimbabwe experienced a drought, which directly impacted on the river flows from which we generate our hydro electricity. Electricity output for the year decreased to 73,976 MWh (2018: 111,958 MWh), a KPI measurement.

We commissioned the 8.2MW Ruo-Ndiza hydro electric power station during the year. This scheme, on the slopes of Mt Mulanje in Southern Malawi is despatching all its output into the Malawi national grid.

In Zimbabwe, a new currency, the Zimbabwe ZWL was introduced in February 2019. It became mandatory for businesses to transact in this new currency. The ZWL's rapid devaluation against the US$, together with the Government of Zimbabwe's repeated inaction to timely adjust the consumer tariff has meant that our revenues have fallen sharply in US$ terms. Inevitably it has impaired the credit standing of the offtaker. The damage done to the development of the independent power producer sector during the year will not be quickly reversed. . Since the year end the Government of Zimbabwe have permitted the use of US$ as a local payment currency in certain circumstances. We are demanding the offtaker now use this consent to settle our generation invoices in US$.

Strategic report (continued)

Russian property management division

The manager belatedly cut its asking prices for the Fund 1 assets, and as a result sold two of the remaining three assets for US$8.5m. There now remains one asset to sell before the Fund can be wound up.

Financial Review

Change to functional and presentation 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 now better represents the underlying transactions, events and conditions that are relevant to the Company. The audited financial statements are presented in US dollars, following the change in the presentation currency of the Group with effect from 1 January 2019. Comparative figures have been restated from pound sterling to US dollar.

Profits

We have re-introduced a middle column to the Income Statement to separately disclose exchange differences, impairments and fair value adjustments recognised in the Zimbabwean subsidiaries' accounts arising from the translation of ZWL denominated transactions into US dollars. The functional currency of the Zimbabwe subsidiaries is US dollar.

The operating profit before interest and tax amounted to $3.54 million (2018: $16.54 million). The loss before tax was $0.72 million (2018: profit $14.02 million).

Earnings per share

Earnings per share (a KPI measurement) amounted to $365.19 (2018: $655.04).

Dividend

The Board is recommending the payment of a dividend of £36.00 per share for the year ended 31 December 2019 (2018: £36.00 per share). The cost to the Company of the dividend amounts to £562,000.

Post balance sheet events

Details of the disruption to our businesses caused by the Covid-19 pandemic since the year end are set out in Note 31. Details of currency changes to the ZWL implemented by the Reserve Bank of Zimbabwe subsequent to the year end are also detailed in Note 31 on page 36.

The effect of Zimbabwe currency changes on monetary assets and liabilities and non-monetary assets

In October 2018 and February 2019, the Reserve Bank of Zimbabwe introduced reforms to their surrogate domestic currency, the RTGS dollar that was first introduced in 2016 as the bond note dollar. The Reserve Bank of Zimbabwe retained the 1:1 peg for RTGS and bond notes to the US dollar. On 22 February 2019, the Government formally created the ZWL as a new domestic currency, by breaking the 1:1 peg and substituting it with a market rate to be set by the interbank market on a willing buyer/willing seller basis. At the start of trading the ZWL devalued to ZWL2.5: US$1 and by 31 December 2019 had devalued to ZWL16.8: US$1. 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. One such parallel rate is the Old Mutual Implied Rate (OMIR). At the 31 December 2019, we have used the OMIR of ZWL25.6: US$1 to translate the Zimbabwe denominated monetary assets to US$ and we have used the official interbank rate of ZWL16.8: US$1 to translate the Zimbabwe denominated monetary liabilities. Exchange differences arising on these translations and impairments of our ZWL monetary assets have been recognised in the middle column of our income statement.

Post year end, on 26 March 2020, the Reserve Bank of Zimbabwe, pegged the ZWL to the US dollar at a rate of ZWL25: US$1.00. The OMIR rate has continued to devalue, reflecting the hyperinflation conditions in Zimbabwe. At 29 May 2020, the OMIR rate was ZWL 122: US$1. Further detail is disclosed in Notes 1, 26 and 31.

In the middle column of our income statement we have recognised an impairment provision on our renewable energy non-monetary assets of $7.04 million. Our electricity cashflows are generated based on a US dollar denominated tariff, but we are paid by the offtaker in ZWL at the prevailing interbank rate at the date of settlement. With the chronic foreign exchange shortage, parallel market and hyperinflation, the Zimbabwe economy remains a very challenging environment in which to operate. It is for this reason that an impairment provision has been made. Further details on the impairment provision are in Note 12 on page 21.

Cash and net borrowings

At 31 December 2019, the Group had net borrowings of $13.37 million (2018: $17.14 million). During the year under review we used available cash balances to invest in our renewable energy projects in Zimbabwe and Malawi. Offsetting this was a significant devaluation of the ZWL denominated debentures to $0.9 million at 31 December 2019 (2018: $14.9 million) due to the exchange rate movement from ZWL1: US$1 at the end of 2018 to ZWL16.77: US$1 at the end of 2019. The gearing ratio has reduced to 17% (2018:23%).

The cash balances in the Company at the year end amounted to $8.57 million (2018: $12.77 million). Of this, $0.7million was denominated in pound sterling at the end of 2019.

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 31 to 34.

Pensions

The Group's defined benefit pension plan, valued in accordance with IAS19, recorded a reduction in its deficit from US$7.74 million at the end of 2018 to US$7.02 million at the end of 2019. The improvement was due to a positive return on the Plan's assets in the year of $2.87 million (excluding notional interest income), which has been partially offset by 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 2.7% to 2.0%.

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. A strengthening of pound sterling against the US dollar will serve to increase the US dollar reported value of the pension plan deficit. This was the case in the year under review when the exchange loss amounted to US$0.3 million.

Strategic report (continued)

Full details of the pension plan are contained in Note 23 to the accounts on pages 28 to 30. Details of the impact Covid-19 may have on the UK defined benefit pension plan, are detailed in Note 31 on page 36.

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.

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 set out on page 1, our operations are currently operating as normal. The directors, after assessing the principal risks, have considered the impact Covid-19 could have on our businesses. We have assumed our operations to be essential businesses, which will continue to operate whenever possible. Action has been taken to conserve cash during this period of uncertainty by reducing our operating and capital expenditure across the Group. Disruption to the production and distribution of our agricultural produce would affect our cashflows and we have modelled various scenarios on this basis. At the date of this report the operations are currently continuing as normal. Should the pandemic become more widespread, it is difficult to predict with any certainty the impact on the Group's agribusinesses. This indicates that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these accounts. The Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2019.

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. Acting in good faith and fairly between members, the directors do consider what is most likely to promote the success of the Company for its members in the long term. The directors continue to have regard to the interests of the Company's employees and other stakeholders when making decisions, including the impact on the Company's reputation.

Principal risks and uncertainties
The Group's operations 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 in 2020 is a new risk to the Group and this has been covered in Note 31.

The principal risks of the Group are:

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

Our 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 the profitability of the enterprises.

Our 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. Our electricity supply contracts are denominated in US dollars. 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. We have 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 impairment of the assets in the balance sheet and an inability by the Group to settle its project finance loan obligations when they fall due.

In Zimbabwe, there is a chronic shortage of US dollars in the banking system which has been made worse by the imposition of an overvalued fixed exchange rate during a period of local price hyperinflation. Our energy businesses require US$ to service their offshore debts and buy equipment. We expect this risk to remain material to the Group for the foreseeable future. Details of currency changes to the ZWL implemented by the Reserve Bank of Zimbabwe subsequent to the year end are detailed in Note 31 on page 36.

The Group operates a pound sterling defined benefit pension plan, which has been closed to future accrual for active members since 2011. It has been closed to new members since 2000. A material proportion of the assets of this scheme are 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

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

26 June 2020

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2019.

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 Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The financial statements are required by law and IFRS adopted by the EU 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 IFRS as adopted by the EU; 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 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 2019 of £36.00 per ordinary share is recommended by the directors for payment on 23 September 2020 to shareholders on the register on 26 August 2020 (2018: £36.00 paid on 14 August 2019). 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.

Post balance sheet events
An overview of the post balance sheet event affecting the Group, caused by the Covid-19 virus is included in the Strategic Report on page 2 under the heading "Post balance sheet events". Further details are disclosed in Note 31 to the Report & Accounts on page 36.

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

Authority to allot shares and disapplication of 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; such authority is subject to renewal by shareholders. The directors were authorised to allot shares for cash only up to a nominal value of £3,902,750 or in connection with a Rights Issue (as defined in article 5.1 of the Company's articles of association). This authority lapses on 30 June 2020. The directors have chosen not to seek shareholder approval to renew their authority to allot shares on a non-pre-emptive basis at the forthcoming Annual General Meeting.

Employees
As at 31 December 2019, the Group employed 14,094 people, all located in Southern Africa except for 4 in the UK head office. The Group places considerable value on the involvement of its employees, recognising that in order to achieve its objectives, the Group depends on the skills and commitment of its employees. It is the policy of the Group to encourage and develop all members of staff to realise their potential and wherever possible, vacancies are filled from within the Group. The Group recognises the importance of effective communication and employees are kept informed on matters affecting them as employees.

Directors' report (continued)

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

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 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 our 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 Asset Services, the address is:
Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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	60
S.S. Hobhouse	468
M.A. Gage	46
L. Hene	41
J.C Mackintosh	17
S.N. Roditi	12,123
C.E. Ryan	185
D.M. Ryan	57
M.W. Wright	10

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

Margaret Gage
Secretary
3rd Floor
45 Ludgate Hill
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26 June 2020

Consolidated income statement
for the year ended 31 December 2019

	Notes	Result before Zimbabwe adjustments $000	ZWL exchange differences, impairment & fair value adjustments $000	2019 Total $000	Restated 2018 Total $000
Continuing operations					
Revenue	4	62,231	(281)	61,950	70,458
Cost of sales		(35,845)	(980)	(36,825)	(36,040)
Gross profit		26,386	(1,261)	25,125	34,418
Distribution costs		(6,003)	–	(6,003)	(6,037)
Administrative expenses		(14,683)	(1,616)	(16,299)	(13,358)
Other operating income		1,771	–	1,771	1,094
Impairment provision		–	(7,040)	(7,040)	(306)
Fair value adjustments on financial assets		–	(7,705)	(7,705)	–
Exchange gain on financial liabilities		–	13,530	13,530	–
Share of associate's results	2	156	–	156	724
Profit/(loss) from operations		7,627	(4,092)	3,535	16,535
Finance costs (net)	3	(2,049)	(2,208)	(4,257)	(2,514)
Profit/(loss) before taxation	4	5,578	(6,300)	(722)	14,021
Taxation	7	(1,064)	7,234	6,170	(3,910)
Profit for the year		4,514	934	5,448	10,111
Profit attributable to:					
Owners of the parent		4,395	1,306	5,701	9,407
Non-controlling interests		119	(372)	(253)	704
		4,514	934	5,448	10,111
				$	$
Earnings per ordinary share					
- basic and diluted	8	281.53	83.66	365.19	655.04
Dividend per ordinary share	9			43.94	47.58

The notes on pages 12 to 36 form part of these accounts

Consolidated statement of other comprehensive income

for the year ended 31 December 2019

	Notes	Result before Zimbabwe adjustments $000	ZWL exchange differences, impairments & fair value adjustments $000	2019 Total $000	Restated 2018 Total $000
Profit for the year		**4,514**	**934**	**5,448**	10,111
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Net actuarial gain on defined benefits pension plan	23	**731**	–	**731**	89
Deferred tax on property revaluations		–	–	–	38
		731	–	**731**	127
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating to presentation currency		–	–	–	2,375
Other comprehensive income for the year (net of tax)		**731**	–	**731**	2,502
Total comprehensive income for the year		**5,245**	**934**	**6,179**	12,613
Attributable to:					
Owners of the parent		**5,126**	**1,306**	**6,432**	11,906
Non-controlling interests		**119**	**(372)**	**(253)**	707
		5,245	**934**	**6,179**	12,613

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 36 form part of these accounts

Statement of financial position

at 31 December 2019

	Notes	Group 2019 $000	Group Restated 2018 $000	Group Restated 2017 $000	Company 2019 $000	Company Restated 2018 $000	Company Restated 2017 $000
ASSETS							
Non-current assets							
Goodwill	10	**464**	464	464	–	–	–
Biological assets	11	**259**	296	367	–	–	–
Property, plant and equipment	12 (a)	**104,324**	101,681	88,169	–	–	–
Right-of-use asset	12 (b)	**242**	–	–	**242**	–	–
Investments	14	**167**	167	167	**67,914**	61,782	59,855
		105,456	102,608	89,167	**68,156**	61,782	59,855
Current assets							
Biological assets	11	**2,343**	2,328	1,880	–	–	–
Inventories	15	**8,224**	8,534	7,429	–	–	–
Trade and other receivables	16	**6,226**	8,041	7,547	**37**	15	34
Current tax assets		**225**	260	202	–	–	–
Other financial assets	26	**754**	7,881	1,694	–	–	–
Cash and cash equivalents		**12,277**	21,377	14,572	**8,572**	12,765	6,838
		30,049	48,421	33,324	**8,609**	12,780	6,872
TOTAL ASSETS		**135,505**	151,029	122,491	**76,765**	74,562	66,727
LIABILITIES							
Current liabilities							
Interest bearing loans and borrowings	19	**6,340**	8,393	13,173	–	–	–
Trade and other payables	20	**11,725**	12,533	11,431	**1,649**	1,144	768
Lease liabilities	12 (b)	**93**	–	–	**93**	–	–
Current tax liabilities		**350**	31	24	–	–	–
Provisions	22	**1,343**	–	–	–	–	–
		19,851	20,957	24,628	**1,742**	1,144	768
Non-current liabilities							
Interest bearing loans and borrowings	19	**19,303**	30,128	19,983	–	–	–
Trade and other payables	20	**347**	1,833	2,079	–	–	–
Lease liabilities	12 (b)	**151**	–	–	**151**	–	–
Deferred tax liabilities	21	**4,298**	11,422	8,065	–	–	–
Provisions	22	**523**	–	–	–	–	–
Defined pension plan deficit	23	**7,018**	7,739	7,478	**7,018**	7,739	**7,478**
		31,640	51,122	37,605	**7,169**	7,739	7,478
TOTAL LIABILITIES		**51,491**	72,079	62,233	**8,911**	8,883	8,246
NET ASSETS		**84,014**	78,950	60,258	**67,854**	65,679	58,481
EQUITY							
Share capital	17	**49,705**	49,705	42,374	**49,705**	49,705	42,374
Share premium account		**541**	541	575	**541**	541	575
Capital redemption reserve		**1,303**	1,303	1,384	**1,303**	1,303	1,384
Retained earnings		**29,257**	23,511	12,201	**16,305**	14,130	14,148
Equity attributable to owners of the parent		**80,806**	75,060	56,534	**67,854**	65,679	58,481
Non-controlling interests		**3,208**	3,890	3,724	–	–	–
TOTAL EQUITY		**84,014**	78,950	60,258	**67,854**	65,679	58,481

The Company's registered number is 01338135.

The Company's profit for the year was $2,130,000 (2018: $1,830,000) and its total comprehensive income for the year was $2,861,000 (2018: $578,000)

The notes on pages 12 to 36 form part of these accounts. The accounts were approved and authorised for issue by the Board on 26 June 2020 and were signed on its behalf by:

Rupert Pennant-Rea   Margaret Gage

Directors
R.L. Pennant-Rea   Margaret Gage

Statement of cash flows

for the year ended 31 December 2019

		Group		Company	
			Restated		Restated
	Notes	**2019 $000**	2018 $000	**2019 $000**	2018 $000
Operating activities					
(Loss)/profit before tax		**(722)**	14,021	**2,130**	1,830
Adjustments:					
Depreciation and impairment of property, plant and equipment	12 a)	**11,809**	4,693	**–**	–
Depreciation of right-of-use asset	12 b)	**93**	–	**93**	–
Profit on disposal of property, plant and equipment		**(33)**	(14)	**–**	–
Profit on disposal of financial assets		**(116)**	–	**–**	–
Additional retirement benefit costs		**(205)**	184	**(205)**	184
Net finance costs		**4,257**	2,514	**83**	(81)
Fair value movements – other assets	26	**7,705**	–	**–**	–
Fair value movements – biological assets	11	**(41)**	(161)	**–**	–
Share of net profit of associate	2	**(156)**	(724)	**–**	–
Exchange gain on financial liabilities		**(13,530)**	–	**–**	–
Working capital adjustments:					
Decrease/(increase) in biological assets		**63**	(216)	**–**	–
Decrease/(increase) in inventories		**310**	(1,105)	**–**	–
Decrease/(increase) in trade and other receivables		**1,815**	(494)	**(22)**	19
Net increase in financial assets at fair value through profit or loss		**(462)**	(6,187)	**–**	–
(Decrease)/increase in trade and other payables		**(2,293)**	856	**506**	376
Increase in provisions		**1,866**	–	**–**	–
Net exchange differences		**1,536**	(67)	**8**	(3,938)
Overseas tax paid		**(594)**	(492)	**–**	–
Net cash from operating activities		**11,302**	12,808	**2,593**	(1,610)
Cash flows from investing activities					
Purchase of property, plant and equipment	12 a)	**(14,492)**	(18,220)	**–**	–
Acquisition of subsidiary, net of cash acquired		**–**	(232)	**–**	–
Proceeds from disposal of property, plant and equipment		**73**	168	**–**	–
Interest and finance income received		**542**	693	**138**	248
Distributions from associate		**156**	724	**–**	–
Additions to investments		**–**	–	**(6,132)**	(1,927)
Net cash from investing activities		**(13,721)**	(16,867)	**(5,994)**	(1,679)
Cash flows from financing activities					
Proceeds from issue of shares		**–**	9,812	**–**	9,812
Proceeds from loans and borrowings		**3,900**	16,562	**–**	–
Repayment of loans		**(3,943)**	(8,531)	**–**	–
Lease liability payments		**(92)**	–	**(92)**	–
Interest and finance costs paid		**(4,584)**	(2,876)	**(6)**	–
Dividends paid to equity holders of the parent		**(686)**	(596)	**(686)**	(596)
Dividends and other payments to non-controlling interests		**(429)**	(541)	**–**	–
Net cash from financing activities		**(5,834)**	13,830	**(784)**	9,216
Net (decrease)/increase in cash and cash equivalents		**(8,253)**	9,771	**(4,185)**	5,927
Cash and cash equivalents at beginning of period		**19,400**	9,929	**12,765**	6,838
Effects of exchange rate changes on cash and cash equivalents		**(1,542)**	(300)	**(8)**	–
Cash and cash equivalents at end of period		**9,605**	19,400	**8,572**	12,765

Cash and cash equivalents comprise:					
Cash	24	**12,277**	21,377	**8,572**	12,765
Overdrafts	24	**(2,672)**	(1,977)	**–**	–
Cash and cash equivalents	24	**9,605**	19,400	**8,572**	12,765
Interest bearing loans and borrowings due within one year		**(6,340)**	(8,393)	**–**	–
Less: short term debt (other than overdrafts)		**3,668**	6,416	**–**	–
Overdrafts	24	**(2,672)**	(1,977)	**–**	–

The notes on pages 12 to 36 form part of these accounts

Consolidated statement of changes in equity

	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 2018 – Restated		42,374	1,959	12,201	56,534	3,724	60,258
Profit for the year		–	–	9,407	9,407	704	10,111
Other comprehensive income:							
Exchange differences on translation to presentation currency				2,372	2,372	3	2,375
Net actuarial gain on defined benefits pension plan	23	–	–	89	89	–	89
Deferred tax on property revaluations		–	–	38	38	–	38
Total comprehensive income for the year		–	–	11,906	11,906	707	12,613
Issue of shares		9,812	–	–	9,812	–	9,812
Dividend paid	9	–	–	(596)	(596)	–	(596)
Transactions with owners		9,812	–	(596)	9,216	–	9,216
Dividend paid to non-controlling interests		–	–	–	–	(541)	(541)
Translation effect on presentation currency [1]		(2,481)	(115)	–	(2,596)	–	(2,596)
Balance at 31 December 2018 - Restated		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**

[1] The presentational currency of the Group has changed to US dollars with effect from 1 January 2019 with retrospective effect on comparative figures. Items included in equity as at 31 December 2018 have been translated to US dollars using the closing rate applicable at that date. As a result, a translation effect has occurred for each component in equity. The translation effect relating to share capital, share premium and capital redemption reserve has been shown as a separate item in the statement of changes in equity for the year ended 31 December 2018.

The notes on pages 12 to 36 form part of these accounts

Statement of changes in equity – Company

	Notes	Share capital $000	Share premium account $000	Capital redemption reserve $000	Retained earnings $000	Total equity $000
		Attributable to owners				
Balance at 1 January 2018 - Restated		42,374	575	1,384	14,148	58,481
Profit for the year		–	–	–	1,830	1,830
Exchange differences on translation to presentation currency		–	–	–	(1,341)	(1,341)
Net actuarial gain on defined benefits pension plan	23	–	–	–	89	89
Total comprehensive income for the year		–	–	–	578	578
Issue of shares		9,812	–	–	–	9,812
Dividend paid	9	–	–	–	(596)	(596)
Transactions with owners		9,812	–	–	(596)	9,216
Translation effect on presentation currency [1]		(2,481)	(34)	(81)	–	(2,596)
Balance at 31 December 2018 - Restated		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**

[1] The presentational currency of the Group has changed to US dollars with effect from 1 January 2019 with retrospective effect on comparative figures. Items included in equity as at 31 December 2018 have been translated to US dollars using the closing rate applicable at that date. As a result, a translation effect has occurred for each component in equity. The translation effect relating to share capital, share premium and capital redemption reserve has been shown as a separate item in the statement of changes in equity for the year ended 31 December 2018.

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 36 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 2019 were authorised for issue in accordance with a resolution of the directors on 26 June 2020. 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 Financial Reporting Standards ('IFRS') adopted by the European Union. They have been prepared on the historical cost basis, except for certain biological assets, which have been measured at fair value less costs to sell, freehold land and buildings which have been measured at their depreciated replacement cost and certain financial assets and liabilities, which have been measured at fair value. 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
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 constantly kept under review 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.

In assessing the continued applicability of the going concern basis, the group has given careful consideration to the impact of Covid 19 on the group's operations and have modelled the impact of various possible scenarios that could arise should the pandemic become more widespread in Zimbabwe, Malawi and Zambia.

Whilst operations are continuing to operate as normal, the impact of Covid-19 on the Group during the remainder of the year is difficult to predict with any certainty. The principal risk will come should temporary closure of the agribusinesses be required, impacting our ability to produce and distribute agricultural produce. Electricity generation is unlikely to be impacted.

We have taken actions to conserve our cash during this period of uncertainty by reducing our operating expenditure across the group until there is more clarity as to the likely impact of the pandemic on our agricultural operations.

At the date of this report the operations are currently continuing as normal. Should the pandemic become more widespread, it is difficult to predict with any certainty the impact on the Group's agribusinesses. This indicates that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. The Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2019.

Changes in accounting policy and new and amended standards

Change in accounting policy adopted by the Group and the Company
The Group and the Company changed its presentational currency from pound sterling to the US dollar with effect from 1 January 2019. The change was made to reflect that the US dollar is the predominant currency of the Group. The directors consider that the presentation of financial results in US dollars, which is the functional currency of the Group, will provide a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and as a result, the comparative financial information for the year ended 31 December 2018 has been presented in US dollars. Further, in accordance with IAS 1, "Presentation of Financial Statements", a balance sheet as at 31 December 2017 has been presented in these consolidated financial statements. The pound sterling to US dollar exchange rates as at 31 December 2017, 2018 and 2019 were 1.3528, 1.2736 and 1.3247 respectively.

New and amended standards adopted by the Group
The Group adopted IFRS 16 – 'Leases' which was mandatory for financial years commencing on or after 1 January 2019. The Group took the modified retrospective approach to transition and consequently did not have to restate comparative information.

The group adopted IFRIC 23 - Uncertainty over Income Tax Treatments which was mandatory for the financial years commencing on or after 1 January 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. Adoption of the standard did not have a material impact on the financial statements.

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 IFRS. 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 now better represents the underlying transactions, events and conditions that are relevant to the Company. Comparative figures have been restated from pound sterling to US dollar.

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.

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

Basis of consolidation (continued)
Subsidiaries are all entities over which the Group has control. The Group controls an entity 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.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, 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.

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 presentation 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. However the introduction of the Zimbabwe dollar (ZWL) in 2019 has seen a significant devaluation of the ZWL against the US dollar and the return of hyperinflation. Due to the chronic foreign exchange shortage in the country, there is evidence of a parallel market operating in Zimbabwe. As at 31 December 2019 all monetary and financial assets denominated in ZWL have been impaired using one of the unofficial market rates, the Old Mutual Implied Rate (OMIR) of 25.6. The official market rate was 16.8 as at the year end. The OMIR rate is one of the gauges of the Zimbabwe exchange rate, which is based on a comparison of the price of shares of the insurer, Old Mutual, on the London and Zimbabwe stock exchanges due to the fungibility of the shares.

Group companies
With effect from 1 January 2019 all the group entities have a functional currency of US dollars, which is the same as the presentation currency. Prior to this date, the results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting exchange differences are recognised in other comprehensive income.

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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.

Notes to the accounts (continued)

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

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

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.

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.

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.

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
Up until 31 December 2018, leases of property, plant and equipment were classified as either finance leases or operating leases, From 1 January 2019 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 less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

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.

Notes to the accounts (continued)

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

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.

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.

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 when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. 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.

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 2019 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. Share of associate's results

	2019	2018
	$000	$000
The Group's share of the results of its associated company comprises:		
Profit from operations	**353**	367
Impairment (provision)/write back against investment in associate	**(197)**	357
Profit after taxation	**156**	724

The share of associate's results relates to a 20% interest in K2 Management Ltd (2018: 20%), which is part of the Jensen Group. K2 has invested in the Russian property fund, which it manages. An impairment provision of $197,000 has been made in the year (2018: impairment release of $357,000).

3. Finance income and costs

	2019	2018
	$000	$000
Finance income comprises:		
Bank and other interest receivable	**164**	151
Foreign exchange gains on financing activities	**378**	542
	542	693
Finance costs comprise:		
On amounts wholly repayable within 5 years:		
Bank	**(2,376)**	(2,876)
Foreign exchange loss on financing activities	**(2,208)**	(165)
	(4,584)	(3,041)
Imputed interest on pension plan liabilities (net)	**(215)**	(166)
	(4,799)	(3,207)
Finance costs (net)	**(4,257)**	(2,514)

4. Revenue and profit for the year

	Result before Zimbabwe adjustments	ZWL exchange differences, impairment & fair value adjustments	2019 Total	2018 Total
	$000	**$000**	**$000**	$000
Analysis of the Group's revenue:				
Sale of agribusiness produce	**51,159**	**35**	**51,194**	53,454
Renewable energy power generation	**9,974**	**246**	**10,220**	16,326
Property management income	**536**	**–**	**536**	678
	61,669	**281**	**61,950**	70,458
Profit for the year is stated after charging/(crediting):				
Cost of inventories recognised as expense	**35,845**	**980**	**36,825**	36,040
Depreciation of property, plant and equipment	**4,769**	**–**	**4,769**	4,387
Impairment of property, plant and equipment	**–**	**7,040**	**7,040**	306
Profit on disposal of property, plant and equipment	**(33)**	**–**	**(33)**	(14)
Profit on disposal of other financial assets	**(116)**	**–**	**(116)**	–
Operating lease payments	**–**	**–**	**–**	94
Rents received	**(11)**	**–**	**(11)**	(11)
Foreign exchange gain on ZWL debentures	**–**	**(13,530)**	**(13,530)**	–
Other net foreign exchange (gains)/losses	**(400)**	**5,085**	**4,685**	(422)
Fair value movements:				
Biological assets	**(41)**	**–**	**(41)**	(161)
Other financial assets	**–**	**7,705**	**7,705**	–

The functional currency of our Zimbabwe subsidiaries is US dollars. In February 2019 a new domestic currency was formally created in Zimbabwe. The new currency lost 94% of its value against the US dollar in the period to 31 December 2019. The resultant foreign exchange differences, fair value movements and impairment of certain assets have been recognised in the middle column of the income statement. Further detail is provided in Notes 1, 12, 26 and 31.

Notes to the accounts (continued)

5. Auditor's remuneration

	2019	2018
	$000	$000
The analysis of the auditor's remuneration is:		
Audit services		
Statutory audit of the Company and the group accounts	**114**	101
Other services		
Tax compliance	–	29
	114	130

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 $128,000 (2018: $126,000).

6. Employees

	2019	2018
Average numbers employed in:		
Agribusinesses including seasonal workers	**12,071**	14,055
Renewable energy power generation	**287**	321
Head office	**4**	3
	12,362	14,379

	2019	2018
	$000	$000
Staff costs:		
Wages and salaries	**19,069**	20,754
Social security	**301**	356
Other pension costs	**217**	132
	19,587	21,242

7. Taxation

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

	2019	2018
	$000	$000
Current taxation:		
UK corporation tax		
UK corporation tax	–	–
Double taxation relief	–	–
	–	–
Foreign tax		
Current tax on income for the period	**839**	252
Adjustment in respect of prior periods	**11**	5
Withholding taxation	**104**	251
Total current taxation	**954**	508
Deferred taxation:		
Origination and reversal of temporary differences	**(7,184)**	3,243
Adjustment in respect of prior periods	**60**	159
Total deferred taxation	**(7,124)**	3,402
Total tax (credit)/expense reported in the income statement	**(6,170)**	3,910

Notes to the accounts (continued)

7. Taxation (continued)

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%:

	2019	2018
	$000	$000
(Loss)/profit before tax	**(722)**	14,021
(Loss)/profit before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**(139)**	2,664
Effects of:		
Items not chargeable for tax purposes	**(6,030)**	211
Net increase in tax losses	**176**	6
Different tax rates on overseas earnings	**(352)**	614
Adjustment in respect of prior years	**71**	164
Additional tax arising on the remittances from overseas companies	**104**	251
Total tax (credit)/expense reported in the income statement	**(6,170)**	3,910

c) Tax effects relating to other comprehensive income

		2019			2018	
	Before tax amount	**Tax expense**	**Net of tax amount**	Before tax amount	Tax expense	Net of tax amount
	$000	**$000**	**$000**	$000	$000	$000
Exchange differences on translation to presentation currency	**–**	**–**	**–**	2,375	–	2,375
Revaluation of property	**–**	**–**	**–**	–	38	38
Net actuarial gain on defined benefit pension plan	**731**	**–**	**731**	89	–	89
	731	**–**	**731**	2,464	38	2,502

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.

	2019	2018
Weighted average number of ordinary shares in issue	**15,611**	14,361

		2019	2018
	Result before Zimbabwe adjustments	**Result after Zimbabwe adjustments**	
	$000	**$000**	$000
Profit attributable to owners of the parent:	**4,395**	**5,701**	9,407
	$	**$**	$
Basic and diluted earnings per ordinary share	**281.53**	**365.19**	655.04

Notes to the accounts (continued)

9. Dividends

	2019	2018
	$000	$000
Amounts recognised as distributions to owners of the parent in the year:		
Dividend for the year ended 31 December 2018 of $43.94 (2017: $47.58) per share	**686**	596
Dividend pound sterling equivalent for the year ended 31 December 2018 was £36.00 (2017: £36.00) per share		

A dividend for the year ended 31 December 2019 of £36.00 per ordinary share has been recommended by the directors for payment on 23 September 2020.

10. Goodwill

	2019	2018
	$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 2019 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 15.06% (2018: 16.9%) 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 $0.7 million (2018: $1.9 million), indicating that no impairment charge was necessary for the year ended 31 December 2019 (2018: $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.

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:

			2019			2018
		Agricultural			Agricultural	
	Livestock	produce	Total	Livestock	produce	Total
	$000	$000	$000	$000	$000	$000
Opening balance at 1 January	**296**	**2,328**	**2,624**	367	1,880	2,247
Increase due to purchases	**–**	**1,515**	**1,515**	–	1,577	1,577
Change in fair value due to:						
Biological transformation	**(37)**	**78**	**41**	(71)	232	161
Decrease due to harvest	**–**	**(1,578)**	**(1,578)**	–	(1,361)	(1,361)
Closing balance at 31 December	**259**	**2,343**	**2,602**	296	2,328	2,624
a) Non-current assets:						
Livestock	**259**	**–**	**259**	296	–	296
b) Current assets:						
Agricultural produce	**–**	**2,343**	**2,343**	–	2,328	2,328

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 have 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 $2.34 million (2018: $2.33 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 mature areas planted to the significant crop types at the end of the year:

	2019	2018
	Hectares	Hectares
Tea	**4,697**	4,738
Macadamia	**1,062**	1,062
Roses	**55**	65

A major operational risk is the seasonal weather pattern. Agricultural productivity is affected by deviations from average temperatures and rainfalls. The Group's agribusinesses are also exposed to international commodity prices, which are related to the prices achieved by the Group for the sale of its produce.

Notes to the accounts (continued)

12 a) Property, plant and equipment

	Group						Company
	Bearer plants	Land and buildings Freehold	Land and buildings Long leasehold	Renewable energy Plant and equipment	Plant 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	-

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

Due to the economic environment in Zimbabwe, an impairment review has been carried out on the renewable energy cash generating units (CGUs) as at 31 December 2019. The recoverable amount of the CGUs have 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 renewable energy business, twenty year cash flow projections have been used, which have assumed that receipts are based in US dollars and no growth in the cash flows. A pre-tax discount rate of 20.76% 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.

The carrying value of the CGUs exceeded the recoverable amount based on value-in-use calculations by $7.04 million, indicating that an impairment provision was necessary for the year ended 31 December 2019. A key assumption used in the value-in-use calculations is the pre-tax discount rate. An increase in the discount rate of 1.0% would increase the impairment provision by $847,000; a reduction of 1.0% would reduce the impairment provision by $736,000.

At the year end $4,466,000 (2018: $13,231,000) of the cost of renewable energy plant and equipment was under construction.

During the year, the Group capitalised borrowing costs on qualifying assets of $301,000 (2018: $652,000).

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

	Net book value 2019	Net book value 2018
	$000	$000
	25,643	37,951

Valuation method
The freehold properties recognised at directors' valuation on 31 December 2019 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 2018							
Opening cost or valuation	22,065	3,627	4,321	60,531	25,194	115,738	81
Exchange differences	-	(101)	-	-	(5)	(106)	(5)
Additions	805	307	-	14,107	3,001	18,220	-
Acquisition of subsidiary	-	232	-	-	-	232	-
Disposals	-	(43)	(2)	(31)	(927)	(1,003)	-
Closing cost or valuation	22,870	4,022	4,319	74,607	27,263	133,081	76
At directors' valuation	-	4,022	-	-	-	4,022	-
At cost	22,870	-	4,319	74,607	27,263	129,059	76
Opening accumulated depreciation	2,956	845	941	5,248	17,579	27,569	81
Exchange differences	-	(8)	-	-	(5)	(13)	(5)
Charge for the year	1,300	26	114	1,699	1,248	4,387	-
Impairment provision	-	306	-	-	-	306	-
Disposals	-	(34)	-	(22)	(793)	(849)	-
Closing accumulated depreciation	4,256	1,135	1,055	6,925	18,029	31,400	76
Net book value	18,614	2,887	3,264	67,682	9,234	101,681	-
Historical cost							
Cost	22,870	2,738	4,319	74,607	27,263	131,797	76
Accumulated depreciation	4,256	242	1,055	6,925	18,029	30,507	76
	18,614	2,496	3,264	67,682	9,234	101,290	-

Immature bearer plants of $2,068,000 were reclassified as mature in 2018. Immature bearer plants at the year end amounted to $2,945,000 and are not depreciated.

An impairment provision of $306,000 was made in 2018 on freehold land and buildings in Zimbabwe.

Notes to the accounts (continued)

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. This has been accounted for under IFRS 16 with effect from 1 January 2019. 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	
		1 January		1 January
	2019	2019	**2019**	2019
Right-of-use assets	**$000**	$000	**$000**	$000
Buildings	**242**	335	**242**	335

		1 January		1 January
	2019	2019	**2019**	2019
Lease liabilities	**$000**	$000	**$000**	$000
Current	**93**	94	**93**	94
Non-Current	**151**	241	**151**	241

Amounts recognised in the income statement:

	Group		Company	
	2019	2018	**2019**	2018
	$000	$000	**$000**	$000
Depreciation charge	**93**	–	**93**	–
Interest expense	**6**	–	**6**	–

Up until 31 December 2018, leases of property, plant and equipment were classified as operating leases. With effect from 1 January 2019, operating leases are recognised as a right-of-use asset and a corresponding liability recognised in the balance sheet at the date at which the leased asset is available for use by the Group.

13. Capital and operating lease commitments

The Group had $140,000 of commitments for capital expenditure contracted for, but not provided at 31 December 2019 (2018: $1,620,000). Replanting and estate development costs, which are incurred on an ongoing basis, are excluded from capital commitments.

At 31 December 2018, the group had future minimum lease payments under a non-cancellable operating lease amounting to $337,000. The lease has a term of five years at fixed rent, expiring in August 2022 and has been recognised as a right-of-use asset with effect from 1 January 2019, in accordance with IFRS 16 (See Note 12.b).

Non-cancellable operating lease commitments as at 31 December 2018:

	2019	2018
	$000	$000
Not later than one year	–	94
Later than one year and not later than five years	–	243

Notes to the accounts (continued)

14. Investments

Associates are accounted for in accordance with IAS 28 – Investments in Associates. At the 31 December 2019, the share of the associate's results relate to a 20% interest in K2 Management Ltd, which is part of the Jensen Group.

	Other unlisted investments		Associates	
	2019	2018	**2019**	2018
Group	**$000**	$000	**$000**	$000
Analysis of movement during the year:				
At beginning of year	**167**	167	**–**	–
(Repayment)/Additions to capital			**(12)**	2
Profit from operations (Note 2)	**–**	–	**353**	367
Impairment write back/(provision) (Note 2)	**–**	–	**(197)**	357
Dividends paid	**–**	–	**(144)**	(726)
Carrying amount at end of year	**167**	167	**–**	–

Other unlisted investments are recognised at cost in the balance sheet at $167,000 (2018:$167,000).

	Associates	
	2019	2018
Share of the associate's balance sheet:	**$000**	$000
Non-current assets	**–**	46
Current assets	**7**	42
Current liabilities	**(7)**	(88)
Carrying amount of investment	**–**	–
Share of the associate's revenue and profits:		
Continuing operations		
Revenue	**470**	470
Share of profit after tax (Note 2)	**156**	724

	Subsidiary undertakings		
	Shares	Loans	Total
Company	$000	$000	$000
At 1 January 2018	42,355	17,500	59,855
Translation effect on change of presentation currency	(2,481)	–	(2,481)
Increase	–	4,408	4,408
At 31 December 2018	**39,874**	**21,908**	**61,782**
Increase	**–**	**6,132**	**6,132**
At 31 December 2019	**39,874**	**28,040**	**67,914**

The Company did not make any management charges to group subsidiaries in the year (2018: $nil).

Subsidiary undertakings

All subsidiary undertakings are listed on page 37 and operate principally in their country of incorporation. All the holdings in the operating entities are held through subsidiary undertakings.

Business combination - acquisition of Alberts (Private) Limited

There were no acquisitions in the year ended 31 December 2019.

The Group acquired 100% of the share capital of Alberts (Private) Limited, a Zimbabwe land owning company, on 6 February 2018. The consideration for the shares, payable on completion, amounted to $250,000. The total identifiable net assets acquired amounted to $250,000. The acquired business did not contribute any revenues to the Group and a loss before tax was incurred to the Group of $312,000 for the period 6 February 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, the revenue from this source and the loss would have been unchanged for the year under review.

Net assets of Alberts (Private) Ltd acquired on 6 February 2018:	2018
	$000
Fair value and carrying value of net assets acquired:	
Property, plant and equipment	250
Total identifiable net assets	250
Purchase consideration and cash outflow on acquisition	(250)

Notes to the accounts (continued)

15. Inventories

	2019	2018
	$000	$000
Produce	3,117	3,614
Raw material	5,107	4,920
	8,224	8,534

16. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	$000	$000	$000	$000
Due within one year:				
Trade and other receivables	5,519	5,926	16	3
Loss allowance	(1,384)	(1,397)	–	–
Prepayments and accrued income	2,091	3,512	21	12
	6,226	8,041	37	15

There is no fixed repayment date on $216,000 (2018: $256,000) of the Trade and other receivables. Included in Trade and other receivables is $916,000 (2018: $1,481,000), which relates to VAT reclaimable in the Zimbabwe and Malawi renewable energy companies and some of the Group's agribusinesses. These amounts are being offset, where possible, against future output tax and other local taxes, as they fall due. Of the Malawi renewable energy company's VAT receivable balance, $273,000 is under appeal with the Malawi Revenue Authority.

Credit risk

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

17. Share capital

Ordinary shares of $3,184 (£2,500) each	Issued and fully paid number	Issued and fully paid $000
At 1 January 2018	12,529	42,374
Translation effect on presentation currency	–	(2,481)
Issue of shares	3,082	9,812
At 31 December 2018	15,611	49,705
At 31 December 2019	15,611	49,705

On 30 April 2018 shareholders were invited to subscribe to an Open Offer of 3,082 New Ordinary shares at an issue price of $3,184 (£2,500) per share on the basis of one share for every four fully paid shares held on a pre-emption rights basis. The issue was fully subscribed and raised $9,812,000. The shares were issued on 29 May 2018. The issued share capital of the Company increased from 12,529 Ordinary shares of $3,184 (£2,500) each to 15,611 Ordinary shares of $3,184 (£2,500) each.

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

Notes to the accounts (continued)

18. Reserves and non-controlling interests

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. This reserve is included in the accompanying consolidated statement of changes in equity within retained earnings. The movement on this reserve for the two years to 31 December 2019 are as follows:

	Retained Earnings $000
Exchange differences on translation of net overseas assets:	
Opening balance 1 January 2018	16,108
Movement for the year	2,372
At 31 December 2018	18,480
Movement for the year	–
At 31 December 2019	**18,480**

On 1 January 2019 the Group changed its presentational currency to the US dollar. The functional currency of the companies *registered in the United Kingdom changed to the US dollar on the same date.*

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 loss allocated to the non-controlling interest in the subsidiary for the year ended 31 December 2019 was $437,000 (2018: loss $301,000). Of the non-controlling interest at 31 December 2019 amounting to $3,208,000 (2018: $3,890,000), disclosed on page 10, $1,753,000 (2018: $2,190,000) relates to the non-controlling interest in Khal Amazi Ltd. No dividends were paid by Khal Amazi Ltd in the year under review (2018: $nil). Its decrease in cash and cash equivalents for the year ended 31 December 2019 amounted to $121,000 (2018: decrease $61,000). Its net assets at the year ended 31 December 2019, before inter-company eliminations, were $8,345,000 (2018: $9,540,000).

19. Interest bearing loans and borrowings

		Group	
		2019	2018
		$000	$000
Debentures, bank loans and overdrafts – secured	(i) and (ii)	**25,643**	38,521
Debentures, bank loans and overdrafts are repayable:			
Within one year		**6,340**	8,393
Between one and two years		**3,551**	6,009
Between two and five years		**13,522**	23,952
After five years		**2,230**	167
		25,643	38,521
Due within one year		**6,340**	8,393
Due after more than one year		**19,303**	30,128
		25,643	38,521

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 (2018: $8.1 million).

(ii) A five year secured corporate debenture was raised by the Group's renewable energy holding company in Zimbabwe in 2018 for ten million ZWL dollars with a coupon of 8.5% per annum. The debenture was fully subscribed. The debenture was recognised in the accounts at an exchange rate of parity with the US dollar, which was the legislated exchange rate in Zimbabwe as at 31 December 2018.

(iii) The carrying value of the ZWL denominated debentures raised in 2017 and 2018 amounted to $0.9 million as at 31 December 2019, compared with $15.0 million at 31 December 2018. The debentures were initially recognised in the accounts at the official exchange rate of parity with the US dollar. Following the introduction of the new ZWL currency in February 2019, the reduction in the carrying value of the debentures was due to the devaluation of the ZWL throughout 2019, to a closing rate at 31 December 2019 of ZWL16.8: $1.00 (2018: ZWL1.00: $1.00). The resulting exchange gain has been recognised in the middle column of the income statement.

Notes to the accounts (continued)

20. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	$000	$000	**$000**	$000
Due within one year				
Trade payables	**4,733**	4,533	**6**	5
Other taxation and social security	**272**	116	**53**	22
Accruals and deferred income	**3,351**	2,950	**1,576**	1,106
Other payables	**3,369**	4,934	**14**	11
	11,725	12,533	**1,649**	1,144
Due after one year				
Trade payables	**–**	1,193	**–**	–
Accruals and deferred income	**221**	159	**–**	–
Other payables	**126**	481	**–**	–
	347	1,833	**–**	–

21. Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises:

	2019	2018
	$000	$000
Accelerated tax depreciation	**8,264**	15,746
Unrealised foreign exchange differences	**(96)**	(81)
Other temporary differences	**468**	200
Tax losses	**(4,805)**	(4,910)
Provision for deferred tax on temporary differences	**3,831**	10,955
Potential tax due on property revaluations	**467**	467
Total provision for deferred tax	**4,298**	11,422

The movement in the provision for deferred tax was:		
At 1 January	**11,422**	8,065
Deferred tax charge in income statement (Note 7a)		
Current year from continuing operations	**(7,184)**	3,243
Prior year adjustment	**60**	159
	(7,124)	3,402
Changes in potential tax on property revaluations charged to:		
Retained earnings	**–**	(38)
	–	(38)
Exchange differences	**–**	(7)
At 31 December	**4,298**	11,422

There are losses arising in the UK of approximately $2.2 million (2018: $1.3 million) which are available to offset against future taxable profits in the companies in which the loss arose. There are also capital losses of $26.3 million (2018: $25.3 million) which are available to offset against future capital gains arising in the UK. The total potential deferred tax asset of $5.4 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.

The losses in Zimbabwe of $1.4 million on which a deferred tax asset was not recognised at 31 December 2018, have been either utilised or devalued in 2019 following the introduction of the new domestic currency, the ZWL, on 22 February 2019. Taxation balances at that date were required to be converted to ZWL at an exchange rate of parity against the US dollar

In some of the overseas jurisdictions in which we operate, there is uncertainty around the tax treatment of certain items because the law is unclear or underdeveloped. In these situations, we have recognised a tax provision where we consider it is more likely than not that a liability could arise and the quantum of provision has been determined in accordance with IFRIC 23.

22. Other provisions

	2019	2018
	$000	$000
Current	**1,343**	–
Non-current	**523**	–
	1,866	–

A provision has been made in respect of legal fees in 2019 (2018: $nil).

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

	2019	2018
	$000	$000
Present value of defined benefit obligation	(26,478)	(24,419)
Fair value of plan assets	19,460	16,680
Deficit in plan recognised in the balance sheet	(7,018)	(7,739)

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 $261,000 (2018: $307,000). The Group incurred other pension costs of $217,000 (2018: $132,000) for certain employees in respect of defined contribution plans.

The total membership of the plan at 31 December 2019 was 421 members (2018: 431 members), analysed as follows:

	Deferred pensioners	Pensioners in payment	Total
	Number	Number	Number
Males	109	204	313
Females	28	80	108
Total	137	284	421

The total pensions paid during the year ended 31 December 2019 amounted to $1,111,000 (2018: $1,029,000). A summary of the unaudited financial statements of the scheme for 2019 and the audited financial statements of the previous year is shown below:

	2019	2018
	$000	$000
Company contributions	261	307
Benefits payable:		
Pensions	(1,111)	(1,029)
Commutation and other lump sum benefits	(309)	(121)
	(1,420)	(1,150)
Administration expenses	(56)	(63)
Exchange difference	670	(1,207)
Net return/(reduction) on investments	3,325	(1,245)
Net increase/(decrease) in the fund	2,780	(3,358)
Net assets at 1 January	16,680	20,038
Net assets at 31 December	19,460	16,680

Net assets statement at 31 December:	2019		2018	
	$000	% of total	$000	% of total
Investments				
Managed equity funds:				
Aquila Life UK Equity Index fund	10,633	55	8,778	53
Aquila Life European Equity Index fund	2,044	10	1,631	9
Aquila Life US Equity Index fund	2,522	13	1,915	11
Aquila Life Overseas Fixed Bench Equity fund	3,590	18	3,138	19
Managed gilt and corporate bond funds:				
Aquila Life Corporate Bond 5 to 15 years fund	579	3	1,099	7
	19,368	99	16,561	99
Net current assets:				
Cash deposits	195	1	194	1
Accruals	(103)	–	(75)	–
Total net assets	19,460	100	16,680	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 regularly with BlackRock to monitor performance of the portfolio.
The last full actuarial valuation of the plan was performed by the Plan's actuaries, CPRM Limited, as at 31 December 2016. The valuation was carried out using the Defined Accrued Benefits method. The principal economic assumptions were a discount rate of 3.85% and an allowance of 3.1% per annum for increases to pensions in payment of 5% per annum or RPI if less.

Notes to the accounts (continued)

23. Retirement benefit liabilities (continued)

On a continuing valuation basis, the funding position at 31 December 2016 was:

	$000
Past service liabilities	(21,539)
Value of assets	17,235
Deficit	(4,304)
Funding level	80.0%

In addition to the funding level on the continuing valuation basis, the asset coverage has also been calculated at 63% on a Section 179 (PPF valuation) basis and 46% on a solvency (winding-up) basis.

IAS 19 Disclosures

To assess the position of the plan at 31 December 2019, 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 2016.

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. 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$0.3 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

	2019	2018
	$000	$000
Defined benefit obligation at start of year	**24,419**	27,516
Exchange differences	**980**	(1,660)
Expenses	**56**	63
Interest expense	**667**	610
Actuarial losses due to plan experience	**9**	76
Actuarial gains due to changes in demographic assumptions	**(213)**	(148)
Actuarial losses/(gains) due to changes in financial assumptions	**2,036**	(1,253)
Benefits paid and expenses	**(1,476)**	(1,213)
Past service costs	**–**	428
Defined benefit obligation at end of year	**26,478**	24,419

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

	2019	2018
	$000	$000
Fair value of assets at start of year	**16,680**	20,038
Exchange differences	**670**	(1,207)
Interest income	**452**	444
Return on plan assets (excluding amounts included in interest income)	**2,873**	(1,689)
Contributions by the Company	**261**	307
Benefits paid and expenses	**(1,476)**	(1,213)
Fair value of assets at end of year	**19,460**	16,680

The average duration of the benefit obligation at 31 December 2019 is 14 years (2018: 14 years).

The charge to the income statement comprises:

	2019	2018
	$000	$000
Expenses	**(56)**	(63)
Past service costs	**–**	(428)
Total Expenses	**(56)**	(491)
Other finance charges:		
Interest expense	**(667)**	(610)
Interest income	**452**	444
Net interest cost	**(215)**	(166)
Defined benefit costs recognised in the income statement	**(271)**	(657)

Past service costs are $nil (2018: $428,000). Costs represent the estimated amount payable by the Pension Plan under the recent High Court ruling which held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued between 17 May 1990 and 5 April 1997 must equalise for the different effects of the GMPs between men and women.

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:

	2019	2018	2017	2016	2015
	$000	$000	$000	$000	$000
Fair values at 31 December					
Equities	**18,789**	15,463	18,251	15,489	16,456
Bonds	**579**	1,099	1,756	1,648	2,030
Cash and other net assets	**92**	118	31	99	88
Present value of plan	**19,460**	16,680	20,038	17,236	18,574
Liabilities	**(26,478)**	(24,419)	(27,516)	(22,942)	(24,605)
Plan deficit	**(7,018)**	(7,739)	(7,478)	(5,706)	(6,031)
Percentage funding	**73.5%**	68.3%	72.8%	75.1%	75.5%
Contribution rate	–	–	–	–	–
Contribution towards plan's administration expenses	**$55,000**	$60,000	$108,000	$94,000	$131,000
Additional contributions	**$199,000**	$191,000	$126,500	$115,500	$472,000

The best estimate of contributions to be paid to the plan for the year ending 31 December 2020 is $254,000, made up of $55,000 contribution towards the plan's administration expenses and $199,000 additional contributions.

Actual return on plan assets
There was a return on the Plan's assets for the year ending 31 December 2019 of $3,325,000 (2018: negative return of $1,245,000).

Major assumptions

	2019	2018
	% per annum	% per annum
Inflation	**2.90**	3.30
Discount rate	**2.00**	2.70
Pensions in payment increases	**2.80**	3.10
Revaluation rate for deferred pensioners	**2.90**	3.30

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 2.0% 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 3.4%. 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 2019 imply the following future life expectations at age 65:

	2019	2018
	Years	Years
Male currently aged 45	**21.0**	21.2
Female currently aged 45	**23.0**	23.3
Male currently aged 65	**19.9**	20.1
Female currently aged 65	**21.8**	22.0

Movement in the plan deficit during the year

	2019	2018
	$000	$000
Deficit at 1 January	**(7,739)**	(7,478)
Pension expenses recognised in the income statement:	**(271)**	(657)
Amounts recognised in other comprehensive income	**731**	89
Contributions by the Company	**261**	307
Deficit at 31 December	**(7,018)**	(7,739)

The actuarial loss recognised in other comprehensive income comprises

	2019	2018
	$000	$000
Experience adjustment on plan assets	**2,873**	(1,689)
Experience adjustment on plan liabilities	**(9)**	(76)
Effect of change in assumptions	**(1,823)**	1,401
Exchange difference	**(310)**	453
	731	89

Notes to the accounts (continued)

24. Consolidated cash flow statement

Analysis of net debt:

	Opening balance 2018 $000	Cash Flow $000	Transfers $000	Exchange movement $000	Closing balance 2019 $000
Cash	**21,377**	(7,482)	–	(1,618)	**12,277**
Overdrafts	**(1,977)**	(771)	–	76	**(2,672)**
Cash and cash equivalents	**19,400**	(8.253)	–	(1,542)	**9,605**
Debt due within one year	**(6,416)**	4,544	(1,796)	–	**(3,668)**
Debt due after more than one year	**(30,128)**	(4,501)	1,796	13,530	**(19,303)**
	(17,144)	(8,210)	–	11,988	**(13,366)**

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 occasionally enters into forward currency contracts for the purpose of managing currency risks arising from its operations. No forward contracts were entered into in 2019.

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
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 Group 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 an acute 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. The currency reforms introduced by the Government of Zimbabwe in February 2019 were designed to alleviate this scarcity by allowing the market to set the exchange rate through an interbank trading system. These reforms have not resulted in a positive change to availability of foreign currency.

The table below shows the extent at 31 December 2019 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 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 $7.02 million for the year under review (2018: $7.74 million).

Net foreign currency monetary assets/(liabilities)

	2019				2018			
	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	**(8,385)**	–	–	**(8,385)**	(6,364)	–	–	(6,364)
Malawi: US dollar	–	–	**(344)**	**(344)**	–	–	(930)	(930)
Zambia: US dollar	**558**	**1,354**	**(52)**	**1,860**	413	819	85	1,317
Zimbabwe: US dollar	**(875)**	–	**2,086**	**1,211**	–	–	–	–
	(8,702)	**1,354**	**1,690**	**(5,658)**	(5,951)	819	(845)	(5,977)

In 2018 in Zimbabwe, all assets and liabilities are denominated in both US dollar and ZWL dollars, which were pegged at parity at the 31 December 2018, under Zimbabwe legislation. In February 2019, a new ZWL currency was introduced. The official interbank rate as at 31 December 2019 was ZWL 16.8: US$ 1.00. At 31 December 2019, monetary assets and liabilities denominated in currencies other than the US dollar, which are recognised in the accounts of our Zimbabwe entities are disclosed in the table above at the US dollar equivalent.

Notes to the accounts (continued)

25. Financial risk management objectives and policies (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
2019	**+ 10%**	**791**	**(123)**	**(153)**	**515**
	– 10%	**(870)**	**135**	**169**	**(566)**
2018	+ 10%	541	(75)	77	543
	– 10%	(596)	81	(288)	(803)

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 2019 were:

	Floating rate $000	Fixed rate $000	Total $000	Weighted average of Fixed rate debt interest rate %	period years
2019					
	24,607	**1,036**	**25,643**	**9**	**4.0**
2018					
	23,575	14,946	38,521	10	3.6

Within the fixed rate borrowings are debentures issued in Zimbabwe amounting to ZWL14.9 million ($0.9 million) *(2018: ZWL14.6 million ($14.6 million). At 31 December 2019 the official interbank exchange rate was ZWL16.8: US$1.00 (2018:* ZWL1.00: 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 2019, with all other variables held constant.

	Basis points increase/ decrease	Effect on profit before tax $000
2019		
US dollar	± 100	± 246
2018		
US dollar	± 100	± 236

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

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 adopted IFRS9 with effect from 1 January 2018. Trade and other receivables are subject to an expected loss model under the new accounting standard. 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.

To asses 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 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.

Based on this information, the expected loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows, for trade and other receivables:

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

31 December 2018	Current $000	> 30 days past due $000	> 60 days past due $000	> 120 days past due $000	Total $000
Expected loss rate	10%	15%	30%	45%	
Gross carrying amount – trade and other receivables	2,694	571	934	1,727	5,926
Loss allowance	264	85	275	773	1,397

The closing loss allowance for trade and other receivables as at 31 December 2019 is as follows:

	2019 **$000**	2018 $000
At 1 January	**1,397**	1,401
Reduction in loss allowance recognised in profit and loss during the year	**(13)**	(4)
At 31 December	**1,384**	1,397

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 2019 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 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**
Year ended 31 December 2018					
Interest bearing loans and borrowings	8,393	6,009	23,952	167	38,521
Other liabilities	7,884	640	–	–	8,524
Trade payables	4,533	1,193	–	–	5,726
	20,810	7,842	23,952	167	52,771

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 2019 and 31 December 2018. 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.

	2019	2018
	$000	$000
Interest bearing loans and borrowings	**25,643**	38,521
Less: cash and short term deposits	**(12,277)**	(21,377)
Net debt	**13,366**	17,144
Equity attributable to equity holders of the parent	**80,806**	75,060
Gearing ratio	**16.5%**	22.9%

26. Financial instruments

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

	Group		*Company*	
	2019	2018	**2019**	2018
Categories of financial instruments	**$000**	$000	**$000**	$000
Financial assets				
Trade and other receivables	**4,135**	4,529	**16**	3
Cash and cash equivalents	**12,277**	21,377	**8,572**	12,765
At amortised cost	**16,412**	25,906	**8,588**	12,768
Current asset investments at fair value through profit or loss	**754**	7,881	**–**	–
Total financial assets	**17,166**	33,787	**8,588**	12,768
Financial liabilities				
Trade and other payables	**11,579**	14,250	**1,596**	1,122
Lease Liabilities	**244**	–	**244**	–
Bank overdraft	**2,672**	1,977	**–**	–
Interest-bearing loans and borrowings				
Floating rate borrowings	**21,935**	21,598	**–**	–
Fixed rate borrowings	**1,036**	14,946	**–**	–
At amortised cost	**37,466**	52,771	**1,840**	1,122
Total financial liabilities	**37,466**	52,771	**1,840**	1,122

Notes to the accounts (continued)

26. Financial instruments (continued)

The financial instruments measured at fair value use the following measurements:

	2019		2018	
	Level 1	**Level 3**	Level 1	Level 3
Financial assets at fair value through profit or loss:	**$000**	**$000**	$000	$000
Other financial assets	**–**	**754**	–	7,881

Other financial assets
Other financial assets represent equities listed on the Zimbabwe Stock Exchange (ZSE). Due to the chronic US dollar shortage in the country, local banks have encountered great difficulty since 2016, in converting onshore Zimbabwe ZWL denominated cash and bank deposits into overseas payments. As macro conditions in the country continue to deteriorate, investors with cash and bank balances have been buying real assets with their trapped ZWL, although equity valuations have not risen at the same pace as the devaluation of the ZWL to US dollar. Against this background, the Group considers it is inappropriate to classify ZSE listed shares under Fair Value Measurement Level 1, a quoted (unadjusted) market price in active markets for identical assets. Accordingly, the Group's Other financial assets have been classified within Fair Value Measurement Level 3 at 31 December 2019 and 2018, meaning the shares are valued based on assumptions that are not supported by observable market inputs. This has required the Group to make various estimates and judgements on the value at which the shares should be carried in the balance sheet. On 31 December 2019 a fair value loss on the valuation was recognised, based on the difference between converting the valuation at the official interbank rate of exchange of 16.8 and the Old Mutual implied rate (OMIR) of 25.6. It implies a 35% discount to market price. There are various currency proxy rates operating in Zimbabwe which would result in a range of implied discounts to market prices. As such, a directors' valuation based on the OMIR rate was considered the most appropriate basis to adopt.

Fair value reconciliation

Financial assets and liabilities – at fair value through profit or loss:	Instruments held for trading	
	Financial assets	
	2019	2018
	$000	$000
At 1 January	**7,881**	1,694
Exchange difference	**–**	(14)
Additions to financial assets at fair value through profit or loss	**1,502**	6,232
Disposals of financial assets at fair value through profit or loss	**(1,040)**	(31)
Profit on disposal of assets recognised in the income statement	**116**	–
Fair value loss for the year recognised in the income statement	**(7,705)**	–
At 31 December	**754**	7,881

There were no financial liabilities at fair value through profit or loss at the year end (2018: $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. Directors' emoluments

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

	2019	2018
	$000	$000
Aggregate emoluments	**953**	993
Social security costs	**99**	113
Company pension contributions to defined contribution scheme for 2 directors (2018: 2 directors)	**26**	27
	1,078	1,133

None of the directors were accruing benefits under a defined benefit scheme at the year end. There were no long term incentive plan payments made during the year (2018: $nil). For the purpose of this disclosure, the directors are considered to be the key management of the Group

Emoluments of highest paid director:

	2019	2018
	$000	$000
Aggregate emoluments	**478**	510
Company pension contributions to defined contribution scheme	**13**	13
	491	523

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

	2019	2018
	$000	$000
Highest paid director – accrued pension	**66**	66

Notes to the accounts (continued)

28. Related party transactions

In addition to the pension contributions paid to the PGI Group Pension Plan, the Company also made net payments of $56,000 (2018: $63,000) in respect of administration and other expenses which have been charged to the plan. No amount was outstanding for payment at 31 December 2019 (2018: $nil).

29. 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 our Zimbabwean tea business, Eastern Highlands Plantations Ltd.

The Group has received notification of claims to be made in the UK concerning two of its African subsidiary companies. The claims relate to allegations made by several individuals concerning those African operations. A legal team has been engaged to respond to these claims. At this stage it is not possible to estimate the financial impact of these claims, but the related legal and other costs could be significant.

30. Ultimate controlling party of the Group

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

31. Post balance sheet events

i) Covid-19 pandemic
Subsequent to the balance sheet date, a pandemic was declared by the World Health Organisation on 11 March 2020. The pandemic and its consequences represent non-adjusting post balance sheet events. The full financial impact of the pandemic is difficult to predict with any degree of certainty.

in addition to any impact on trading profitability in 2020, the values attributed to our balance sheet items may be affected.

Defined pension plan deficit
The fair value of the pension plan's assets has reduced subsequent to the year end and is expected to be volatile in the short term due to uncertain market conditions. Reductions in interest rates subsequent to the year end could also adversely affect the Pension Plan deficit. It is too early to assess the impact of Covid-19 upon the pension plan's mortality assumptions.

As a result, it is possible that deficit reduction contributions to our UK defined benefit pension plan could increase, following the completion of the triennial valuation later this year

ii) Imposition of a fixed exchange rate in Zimbabwe

On 26 March 2020, the Government of Zimbabwe abandoned its policy of the ZWL exchange rate being set by an interbank market on a willing buyer/willing seller basis. In its place, it has introduced a fixed exchange rate which has been pegged at ZWL25: US$1. This represents a non-adjusting post balance sheet event. Our electricity cash inflows are based on a US dollar denominated tariff, but payable in ZWL, it being the lawful currency in Zimbabwe. Zimbabwe is experiencing hyperinflation conditions. The pegged exchange rate is now overvalued. Our businesses cannot access the US dollar at this pegged rate. There are various proxies for a market exchange rate in Zimbabwe, one of which is the Old Mutual implied rate (OMIR). At 29 May 2020, the OMIR exchange rate was ZWL122: US$1.

Zimbabwe, being a hyperinflationary economy, it is too early to predict the impact a widening differential between the pegged rate and the various proxy market rates may have on the results of our renewable energy operations and the carrying value of its assets.

Investments in subsidiaries

The Group had the following subsidiaries and associates at 31 December 2019. 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

Associates			
K2 Management Ltd	Cayman Islands	20	Property investment management - Russia
K2 GP Ltd	Cayman Islands	20	Property investment management - Russia
K2 CI Ltd	Cayman Islands	20	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, 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 2019 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the group and company statements of financial position, the group and company statements of cash flows, the group and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which sets out the group's assessment of the impact of the Covid 19 pandemic on it's operations in Africa noting that, whilst the operations are currently continuing as normal, should the pandemic become more widespread, the impact on the group's agribusinesses is difficult to predict. As stated in note 1, the unpredictable nature of the impact of Covid 19 on the group's agribusinesses indicates that a material uncertainty exists that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, 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.

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.

RSM UK Audit LLP

Mark Harwood (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

26 June 2020