



PGI Group Limited
Report & Accounts
Year ended 31 December 2021

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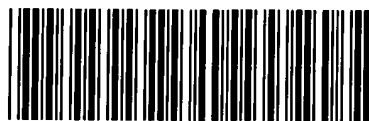


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Strategic report

Group Performance

Profits before tax decreased in the year to \$9.0 million (2020: \$9.9 million). Profit after tax decreased to \$4.5 million (2020: \$8.7 million), delivering an earnings per share of \$240.41 (2020: \$513.16 per share).

We are recommending the payment of a dividend of \$60.00 per share (2020: £36.00). Payment will be made on 18 August 2022 to shareholders on the register on 28 July 2022.

The Group had net debt of \$6.4 million at 31 December 2021 (2020: \$11.6 million) and gearing was 8% (2020: 16%).

Group strategy and objectives

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

Operational review

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

Renewable energy division

Operating profit decreased to \$11.3 million (2020: \$12.8 million). Electricity output for the year achieved a record 150,023 MWh (2020: 116,403 MWh). It was an exceptional output driven by an unusually high number of rain days during the wet season.

This improved generation did not translate into higher profits due to adverse currency movements. The Zimbabwe dollar (ZWL) which is the payment currency devalued by 25% to the US\$ in the year. It proved very difficult to maintain the US\$ value of the ZWL receipts due to the persistent shortage of US\$ in the local banking system.

Agribusiness division

Operating profit increased to \$5.8 million (2020: \$1.1 million).

Tea output increased to 16,643 tonnes (2020: 15,236 tonnes). Macadamia kernel output increased to 540 tonnes (2020: 368 tonnes). These improvements in productivity helped to offset lower prices.

Cut flower rose exports increased to 173 million stems (2020: 137 million stems). European rose prices also improved slightly which helped to mitigate the higher logistics costs.

Russian property management division

The one remaining asset of the Fund was sold in December 2021. The winding up of the partnership and the manager is now underway.

Financial Review

Presentation currency

The audited financial statements are presented in US dollars.

Group key financial performance indicators

	2021	2020
Profit before tax	\$9.0 million	\$9.9 million
Earnings per share	\$240.41	\$513.16
Dividend paid per share	£36.00	£36.00
Gearing ratio	8%	16%

Prior year restatement

The deferred tax charge and liability recognised in the audited accounts for the year ended 31 December 2019 for the Zimbabwe renewable energy subsidiaries did not comply with IAS12 – Income Taxes. The error arose as a result of the creation of a new domestic currency, the Zimbabwe dollar in February 2019, which had devalued by 94% against the \$ by the 2019 year end. The effect of the restatement on the 2019 audited accounts is to reduce the net asset value to \$73,174k and increase the deferred tax liability by \$10,840k to \$15,138k, as disclosed in Note 30 to the accounts.

Dividend

The Board is recommending the payment of a dividend of \$60.00 per share for the year ended 31 December 2021 (2020: £36.00 per share). The dividend has been denominated in US dollars to align it with the functional currency of the Company. It has been re-set to a higher level on its denomination into US dollars. The pound sterling dividend rate amounts to £48.09 per share, based on the US\$/£ exchange rate on 28 April 2022. The default payment currency for all shareholders is GBP pound sterling. Shareholders will be given the opportunity to elect to have the dividend paid in US dollars.

The Board's aim is to maintain a progressive dividend policy and to avoid reducing the dividend, unless exceptional circumstances require the Group to conserve cash.

Non-current trade and other receivables

During the year under review, ownership of transmission facilities constructed by the Zimbabwe renewable energy business were formally transferred to the offtaker for a consideration of \$3.2 million. The balance will be settled over a period of approximately twenty-five years.

Cash and net borrowings

At 31 December 2021, the Group had net borrowings of \$6.4 million (2020: \$11.6 million). The Group's cash and cash equivalents increased by \$2.8 million in the year under review to \$15.9 million (2020: \$13.1 million). No new major project expenditure was undertaken in the year.

The cash balances in the Company at the year end amounted to \$11.7 million (2020: \$9.0 million).

Strategic report (continued)

Financial risk management

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

The effect of parallel Zimbabwe exchange rates on monetary assets and liabilities

The functional currency of the Zimbabwe subsidiaries is US dollars. On 23 June 2020 a foreign exchange auction trading system, organised and managed by the Reserve Bank of Zimbabwe was established for companies to convert the domestic currency of ZWL to US dollars to settle offshore liabilities. However, due to continued US dollar scarcity in the banking system, ZWL are not freely convertible to US dollars. Consequently, there is evidence that a parallel market operates by charging a premium above the RBZ official rate on the conversion of ZWL into US dollars. At 31 December 2021, unrealised exchange losses of \$1,274k (2020: \$553k) have been booked by translating the ZWL denominated monetary assets at a market rate of ZWL210: US\$1 (2020: ZWL101.3: US\$1). The Zimbabwe denominated monetary liabilities have been translated at the RBZ official rate of ZWL108.7: US\$1 (2020: ZWL81.8: US\$1).

The resultant foreign exchange differences and fair value movements have been recognised in the income statement in 2021 and 2020.

Pensions

The Group's defined benefit pension plan, valued in accordance with IAS19, recorded a reduction in its deficit from \$10.3 million at the end of 2020 to \$5.3 million at the end of 2021. The valuation of the Plan's investments increased to \$21.9 million at the end of 2021 from \$19.1 million at the end of 2020, which served to reduce the deficit. Additionally, there was an increase in the discount rate, which is based on the yield of high quality corporate debt from 1.3% to 1.8%, which has served to reduce the plan's liabilities.

The deficit of the pension plan is a pound sterling denominated liability recognised in the Company. As the Company's functional currency is US dollars, exchange differences arise. In 2021 the stronger US\$ to GBP resulted in a \$0.1m gain to other comprehensive income.

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

Going concern basis

The Group's financial position and its business activities together with the factors likely to affect its future development and performance are included in this Strategic Report. The principal risks and uncertainties that are likely to affect the Group's future development are reviewed below.

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. Cash flow forecasts have been prepared by the Company and by the operating subsidiaries based on current and expected trading for the period to June 2023. The operating subsidiaries of the Group continue to trade profitably. At 31 December 2021, the Company had cash and cash equivalents of \$11.7 million and no debt. The Group had cash and cash equivalents of \$15.9 million and net debt of \$6.4 million. As a consequence, and after reviewing the forecasts and current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2021.

Section 172 Statement of the Companies Act 2006

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

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

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

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

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

The overseas operating companies are aware of the community and environmental responsibilities they have in the locations in which they operate. As an example, the short and medium term development of the local communities around the renewable energy schemes are dependent on the creation and provision of a clean supply of grid scale electricity. In rural areas of Zimbabwe, grid electricity is a rarity, in part because the expense of extending the transmission lines is beyond the capacity of the national transmission company. The Zimbabwe renewable energy business has embarked on a long term project to deliver grid electricity to rural villages in the Honde Valley. The ambitions of this programme are to help drive development of rural communities that surround its electricity generation schemes. Over the medium term this should result in more resilient incomes (through diversification away from agriculture).

The strategy has been to deliver electricity to every school in one district. From these node points, typically within a village, low voltage transmission lines can be erected to deliver electricity to individual houses and businesses. To date fifty-one schools have been electrified successfully. Where schools have not had the capacity to pay for the internal reticulation of their buildings, this has been undertaken as part of the project.

Strategic report (continued)

Principal risks and uncertainties

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

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

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

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

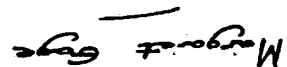
The renewable energy schemes despatch electricity into the national transmission grids of Zimbabwe and Malawi. The sole off-takers are the state owned transmission and distribution utilities. Electricity supply contracts are denominated in US dollars. Invoices are raised and paid in local currency pegged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

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

Agricultural businesses are energy intensive, with logistics, fertiliser and electricity consumption linked to oil and gas prices. The price of these inputs is volatile and currently experiencing significant inflation. The commodity prices that we receive for our agricultural output are uncorrelated to energy input costs.

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

By Order of the Board



Margaret Gage
Director
3rd Floor
45 Ludgate Hill
London EC4M 7JU
29 April 2022

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2021.

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 the Group financial statements in accordance with UK-adopted International Accounting Standards ('IAS'), and to prepare the Company financial statements in accordance with UK-adopted IAS and applicable law.

The financial statements are required by law and UK-adopted IAS 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 UK-adopted IAS; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on 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

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

The principal activities of the Company's subsidiaries comprise renewable energy power generation and agribusinesses. Matters required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been included in the Strategic Report in accordance with s414c (11) of the Companies Act 2006, such as future developments of the group.

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 2021 of US\$60.00 per ordinary share is recommended by the directors for payment on 18 August 2022 to shareholders on the register on 28 July 2022 (2020: £36.00 paid on 18 August 2021). 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.

Share capital

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

Authority to allot shares and pre-emption rights

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

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

Employees

As at 31 December 2021, the Group operating companies employed 10,895 people, all located in Southern Africa and the Company employed 4 people in the UK. The Group places considerable value on the involvement of its employees, recognising that achieving its objectives depends on the skills and commitment of its companies' employees. It is the policy of all Group companies to encourage and develop all members of staff to realise their potential and wherever possible, vacancies are filled from within the Group. All Group companies recognise the importance of effective communication and companies' employees are kept informed on matters affecting them as employees.

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

Directors' report (continued)

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.

Streamlined energy and carbon reporting ("SECR")

The Company consumed less than 40,000kWh in the year (2020: less than 40,000kWh) and is, therefore, exempt from the SECR reporting requirements.

Trading in the Company's shares

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

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

Directors

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

	<u>Ordinary shares</u>
R.L. Pennant-Rea	67
S.S. Hobhouse	477
M.A. Gage	52
L. Hene	50
J.C. Mackintosh	24
S.N. Roditi	12,132
C.E. Ryan	185
D.M. Ryan	60
M.W. Wright	14

Registered number

The Company's registered number is 01338135.

Auditor

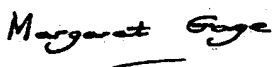
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

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

By Order of the Board



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

29 April 2022

Consolidated income statement
for the year ended 31 December 2021

	Notes	2021 Total \$000	2020 Total \$000
Continuing operations			
Revenue	2	74,386	59,541
Cost of sales		(37,723)	(30,175)
Gross profit		36,663	29,366
Distribution costs		(7,284)	(5,700)
Administrative expenses		(18,128)	(11,442)
Other operating income		564	739
Impairment write-back		–	729
Fair value losses on financial assets		(952)	(1,859)
Exchange gain on financial liabilities		37	680
Share of associate's results	3	–	100
Profit from operations		10,900	12,613
Finance costs (net)	4	(1,873)	(2,729)
Profit before taxation		9,027	9,884
Taxation	7	(4,537)	(1,184)
Profit for the year	2	4,490	8,700
Profit attributable to:			
Owners of the parent		3,753	8,011
Non-controlling interests		737	689
		4,490	8,700
		\$	\$
Earnings per ordinary share			
- basic and diluted	8	240.41	513.16
Dividend paid per ordinary share	9	50.41	46.31

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

Consolidated statement of other comprehensive income
for the year ended 31 December 2021

	Notes	2021 Total \$000	2020 Total \$000
Profit for the year		4,490	8,700
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial gain/(loss) on defined benefits pension plan	23	4,611	(3,349)
Other comprehensive income for the year (net of tax)		4,611	(3,349)
Total comprehensive income for the year		9,101	5,351
Attributable to:			
Owners of the parent		8,364	4,662
Non-controlling interests		737	689
		9,101	5,351

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

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

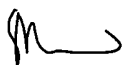
Statement of financial position
as at 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000
ASSETS					
Non-current assets					
Goodwill	10	464	464	-	-
Biological assets	11	266	261	-	-
Property, plant and equipment	12 (a)	104,289	102,913	-	-
Right-of-use asset	12 (b)	55	148	55	148
Investments	14	110	111	61,931	67,779
Trade and other receivables	16	3,234	-	-	-
		108,418	103,897	61,986	67,927
Current assets					
Biological assets	11	1,852	1,942	-	-
Inventories	15	9,627	14,007	-	-
Trade and other receivables	16	8,891	8,094	213	98
Current tax assets		595	301	-	-
Other financial assets	26	740	-	-	-
Cash and cash equivalents		15,947	13,083	11,688	9,036
		37,652	37,427	11,901	9,134
TOTAL ASSETS		146,070	141,324	73,887	77,061
LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	19	7,354	5,831	-	-
Trade and other payables	20	10,038	11,482	1,124	986
Lease liabilities	12 (b)	58	98	58	98
Current tax liabilities		214	722	-	-
Provisions	22	1,896	1,170	726	-
Other financial liabilities	26	6	39	6	39
		19,566	19,342	1,914	1,123
Non-current liabilities					
Interest bearing loans and borrowings	19	14,951	18,901	-	-
Trade and other payables	20	4,669	400	-	-
Lease liabilities	12 (b)	-	58	-	58
Deferred tax liabilities	21	16,454	14,866	-	-
Provisions	22	-	-	-	-
Defined pension plan deficit	23	5,273	10,308	5,273	10,308
		41,347	44,533	5,273	10,366
TOTAL LIABILITIES		60,913	63,875	7,187	11,489
NET ASSETS		85,157	77,449	66,700	65,572
EQUITY					
Share capital	17	49,705	49,705	49,705	49,705
Share premium account		541	541	541	541
Capital redemption reserve		1,303	1,303	1,303	1,303
Retained earnings		29,952	22,375	15,151	14,023
Equity attributable to owners of the parent		81,501	73,924	66,700	65,572
Non-controlling interests		3,656	3,525	-	-
TOTAL EQUITY		85,157	77,449	66,700	65,572

The Company's registered number is 01338135.

The Company's loss for the year was \$2,696,000 (2020: profit \$1,790,000) and its total comprehensive income for the year was a profit of \$1,915,000 (2020: loss \$1,559,000)

The notes on pages 12 to 34 form part of these accounts. The accounts were approved and authorised for issue by the Board on 29 April 2022 and were signed on its behalf by:



Margaret Gage

Directors
S.S. Hobhouse

Margaret Gage

PGI Group Limited

Statement of cash flows
for the year ended 31 December 2021

		Group		Company	
	Notes	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Operating activities					
Profit/(loss) before tax		9,027	9,884	(2,696)	1,790
Adjustments:					
Depreciation of property, plant and equipment	12 a)	5,101	4,866	–	–
Depreciation of right-of-use asset	12 b)	93	94	93	94
Impairment reversal of property, plant and equipment	12 a)	–	(729)	–	–
Impairment provision against unlisted investment	14	1	56	–	–
Impairment reversal against investment	14	–	–	–	(1,592)
Inventories transferred from property, plant and equipment		–	3,266	–	–
Loss on disposal of property, plant and equipment		36	3	–	–
Loss on disposal of financial assets		129	343	–	–
Profit on disposal of associate		–	(49)	–	–
Additional retirement benefit costs		(551)	(202)	(551)	(202)
Fair value movements – other assets	26	952	1,859	–	–
Fair value movements – biological assets	11	40	118	–	–
Share of net profit of associate	3	–	(100)	–	–
Exchange gain on financial liabilities		(37)	(680)	–	–
Net finance costs		1,873	2,729	110	133
Working capital adjustments:					
Decrease in biological assets		52	281	–	–
Decrease/(increase) in inventories		4,380	(5,783)	–	–
Increase in trade and other receivables		(4,031)	(1,868)	(115)	(61)
Net movement in financial assets at fair value through profit or loss		(1,821)	(1,448)	–	–
Increase/(decrease) in trade and other payables		2,825	(190)	138	(663)
Increase/(decrease) in provisions		726	(696)	726	–
Net exchange differences		–	183	–	34
Overseas tax paid		(3,751)	(1,162)	–	–
Net cash from/ (used in) operating activities		15,044	10,775	(2,295)	(467)
Cash flows from investing activities					
Purchase of property, plant and equipment	12 a)	(6,687)	(5,995)	–	–
Purchase of biological non-current assets		(7)	–	–	–
Proceeds from disposal of property, plant and equipment		174	–	–	–
Proceeds from disposal of investments		–	49	–	–
Interest and finance income received		515	308	7	54
Distributions from associate		–	100	–	–
Repayment of investment loans		–	–	5,848	1,727
Net cash (used in) /from investing activities		(6,005)	(5,538)	5,855	1,781
Cash flows from financing activities					
Proceeds from loans and borrowings		1,000	3,500	–	–
Repayment of loans		(2,631)	(2,491)	–	–
Principal element of lease payments		(98)	(96)	(98)	(96)
Interest and finance costs paid		(2,278)	(2,855)	(3)	(5)
Dividends paid to equity holders of the parent		(787)	(723)	(787)	(723)
Dividends and other payments to non-controlling interests		(606)	(353)	–	–
Net cash used in financing activities		(5,400)	(3,018)	(888)	(824)
Net increase in cash and cash equivalents		3,639	2,219	2,672	490
Cash and cash equivalents at beginning of period		11,649	9,605	9,036	8,572
Effects of exchange rate changes on cash and cash equivalents		(16)	(175)	(20)	(26)
Cash and cash equivalents at end of period		15,272	11,649	11,688	9,036
Cash and cash equivalents comprise:					
Cash	24	15,947	13,083	11,688	9,036
Overdrafts	24	(675)	(1,434)	–	–
Cash and cash equivalents	24	15,272	11,649	11,688	9,036
Interest bearing loans and borrowings due within one year		(7,354)	(5,831)	–	–
Less: short term debt (other than overdrafts)		6,679	4,397	–	–
Overdrafts	24	(675)	(1,434)	–	–

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

Consolidated statement of changes in equity
for the year ended 31 December 2021

		Attributable to owners of the parent					
	Notes	Share capital \$000	Share premium & capital redemption reserves \$000	Retained earnings \$000	Total controlling interests \$000	Non-controlling interests \$000	Total equity \$000
Balance at 1 January 2020 as original stated		49,705	1,844	29,257	80,806	3,208	84,014
Correction of error	30	–	–	(10,821)	(10,821)	(19)	(10,840)
Balance at 1 January 2020 restated		49,705	1,844	18,436	69,985	3,189	73,174
Profit for the year		–	–	8,011	8,011	689	8,700
Other comprehensive income:							
Net actuarial loss on defined benefits pension plan	23	–	–	(3,349)	(3,349)	–	(3,349)
Total comprehensive income for the year		–	–	4,662	4,662	689	5,351
Dividend paid	9	–	–	(723)	(723)	–	(723)
Transactions with owners		–	–	(723)	(723)	–	(723)
Dividend paid to non-controlling interests		–	–	–	–	(353)	(353)
Balance at 31 December 2020		49,705	1,844	22,375	73,924	3,525	77,449
Profit for the year		–	–	3,753	3,753	737	4,490
Other comprehensive income:							
Net actuarial gain on defined benefits pension plan	23	–	–	4,611	4,611	–	4,611
Total comprehensive income for the year		–	–	8,364	8,364	737	9,101
Dividend paid	9	–	–	(787)	(787)	–	(787)
Transactions with owners		–	–	(787)	(787)	–	(787)
Dividend paid to non-controlling interests		–	–	–	–	(606)	(606)
Balance at 31 December 2021		49,705	1,844	29,952	81,501	3,656	85,157

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

Statement of changes in equity – Company
for the year ended 31 December 2021

	Notes	Attributable to owners				Total equity \$000
		Share capital \$000	Share premium account \$000	Capital redemption reserve \$000	Retained earnings \$000	
Balance at 1 January 2020		49,705	541	1,303	16,305	67,854
Profit for the year		–	–	–	1,790	1,790
Net actuarial loss on defined benefits pension plan	23	–	–	–	(3,349)	(3,349)
Total comprehensive income for the year		–	–	–	(1,559)	(1,559)
Dividend paid	9	–	–	–	(723)	(723)
Transactions with owners		–	–	–	(723)	(723)
Balance at 31 December 2020		49,705	541	1,303	14,023	65,572
Profit for the year		–	–	–	(2,696)	(2,696)
Net actuarial gain on defined benefits pension plan	23	–	–	–	4,611	4,611
Total comprehensive income for the year		–	–	–	1,915	1,915
Dividend paid	9	–	–	–	(787)	(787)
Transactions with owners		–	–	–	(787)	(787)
Balance at 31 December 2021		49,705	541	1,303	15,151	66,700

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

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

Notes to the accounts

General information

The consolidated financial statements of PGI Group Limited for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 29 April 2022. 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 UK-adopted International Accounting Standards ('IAS'). They have been prepared on the historical cost basis, except for certain biological assets, financial assets and liabilities, which have been measured at fair value. Freehold land and buildings have been measured at their depreciated replacement cost. The financial statements have also been prepared on the going concern basis as set out in the Strategic Report on pages 1 to 3 to the accounts.

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

Going concern basis

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. Cash flow forecasts have been prepared by the Company and by the operating subsidiaries based on current and expected trading for the period to June 2023. The operating subsidiaries of the Group continue to trade profitably. At 31 December 2021, the Company had cash and cash equivalents of \$11.7 million and no debt. The Group had cash and cash equivalents of \$15.9 million and net debt of \$6.4 million. As a consequence, and after reviewing the forecasts and current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2021.

Changes in accounting policy and new and amended standards

New and amended standards adopted by the Group

A number of new standards and amendments are effective for annual periods commencing on or after 1 January 2021, none of which have any impact on the accounting policies and consolidated financial statements of the Group.

Company accounts

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

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

Basis of consolidation

Subsidiaries

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

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

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

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

Associates

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

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

Notes to the accounts (continued)

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

Basis of consolidation (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars which is the Group's presentation currency and the Company's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within the category to which they relate.

Transactions and balances where the jurisdiction has a currency of hyperinflation

The Group's entities maintain a functional currency of US dollars. Since the re-introduction of the Zimbabwe dollar (ZWL) in 2019, there has been a significant devaluation of the ZWL against the US dollar and a return of hyperinflation. Due to the foreign exchange shortage in the country, there is evidence of a parallel market operating in Zimbabwe. As at 31 December 2021 certain monetary assets denominated in ZWL have been impaired using an unofficial market rate of 210.0 (2020: 101.3). The official interbank rate was 108.666 as at the year end (2020: 81.8).

Group companies

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

Impairment of assets

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

Goodwill

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

Biological assets

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

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

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

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

Assets under construction are not depreciated until commissioned.

Notes to the accounts (continued)

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

Property, plant and equipment (continued)

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

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

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

Leases

Right-of-use assets are measured at cost at date of initial recognition. Cost comprises the initial amount of the lease liability, adjusted for, if applicable, lease payments made at or before the commencement date net of any lease incentives received and any initial direct costs incurred.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected to apply the exemption under IFRS 16 to not recognise short term leases under 12 months and low-value underlying assets and instead, recognise the rental payments as charges to profit and loss over the lease period

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments less any incentives receivable. The lease payments are discounted by an incremental borrowing rate, determined by the Group's cost of borrowing if it were to obtain the asset outright. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period.

Other investments

Other investments are stated at cost or fair value.

Fair value measurement

Fair value measurements are classified in the accounts using the following levels:

Level 1 uses quoted prices in active markets for identical assets

Level 2 uses inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 uses inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Inventories

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

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

Trade and other receivables

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

Current asset investments

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

Cash and cash equivalents

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

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

Borrowings

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

Taxation

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

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

Notes to the accounts (continued)

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

Taxation (continued)

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. Revenue from these sales is recognised based on the price specified in the contracts. The following specific recognition criteria must also be met before revenue is recognised:

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

Derivative financial instruments

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

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

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

Critical accounting estimates and judgements

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

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 2021 reporting periods and have not been early adopted by the Group.

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

Notes to the accounts (continued)

2. Revenue and profit for the year

	2021	2020
	\$000	\$000
Analysis of the Group's revenue:		
Sale of agribusiness produce	54,345	43,516
Renewable energy power generation	19,817	15,812
Property management income	224	213
	74,386	59,541
Profit for the year is stated after charging/(crediting):		
Cost of inventories recognised as expense	37,723	30,175
Depreciation of property, plant and equipment	5,101	4,866
Net impairment reversal of property, plant and equipment	–	(729)
Loss on disposal of property, plant and equipment	36	3
Loss on disposal of other financial assets	129	343
Profit on disposal of associate	–	(49)
Foreign exchange gain on ZWL debentures	(37)	(680)
Other net foreign exchange losses	473	292
Fair value movements:		
Biological assets	40	118
Other financial assets	952	1,859

3. Share of associate's results

	Period to 19 August 2020 \$000
The Group's share of the results of its associated company comprises:	
Profit from operations	69
Impairment write back against investment in associate	31
Profit after taxation	100
The Group disposed of its 20% interest in K2 on 19 August 2020. The profit on disposal was \$49,000 and has been recognised in other operating income in 2020. An impairment write back of \$31,000 was made in 2020 up to the date of disposal.	

4. Finance income and costs

	2021	2020
	\$000	\$000
Finance income comprises:		
Bank and other interest receivable	515	35
Foreign exchange gains on financing activities	266	273
	781	308
Finance costs comprise:		
On amounts wholly repayable within 5 years:		
Bank	(2,278)	(2,405)
Foreign exchange loss on financing activities	(282)	(450)
	(2,560)	(2,855)
Imputed interest on pension plan liabilities (net)	(127)	(143)
Fair value gain/(loss) on derivatives	33	(39)
	(2,654)	(3,037)
Finance costs (net)	(1,873)	(2,729)

Notes to the accounts (continued)

5. Auditor's remuneration

	2021	2020
	\$000	\$000
The analysis of the auditor's remuneration is:		
Audit services		
Statutory audit of the Company and the group accounts	165	134
Other services		
Tax advisory	24	10
	189	144

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 \$156,000 (2020: \$125,000).

6. Employees and directors

Employees	Group		Company	
	2021	2020	2021	2020
Average numbers employed (including executive directors) in the year:				
Agribusinesses including seasonal workers	11,002	11,579	–	–
Renewable energy power generation	294	305	–	–
Head office	4	4	4	4
	11,300	11,888	4	4
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Staff costs:				
Wages and salaries	18,053	15,804	887	571
Social security	376	302	90	109
Other pension costs	258	263	51	47
	18,687	16,369	1,028	727

Directors

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

	2021	2020
	\$000	\$000
Aggregate emoluments	1,009	1,024
Social security costs	85	113
Company pension contributions to defined contribution scheme for 2 directors (2020: 2 directors)	28	26
	1,122	1,163

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 (2020: \$171,000). For the purpose of this disclosure, the Company's directors are treated as the key management of the Group.

Emoluments of highest paid director:

	2021	2020
	\$000	\$000
Aggregate emoluments	489	567
Company pension contributions to defined contribution scheme	14	13
	503	580

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

	2021	2020
	\$000	\$000
Highest paid director – accrued pension	70	71

Notes to the accounts (continued)

7. Taxation

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

	2021 \$000	2020 \$000
Current taxation:		
UK corporation tax		
UK corporation tax	-	-
Double taxation relief	-	-
Foreign tax		
Current tax on income for the period	2,701	1,418
Adjustment in respect of prior periods	(24)	9
Withholding taxation	272	29
Total current taxation	2,949	1,456
Deferred taxation:		
Origination and reversal of temporary differences	1,221	(924)
Adjustment in respect of prior periods	367	652
Total deferred taxation	1,588	(272)
Total tax expense reported in the income statement	4,537	1,184

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%:

	2021 \$000	2020 \$000
Profit before tax	9,027	9,884
Profit before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,715	1,877
Effects of:		
Items not chargeable for tax purposes	366	(1,776)
Net increase in tax losses	979	1,055
Different tax rates on overseas earnings	248	(662)
Derecognition of deferred tax assets	614	-
Adjustment in respect of prior years	343	661
Additional tax arising on the remittances from overseas companies	272	29
Total tax expense reported in the income statement	4,537	1,184

c) Tax effects relating to other comprehensive income

	2021			2020		
	Before tax amount \$000	Tax expense \$000	Net of tax amount \$000	Before tax amount \$000	Tax expense \$000	Net of tax amount \$000
Net actuarial gain/(loss) on defined benefit pension plan	4,611	-	4,611	(3,349)	-	(3,349)

Notes to the accounts (continued)

8. Earnings per ordinary share

Basic and diluted

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

	2021	2020
Weighted average number of ordinary shares in issue	15,611	15,611

	2021	2021
	\$000	\$000
Profit attributable to owners of the parent:	3,753	8,011

	\$	\$
Basic and diluted earnings per ordinary share	240.41	513.16

9. Dividends

	2021	2020
	\$000	\$000

Amounts recognised as distributions to owners of the parent in the year:

Dividend for the year ended 31 December 2020 of \$50.41 (2019: \$46.31) per share	787	723
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Dividend pound sterling equivalent for the year ended 31 December 2020 was £36.00 (2019: £36.00) per share

A dividend for the year ended 31 December 2021 of \$60.00 per ordinary share has been recommended by the directors for payment on 18 August 2022.

10. Goodwill

	2021	2020
	\$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 2021 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 16.26% (2020: 15.25%) has been used. The calculations use cash flow forecasts derived from the most recent board approved 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 \$7.9 million (2020: \$3.6 million), indicating that no impairment charge was necessary for the year ended 31 December 2021 (2020: \$nil). A key assumption used in the value-in-use calculations is the exchange rate between the Euro and US dollar. The forecasts have been based on current rates of exchange. Based on these calculations, it is considered that there are no reasonably possible scenarios in which the goodwill would become impaired.

Notes to the accounts (continued)

11. Biological assets

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

	2021			2020		
	Livestock	Agricultural produce	Total	Livestock	Agricultural produce	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1 January	261	1,942	2,203	259	2,343	2,602
Increase due to purchases	7	1,181	1,188	–	1,234	1,234
Change in fair value due to:						
Biological transformation	(2)	(38)	(40)	2	(120)	(118)
Decrease due to harvest	–	(1,233)	(1,233)	–	(1,515)	(1,515)
Closing balance at 31 December	266	1,852	2,118	261	1,942	2,203
a) Non-current assets:						
Livestock	266	–	266	261	–	261
b) Current assets:						
Agricultural produce	–	1,852	1,852	–	1,942	1,942

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

The fair value of growing green tea leaf, macadamias-in-husk and rose buds has been determined using models based on expected yields and market prices for the saleable produce, after allowing for harvesting costs and other costs yet to be incurred in getting the produce to maturity. The fair value of the agricultural produce has been measured using valuation Level 3, whereby inputs for the asset are not based on observable market data. This requires the Group to make various estimates and judgements, which have been based on historical experience and other factors, including the volume and stages of maturity at the balance sheet date, yields and market prices. The year end fair value amounted to \$1.9 million (2020: \$1.9 million). The livestock has been measured at fair value using valuation Level 2, whereby inputs other than quoted prices that are observable for the asset are used. There were no transfers between any levels during the year.

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

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

	2021	2020
	Hectares	Hectares
Tea	4,674	4,586
Macadamia	1,153	1,062
Roses	67	55

Notes to the accounts (continued)

12 a) Property, plant and equipment

	Group					Company	
	Bearer plants	Land and buildings	Long leasehold	Renewable energy plant and equipment	Plant and equipment and vehicles	Total	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 31 December 2021							
Opening cost or valuation	24,875	4,109	4,451	86,100	29,784	149,319	76
Additions	1,188	2,676	862	126	1,835	6,687	-
Disposals	(32)	-	-	(144)	(658)	(834)	-
Reclassification	-	985	-	-	(985)	-	-
Closing cost or valuation	26,031	7,770	5,313	86,082	29,976	155,172	76
At directors' valuation	-	7,770	-	-	-	7,770	-
At cost	26,031	-	5,313	86,082	29,976	147,402	76
Opening accumulated depreciation	6,437	1,209	1,232	17,313	20,215	46,406	76
Charge for the year	1,340	126	106	2,204	1,325	5,101	-
Disposals	(14)	-	-	(1)	(609)	(624)	-
Closing accumulated depreciation	7,763	1,335	1,338	19,516	20,931	50,833	76
Net book value	18,268	6,435	3,975	66,566	9,045	104,289	-
Historical cost							
Cost	26,031	6,486	5,313	86,082	29,976	153,888	76
Accumulated depreciation	7,763	425	1,338	19,516	20,931	49,973	76
	18,268	6,061	3,975	66,566	9,045	103,915	-

Immature bearer plants of \$640,000 (2020: \$565,000) were reclassified as mature in 2021. Immature bearer plants at the year end amounted to \$3,558,000 (2020: \$3,652,000) and are not depreciated.

During the year under review the Group purchased a company which owned land and equipment for \$1,150,000. In the judgement of the directors, this was considered to be an acquisition and not a business combination.

Due to the economic environment in Zimbabwe the Group has tested the renewable energy cash generating units (CGUs) for impairment. In 2021 this resulted in a surplus in the value-in-use (VIU) arising from the volatility in the country risk premium (CRP) used in the weighted average cost of capital calculation. The CRP is the largest single variable among the inputs used in calculating the WACC, and moved from 11.62% for 2020 to 7.41% for 2021. It has been in excess of 11% since January 2019. It is the directors' judgement that this contradicts the unchanged political and economic environment in Zimbabwe and therefore neither a reversal nor a charge for impairment have been recognised for the CGUs. In the year ended 31 December 2020 there was a net impairment reversal of \$729k.

Five year cash flow and terminal value projections have been used, which have assumed that receipts are based in US dollars and only growth in the cash flows of newly constructed power stations. The estimated value in use was determined using a pre-tax discount rate of 14.2% (2020: 16.9%). The calculations use cash flow forecasts derived from the most recent financial budgets supplemented by forecasts of performance for the years thereafter.

The pre-tax discount rate is a key assumption used in the VIU calculations. An increase in the discount rate of 1.0% to 15.2% would reduce the surplus of VIU over carrying value by \$4,362,000 to \$9,153,000. A reduction in the discount rate of 1.0% to 13.2% would increase the surplus of VIU over carrying value by \$4,976,000 to \$18,491,000. Cashflows are based on contractually agreed long term power purchase agreements (PPAs) which have an agreed tariff that do not increase or decrease over the term of the agreement, with the exception of Pungwe B Power Station which has a 4% declining tariff rate.

At the year end \$3,853,000 (2020: \$4,669,000) of the cost of property, plant and equipment was under construction.

A conference centre in Zimbabwe, which was under construction at the end of 2020, was completed in 2021 and has been reclassified from the plant, equipment and vehicles category to freehold buildings.

During the year, the Group did not have any capitalised borrowing costs on qualifying assets (2020: \$nil).

Net book value of property, plant and equipment pledged as security for bank loans and overdrafts:	Net book value	
	2021	2020
	\$000	\$000
	22,284	24,704

Valuation method

The freehold properties recognised at directors' valuation on 31 December 2021 of \$7.8 million 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 2020							
Opening cost or valuation	23,318	4,108	4,338	86,225	28,370	146,359	76
Additions	1,285	1	113	3,154	1,442	5,995	-
Disposals	-	-	-	(13)	(28)	(41)	-
Transfer to inventories	-	-	-	(3,266)	-	(3,266)	-
Reclassification	272	-	-	-	-	272	-
Closing cost or valuation	24,875	4,109	4,451	86,100	29,784	149,319	76
At directors' valuation	-	4,109	-	-	-	4,109	-
At cost	24,875	-	4,451	86,100	29,784	145,210	76
Opening accumulated depreciation	5,046	1,171	1,140	15,806	18,872	42,035	76
Charge for the year	1,119	38	92	2,247	1,370	4,866	-
Impairment (reversal)/provision	-	-	-	(729)	-	(729)	-
Disposals	-	-	-	(11)	(27)	(38)	-
Reclassification	272	-	-	-	-	272	-
Closing accumulated depreciation	6,437	1,209	1,232	17,313	20,215	46,406	76
Net book value	18,438	2,900	3,219	68,787	9,569	102,913	-
Historical cost							
Cost	24,875	2,825	4,451	86,100	29,784	148,035	76
Accumulated depreciation	6,437	316	1,232	17,313	20,215	45,513	76
	18,438	2,509	3,219	68,787	9,569	102,522	

12 b) Right-of-use assets

The Group has a lease for office premises for a term of five years at a fixed rent, expiring in August 2022, which has been accounted for under IFRS 16.9, using an incremental borrowing rate of 2%. All other leases within the Group have been classified as short term, or leases of low-value underlying assets, which are exempt from the requirements of IFRS 16.

Amounts recognised in statement of financial position:

	Group		Company	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Right-of-use assets				
Buildings	55	148	55	148

	Group		Company	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Lease Liability				
Current	58	98	58	98
Non-Current	-	58	-	58

Amounts recognised in the income statement:

	Group		Company	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Depreciation charge	93	94	93	94
Interest expense	3	5	3	5

13. Capital commitments

The Group had \$73,000 of capital expenditure contracted for, but not provided at 31 December 2021 (2020: \$nil). Replanting and estate development costs, which are incurred on an ongoing basis, are excluded from capital commitments.

Notes to the accounts (continued)

14. Investments

The Group has no associates after the disposal of its 20% interest in K2 on the 19 August 2020.

	Other unlisted investments		Associates Period to 19 August 2020
Group	2021 \$000	2020 \$000	2020 \$000
Analysis of movement during the year:			
At beginning of year	111	167	–
Profit from operations (Note 3)	–	–	69
Impairment (provision)/write back (Note 3)	(1)	(56)	31
Dividends received	–	–	(100)
Carrying amount at end of year	110	111	–

Other unlisted investments are recognised at cost less expected credit loss in the balance sheet at \$110,000 (2020: \$111,000).

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

	Subsidiary undertakings		
Company	Shares \$000	Loans \$000	Total \$000
At 1 January 2020	39,874	28,040	67,914
Repayments	–	(1,727)	(1,727)
Reversal of impairment provision against an investment	–	1,592	1,592
At 31 December 2020	39,874	27,905	67,779
Repayments	–	(5,848)	(5,848)
At 31 December 2021	39,874	22,057	61,931

The Company did not make any management charges to group subsidiaries in the year (2020: \$nil).

Subsidiary undertakings

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

There were no acquisitions in the year ended 31 December 2021 (2020: Nil).

Notes to the accounts (continued)

15. Inventories

	2021	2020
	\$000	\$000
Produce	4,799	5,684
Raw material	4,828	5,057
Held for sale	–	3,266
	9,627	14,007

16. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Due within one year				
Trade and other receivables	8,248	7,642	180	60
Loss allowance	(306)	(257)	–	–
Prepayments and accrued income	949	709	33	38
	8,891	8,094	213	98
Due after one year				
Trade and other receivables	3,234	–	–	–
	3,234	–	–	–

There is no fixed repayment date on \$98,000 (2020: \$147,000) of the Trade and other receivables. Included in Trade and other receivables is \$1,755,000 (2020: \$969,000), which relates to VAT reclaimable in the UK and overseas jurisdictions. In the overseas jurisdictions these amounts are being offset, where possible, against future output tax and other local taxes, as they fall due. The ownership of the transmission facilities constructed by the Zimbabwe renewable energy business were formally transferred to the off-taker for a consideration of \$3.2 million during the year under review. The long term trade receivable will be settled over a period of approximately twenty-five years at an agreed tariff of \$0.0256 per KWh.

Credit risk

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

17. Share capital

	Issued and fully paid number	Issued and fully paid \$000
Ordinary shares of \$3,184 (£2,500) each		
At 31 December 2021 and 2020	15,611	49,705

18. Reserves and non-controlling interests

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

The capital redemption reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of the Company's own shares out of distributable profits.

The share premium is part of shareholders' funds formed of the premium paid for new shares above their nominal value.

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

Foreign currency translation reserve

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

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

	Retained Earnings \$000
Exchange losses on translation of net overseas assets	
At 31 December 2021 and 2020	(18,480)

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

Notes to the accounts (continued)

18. Reserves and non-controlling interests (continued)

Subsidiary with material non-controlling interest

There is a material non-controlling interest of 25.24% in Khal Amazi Ltd. The principal place of business and country of incorporation of Khal Amazi Ltd is Zambia. The profit allocated to the non-controlling interest in the subsidiary for the year ended 31 December 2021 was \$97,000 (2020: profit \$52,000). Of the non-controlling interest at 31 December 2021 amounting to \$3,656,000 (2020: \$3,525,000), disclosed on page 10, \$1,902,000 (2020: \$1,805,000) relates to the non-controlling interest in Khal Amazi Ltd. No dividends were paid by Khal Amazi Ltd in the year under review (2020: \$nil). Its increase in cash and cash equivalents for the year ended 31 December 2021 amounted to \$535,000 (2020: increase \$6,000). Its net assets at the year ended 31 December 2021, before inter-company eliminations, were \$10,852,000 (2020: \$8,952,000).

19. Interest bearing loans and borrowings

		Group	
		2021	2020
		\$000	\$000
Debentures, bank loans and overdrafts – secured	(i)	22,305	24,732
Debentures, bank loans and overdrafts are repayable:			
Within one year		7,354	5,831
Between one and two years		6,171	5,865
Between two and five years		8,780	12,412
After five years		–	624
		22,305	24,732
Due within one year		7,354	5,831
Due after more than one year		14,951	18,901
		22,305	24,732

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 \$7.6 million (2020: \$8.1 million). The loan will be repaid in full by 30 September 2025. Interest on the loan is charged at 11.75% plus 3 month LIBOR and is paid quarterly.

20. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Due within one year				
Trade payables	3,490	4,585	5	6
Other taxation and social security	778	558	55	55
Accruals and deferred income	4,775	3,446	1,051	925
Other payables	995	2,893	13	–
	10,038	11,482	1,124	986
Due after one year				
Trade payables	449	–	–	–
Accruals and deferred income	3,499	159	–	–
Other payables	721	241	–	–
	4,669	400	–	–

Notes to the accounts (continued)

21. Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises:

	2021	Restated 2020
	\$000	\$000
Accelerated depreciation as originally stated	–	8,002
Correction of error (note 30)	–	10,840
Accelerated tax depreciation (2020: as restated)	18,421	18,842
Unrealised foreign exchange differences	(399)	(270)
Other temporary differences	246	289
Tax losses	(2,281)	(4,462)
Provision for deferred tax on temporary differences	15,987	14,399
Potential tax due on property revaluations	467	467
Total provision for deferred tax	16,454	14,866

The movement in the provision for deferred tax was:

At 1 January as original stated	14,866	4,298
Correction of error	–	10,840
At 1 January restated	14,866	15,138
Deferred tax charge in income statement (Note 7a)		
Current year from continuing operations	1,221	(924)
Prior year adjustment	367	652
	1,588	(272)
At 31 December	16,454	14,866

There are cumulative tax losses arising in the UK of approximately \$10.3 million (2020: \$5.5 million) which are available to offset against future taxable profits in the companies in which the loss arose. There are also capital losses of \$27.5 million (2020: \$27.8 million) which are available to offset against future capital gains arising in the UK. The total potential deferred tax asset of \$7.2 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. There are no deferred tax liabilities in the UK.

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

22. Other provisions

	Group		Company	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Current	1,896	1,170	726	–

The movement in the provision:

At 1 January	1,170	1,866	–	–
Provided in the year	726	–	726	–
Write back in the year	–	(696)	–	–
At 31 December	1,896	1,170	726	–

A provision has been made in respect of litigation in 2021 (2020: \$1,170,000).

Notes to the accounts (continued)

23. Retirement benefit liabilities

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

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

	2021	2020
	\$000	\$000
Present value of defined benefit obligation	(27,173)	(29,364)
Fair value of plan assets	21,900	19,056
Deficit in plan recognised in the balance sheet	(5,273)	(10,308)

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 \$601,000 (2020: \$262,000). The Group incurred other pension costs of \$258,000 (2020: \$263,000) for certain employees in respect of defined contribution plans.

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

The total membership of the plan at 31 December 2021 was 398 members (2020: 415 members), analysed as follows:

	Deferred pensioners Number	Pensioners in payment Number	Total Number
Males	94	188	282
Females	23	93	116
Total	117	281	398

The total pensions paid during the year ended 31 December 2021 amounted to \$1,069,000 (2020: \$1,155,000). A summary of the unaudited financial statements of the scheme for 2021 and the audited financial statements of the previous year is shown below:

	2021	2020
	\$000	\$000
Company contributions	601	262
Benefits payable:		
Pensions	(1,069)	(1,155)
Commutation and other lump sum benefits	(66)	(68)
	(1,135)	(1,223)
Administration expenses	(50)	(60)
Exchange difference	(175)	620
Net return/(reduction) on investments	3,603	(3)
Net increase/(decrease) in the fund	2,844	(404)
Net assets at 1 January	19,056	19,460
Net assets at 31 December	21,900	19,056

Net assets statement at 31 December:

	2021		2020	
	\$000	% of total	\$000	% of total
Investments				
Managed equity funds:				
Aquila Life UK Equity Index fund	10,999	50	9,742	51
Aquila Life European Equity Index fund	2,493	11	2,216	11
Aquila Life US Equity Index fund	3,722	17	3,043	16
Aquila Life Overseas Fixed Bench Equity fund	4,594	21	4,000	21
Managed gilt and corporate bond funds:				
Aquila Life Corporate Bond 5 to 15 years fund	46	-	48	-
	21,854	99	19,049	99
Net current assets:				
Cash deposits	137	1	109	1
Accruals	(91)	-	(102)	-
Total net assets	21,900	100	19,056	100

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

PGI Group Limited

Notes to the accounts (continued)

23. Retirement benefit liabilities (continued)

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

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

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

IAS 19 Disclosures

To assess the position of the plan at 31 December 2021, the IAS 19 disclosures have been calculated on an approximate basis by appropriately adjusting and updating the results for the latest actuarial valuation at 31 December 2019.

The deficit of the pension plan is a pound sterling denominated liability recognised in the Company. Due to the change in functional currency of the Company with effect from 1 January 2019, the liability is translated into US dollars, which creates exchange differences that are recognised in other comprehensive income. In the year under review, the pound sterling weakened against the US dollar which served to decrease the US dollar reported value of the deficit by US\$0.1 million (2020: increase of US\$0.2 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

	2021 \$000	2020 \$000
Defined benefit obligation at start of year	29,364	26,478
Exchange differences	(269)	844
Expenses	50	60
Interest expense	371	534
Actuarial losses/(gains) due to plan experience	145	(1,092)
Actuarial (gains)/losses due to changes in demographic assumptions	(39)	1,065
Actuarial (gains)/losses due to changes in financial assumptions	(1,264)	2,758
Benefits paid and expenses	(1,185)	(1,283)
Defined benefit obligation at end of year	27,173	29,364

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

	2021 \$000	2020 \$000
Fair value of assets at start of year	19,056	19,460
Exchange differences	(175)	620
Interest income	244	391
Return on plan assets (excluding amounts included in interest income)	3,359	(394)
Contributions by the Company	601	262
Benefits paid and expenses	(1,185)	(1,283)
Fair value of assets at end of year	21,900	19,056

The charge to the income statement comprises:

	2021 \$000	2020 \$000
Total Expenses	(50)	(60)
Other finance charges:		
Interest expense	(371)	(534)
Interest income	244	391
Net interest cost	(127)	(143)
Defined benefit costs recognised in the income statement	(177)	(203)

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:

	2021	2020	2019	2018	2017
	\$000	\$000	\$000	\$000	\$000
Fair values at 31 December					
Equities	21,808	19,001	18,789	15,463	18,251
Bonds	46	48	579	1,099	1,756
Cash and other net assets	46	7	92	118	31
Present value of plan	21,900	19,056	19,460	16,680	20,038
Liabilities	(27,173)	(29,364)	(26,478)	(24,419)	(27,516)
Plan deficit	(5,273)	(10,308)	(7,018)	(7,739)	(7,478)
Percentage funding	80.6%	65.5%	73.5%	68.3%	72.8%

Actual return on plan assets

There was a return on the Plan's assets for the year ending 31 December 2021 of \$3,425,000 (2020: \$176,000).

Significant actuarial assumptions

Weighted-average assumptions to determine defined benefit obligations	2021	2020
Discount rate	1.8%	1.3%
Price inflation rate (RPI)	3.6%	3.1%
Price inflation rate (CPI)	3.2%	2.7%
Post-retirement mortality assumption	114% of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating projected using CMI_2020 converging to 1.25% p.a.	114% of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating projected using CMI_2019 converging to 1.25% p.a.
Assumed life expectancy on retirement at age 65		
Retiring today (member age 65)	21.1 (M) / 22.9 (F)	21.1 (M) / 22.8 (F)
Retiring in 20 years (member age 45 today)	22.4 (M) / 24.4 (F)	22.4 (M) / 24.4 (F)
Duration (in years)	13	13

Sensitivity analysis

The below is an indication of the change in material assumptions:

	2021	2020
	\$000	\$000
Present value of defined benefit obligation		
Discount rate - 25 basis points	28,082	30,348
Discount rate + 25 basis points	26,304	28,416
Price inflation rate - 25 basis points	26,896	29,015
Price inflation rate + 25 basis points	27,456	29,659
Post-retirement mortality assumption - 1 year age rating	28,185	29,364
Post-retirement mortality assumption + 1 year age rating	26,178	28,380

Movement in the plan deficit during the year

	2021	2020
	\$000	\$000
Deficit at 1 January	(10,308)	(7,018)
Pension expenses recognised in the income statement:	(177)	(203)
Amounts recognised in other comprehensive income	4,611	(3,349)
Contributions by the Company	601	262
Deficit at 31 December	(5,273)	(10,308)

The actuarial loss recognised in other comprehensive income comprises

	2021	2020
	\$000	\$000
Experience adjustment on plan assets	3,359	(394)
Experience adjustment on plan liabilities	(145)	1,092
Effect of change in assumptions	1,303	(3,823)
Exchange difference	94	(224)
	4,611	(3,349)

Notes to the accounts (continued)

24. Consolidated cash flow statement

Analysis of net debt:

	Opening balance 2020 \$000	Cash Flow \$000	Transfers \$000	Exchange movement \$000	Closing balance 2021 \$000
Cash	13,083	3,099	—	(235)	15,947
Overdrafts	(1,434)	540	—	219	(675)
Cash and cash equivalents	11,649	3,639	—	(16)	15,272
Debt due within one year	(4,397)	2,631	(4,903)	(10)	(6,679)
Debt due after more than one year	(18,901)	(1,000)	4,903	47	(14,951)
	(11,649)	5,270	—	21	(6,358)

25. Financial risk management objectives and policies

Policy

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

The Group entered into forward currency contracts during 2021 with the purpose of managing currency risks arising from the Group's operations.

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

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

Foreign currency risk

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

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

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

The table below shows the extent at 31 December 2021 to which the Group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the income statement with the exception of the Company's defined benefit pension plan, which are taken to other comprehensive income. The Company does not hedge the currency exposure of the pension plan and a strengthening of the pound sterling could materially increase the valuation of the deficit and reduce retained earnings. The monetary liability of the pension plan is included in the below table and amounts to \$5,27 million for the year under review (2020: \$10.31 million).

Net foreign currency monetary assets/(liabilities)

	2021				2020			
	Pound sterling \$000	Euro \$000	Other \$000	Total \$000	Pound sterling \$000	Euro \$000	Other \$000	Total \$000
Group								
Functional currency of operations								
UK: US dollar	(6,753)	—	—	(6,753)	(11,535)	—	—	(11,535)
Malawi: US dollar	—	—	(1,707)	(1,707)	—	—	(2,328)	(2,328)
Zambia: US dollar	894	670	427	1,991	295	1,135	305	1,735
Zimbabwe: US dollar	(133)	—	901	768	(5)	—	(73)	(78)
	(5,992)	670	(379)	(5,701)	(11,245)	1,135	(2,096)	(12,206)

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

	Increase/decrease in \$ exchange rate against non-functional currency	Pound Sterling \$000	Euro \$000	Other \$000	Total \$000
2021	+ 10%	545	(15)	35	565
	- 10%	(599)	67	(38)	(570)
2020	+ 10%	1,022	(103)	191	1,110
	- 10%	(1,125)	114	(210)	1,221

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. To date there has been no impact from the interest rate benchmarking reform.

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 2021 was:

	Floating rate \$000	Fixed rate \$000	Total \$000	Weighted average of Fixed rate debt interest rate %	period years
2021	19,731	2,574	22,305	10	4.9
2020	21,551	3,181	24,732	10	6.0

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 2021, with all other variables held constant.

	Basis points increase/ decrease	Effect on profit before tax \$000
2021		
US dollar	± 100	± 197
2020		
US dollar	± 100	± 216

Credit risk

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

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses (ECL). This approach uses a lifetime expected loss allowance for trade and other receivables. The ECL is determined on the ageing of the receivables, historical data and expected future conditions. At each reporting date the ECL is reviewed to reflect any changes in credit risk since initial recognition. The Group reviewed its historical default rates in 2021 and subsequently reversed the expected credit loss allowance associated with this due to significantly low rates of default. The loss rate on trade receivables for current to 60 days past due is considered immaterial and not provided for in 2021.

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

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

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Credit risk (continued)

Based on this information, the expected loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows, for current trade and other receivables:

	Current	> 30 days past due	> 60 days past due	> 120 days past due	Total
	\$000	\$000	\$000	\$000	\$000
31 December 2021					
Expected loss rate	-	-	-	37%	
Gross carrying amount – trade and other receivables	6,670	642	102	834	8,248
Loss allowance	-	-	-	(306)	(306)
	Current	> 30 days past due	> 60 days past due	> 120 days past due	Total
	\$000	\$000	\$000	\$000	\$000
31 December 2020					
Expected loss rate	-	-	-	25%	
Gross carrying amount – trade and other receivables	6,132	322	142	1,046	7,642
Loss allowance	-	-	-	(257)	(257)

The closing loss allowance for trade and other receivables as at 31 December 2021 is as follows:

	2021	2020
	\$000	\$000
At 1 January	257	1,384
Increase (reduction) in loss allowance recognised in profit and loss during the year	49	(1,127)
At 31 December	306	257

For non-current trade and other receivables there was no expected loss allowance.

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 its banking facilities.

The table below summarises the maturity of the Group's financial liabilities at 31 December 2021 based on contractual undiscounted payments.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Year ended 31 December 2021					
Interest bearing loans and borrowings	7,354	6,171	8,780	-	22,305
Other liabilities	5,770	721	-	-	6,491
Trade payables	3,490	449	-	-	3,939
Lease liabilities	58	-	-	-	58
	16,672	7,341	8,780	-	32,793
Year ended 31 December 2020					
Interest bearing loans and borrowings	5,831	5,865	12,412	624	24,732
Other liabilities	7,509	241	-	-	7,750
Trade payables	4,585	-	-	-	4,585
Lease liabilities	98	58	-	-	156
	18,023	6,164	12,412	624	37,223

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of the requirements of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2020. 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.

	2021	2020
	\$000	\$000
Interest bearing loans and borrowings	22,305	24,732
Less: cash and short term deposits	(15,947)	(13,083)
Net debt	6,358	11,649
Equity attributable to equity holders of the parent	81,501	73,924
Gearing ratio	7.8%	15.8%

26. Financial instruments

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

	Group		Company	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Categories of financial instruments				
<i>Financial assets</i>				
Trade and other receivables	11,176	7,385	180	60
Cash and cash equivalents	15,947	13,083	11,688	9,036
At amortised cost	27,123	20,468	11,868	9,096
Current asset investments at fair value through profit or loss	740	–	–	–
Total financial assets	27,863	20,468	11,868	9,096
<i>Financial liabilities</i>				
Trade and other payables	10,430	11,165	1,069	986
Lease Liabilities	58	156	58	156
Bank overdraft	675	1,434	–	–
Interest-bearing loans and borrowings				
Floating rate borrowings	19,056	20,117	–	–
Fixed rate borrowings	2,574	3,181	–	–
At amortised cost	32,793	36,053	1,127	1,142
Derivative financial instruments at fair value through profit and loss	33	39	33	39
Total financial liabilities	32,826	36,092	1,160	1,181

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.

	2021	2020
	Level 3	Level 3
	\$000	\$000
Financial assets at fair value through profit or loss:		
Other financial assets	740	–

Notes to the accounts (continued)

26. Financial instruments (continued)

Other financial assets

Other financial assets represent equities listed on the Zimbabwe Stock Exchange (ZSE). On 26 June 2020, Old Mutual Limited (OM) shares were suspended from the ZSE and there has been no indication when, or if, trading will resume. The Group's historical cost in OM shares as at 26 June 2020 was \$457,000. Against this background, the Group's shares in OM were fully impaired in 2020 and as trading has not resumed, remain fully impaired at 31 December 2021.

Other ZSE shares have been classified within Fair Value Measurement Level 3 at 31 December 2021, 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 2021 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 108.7 and the market rate 210.0. It implies a 48% 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 market 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		Financial Liabilities	
	2021 \$000	2020 \$000	2020 \$000	2020 \$000
At 1 January	–	754	(39)	–
Additions	2,201	2,536	–	–
Disposals	(380)	(1,088)	–	–
Recognised in the income statement:				
Loss on disposal of assets	(129)	(343)	–	–
Fair value (loss)/profit	(952)	(1,859)	6	(39)
At 31 December	740	–	(33)	(39)

There were financial liabilities at fair value through profit or loss at the year end of \$6,000 (2020: \$39,000).

27. Related party transactions

In addition to the pension contributions paid to the PGI Group Pension Plan, the Company also made net payments of \$50,000 (2020: \$60,000) in respect of administration and other expenses which have been charged to the plan. No amount was outstanding for payment at 31 December 2021 (2020: \$nil).

28. Contingent liabilities

In September 2005, under the terms of the Constitution of Zimbabwe Amendment (Number 17) Act 2005 promulgated at the time, freehold title to rural land was abolished. The Act only affects the land titles of the Zimbabwean tea business, Eastern Highlands Plantations Ltd. The Government of Zimbabwe have given an offer letter to Eastern Highlands Plantations Ltd which confirms its exclusive right to farm and manage the property. There is \$nil carrying value for the land in the balance sheet (2020: \$nil).

The Company has been served with claims in the English courts relating to allegations made by individuals concerning an African operation. A legal team is engaged to respond to these claims and a provision for litigation has been made in the accounts. However, at this stage it is not possible to estimate either the outcome of, or the total potential exposure to the legal and other costs relating to these claims.

29. Ultimate controlling party of the Group

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

30. Prior year restatement

The deferred tax charge and liability recognised in the audited accounts for the year ended 31 December 2019 for the Zimbabwe renewable energy subsidiaries did not comply with IAS12 – Income Taxes. The error arose as a result of the creation of a new domestic currency, the Zimbabwe dollar in February 2019, which had devalued by 94% against the \$ by the 2019 year end. Over the coming years the restated deferred tax liability will reverse and be credited to the taxation charge in the income statement, at an equal rate to the annual depreciation charge for the property, plant and equipment.

The effects of the restatement on the affected line items in the accounts are as follows:

	1 January 2020 (as originally stated)	Increase/ (decrease)	1 January 2020 (restated)
Balance sheet (extract)	\$000	\$000	\$000
Deferred tax liability	4,298	10,840	15,138
Net assets	84,014	(10,840)	73,174
Retained earnings	29,257	(10,821)	18,436
Non-controlling interests	3,208	(19)	3,189
Total Equity	84,014	(10,840)	73,174

Investments in subsidiaries

The Group had the following subsidiaries at 31 December 2021. 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
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
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
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
Alberts (Pvt) Ltd	Zimbabwe	100	Land holding company
Aberfoyle Industries (Pvt) Ltd	Zimbabwe	100	Dormant
Aberfoyle Lodge (Pvt) Ltd	Zimbabwe	100	Provision of hotel accommodation
Hippocrene Farming (Pvt) Ltd	Zimbabwe	100	Dormant
Sayama Tea Estates Ltd	England & Wales	100	Holding company
Thyolo Nut Ltd	England & Wales	100	Holding company
Nchima Tea and Tung Estates Ltd	England & Wales	100	Holding company
Bandanga Ltd	England & Wales	100	Holding company
Cessnock Holdings Ltd	Scotland	100	Holding company
Heathleigh Investments Ltd	England & Wales	100	Holding company
Renewable Energy Africa Ltd	England & Wales	100	Holding company
Renewable Energy Malawi Ltd	England & Wales	100	Holding company
Khal Amazi Holdings Ltd	Isle of Man	75	Holding company
Jensen Ltd	Cayman Islands	80	Property investment management - Russia
JPI Ltd	Cayman Islands	71	Property investment management - Russia
Jensen Partners 1 Ltd	Cayman Islands	73	Property investment management - Russia

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

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

Investments in subsidiaries (continued)

The registered addresses of the subsidiaries are as follows:

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of PGI Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise consolidated income statement, consolidated statement of other comprehensive income, consolidated and company statement of financial position, group and company statement of cash flows, consolidated statement of changes in equity, statement of changes in equity - company and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

Use of our report

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



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