PGI Group Limited

Report & Accounts

Year ended 31 December 2022

Contents

Strategic report

Group Performance
Profits before tax increased in the year to $10.0 million (2021: $9.0 million). Profit after tax increased to $6.7 million (2021: $4.5 million), delivering an earnings per share of $438.67 (2021: $240.41 per share). The Group had net debt (total borrowings less cash and cash equivalents) of $3.2 million at 31 December 2022 (2021: $6.4 million) and gearing was 3% (2021: 8%).

The Board is recommending the payment of a dividend of $100.00 per share (2021: $60.00). Payment will be made on 16 August 2023 to shareholders on the register on 26 July 2023.

At the conclusion of the forthcoming annual general meeting, Rupert Pennant-Rea will be standing down as chairman of the board. We are very appreciative for his wise counsel and guidance over the 26 years that he has served the company. Matthew Wright, who joined the board in 2015, will succeed him as chairman.

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

Renewable energy division
Operating profit increased to $15.3 million (2021: $11.3 million). For the second year in succession, the La Nina weather pattern delivered above average rainfall on the Nyangani and Mulanje massifs where our hydroelectric power plants are located. Electricity output for the year set a new record of 166,027 MWh (2021: 150,023 MWh). This output is 35% above our modelled long term average annual output.

The Tsanga A hydroelectric scheme in Zimbabwe was commissioned in the year, increasing the total installed capacity to 44 MW.

Agribusiness division
Operating profit decreased to $1.9 million (2021: $5.4 million).

Tea output decreased to 15,981 tonnes (2021: 16,643 tonnes). The lower tea productivity was offset by slightly higher market prices.

Macadamia kernel output was lower at 365 tonnes (2021: 540 tonnes). It was a difficult growing year with below average orchard yields. This, together with weakening market prices as the year progressed, significantly reduced margins.

Cut flower rose exports reduced to 146 million stems (2021: 173 million stems). Although our greenhouse production was good, it proved very difficult to sell all the available stems into the European market where disposable incomes were under pressure.

Financial Review

Presentation currency
The audited financial statements are presented in US dollars.

Group key financial performance indicators

	2022	2021
Profit before tax	**$10.0 million**	$9.0 million
Earnings per share	**$438.67**	$240.41
Dividend paid per share	**$60.00**	£36.00
Gearing ratio	**3%**	8%

Dividend
The Board is recommending the payment of an increased dividend of $100.00 per share for the year ended 31 December 2022 (2021: $60.00 per share). The dividend is denominated in US dollars to align it with the functional currency of the Company. The pound sterling dividend rate amounts to £80.11 per share, based on the US$/£ exchange rate on 18 May 2023. The default payment currency for all shareholders is GBP pound sterling. Shareholders have the option 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 assets – property, plant and equipment
During the year under review, the Tsanga A hydroelectric scheme in Zimbabwe was commissioned. Capital expenditure of $2.2 million was incurred in the year to complete the project. No other new major project expenditure was undertaken in the year.

Cash and net borrowings
At 31 December 2022, the Group had net borrowings of $3.2 million (2021: $6.4 million). The Group's cash and cash equivalents decreased by $0.4 million in the year under review to $15.5 million (2021: $15.9 million).

The cash balances in the Company at the year end amounted to $11.5 million (2021: $$11.7 million).

The effect of parallel Zimbabwe exchange rates on monetary assets and liabilities
The functional currency of the Zimbabwe subsidiaries is US dollars. A foreign exchange auction trading system, organised and managed by the Reserve Bank of Zimbabwe, was established in June 2020 for companies to convert the domestic currency of ZWL to US dollars to settle offshore liabilities. During the year under review, the renewable energy companies converted through the auction system, the ZWL equivalent of $7.8 million to settle its offshore loan obligations (2021: $4.1 million).

Strategic report (continued)

The effect of parallel Zimbabwe exchange rates on monetary assets and liabilities (continued)
Despite the auction, a scarcity of US dollars remains in the Zimbabwe banking system and ZWL are not freely convertible to US dollars. As a result, a parallel market continues to operate by charging a premium above the official interbank rate on the conversion of ZWL into US dollars. To recognise this exchange rate differential, a provision of $915k has been made to impair the ZWL denominated monetary assets being held at the year end to the market rate of ZWL950: US$1 (2021: provision of $2,453k at a market rate of ZWL210: US$1). The official interbank rate at the year end was ZWL698.02: US$1 (2021: ZWL108.7: US$1).

Pensions
The Group's defined benefit pension plan, valued in accordance with IAS19, recorded a surplus of $1.8 million at the end of 2022 (2021: deficit $5.3 million). The discount rate, which is based on high quality corporate debt, increased from 1.8% to 5.1%, which has significantly contributed to the reduction in the plan's liabilities from $27.2 million to $16.8 million. Additionally, contributions by the Company to the plan of $1,368k (2021: $601k), has served to reduce the plan's liabilities. A reduction in the valuation of the Plan's investments has partially offset the reduction in liabilities.

The deficit of the pension plan is a pound sterling denominated liability recognised by the Company. As the Company's functional currency is US dollars, exchange differences arise. In 2022 the stronger US$ to GBP resulted in a $0.6m gain to other comprehensive income.

Full details of the pension plan are contained in Note 23 to the accounts on pages 26 to 28.

Property management division
The liquidation of the partnership and the manager is on track to be completed in 2024. The partnership owns no property assets.

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 29 to 32.

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 2024. The operating subsidiaries of the Group continue to trade profitably. At 31 December 2022, the Company had cash and cash equivalents of $11.5 million and no debt. The Group had cash and cash equivalents of $15.5 million and net debt of $3.2 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 2022.

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

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

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

The main 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

Both our Zimbabwe and Malawi electricity businesses continued with their efforts to improve electricity access into the villages located around the hydroelectric power stations. Having extended the 33KV national grid and wired up 51 schools, the emphasis is now to help the individual homeowners to gain access to reliable mains electricity to their own private property. A commitment to fund similar projects over the medium term was confirmed by the Company at a recent board meeting.

We are assisting with the costs of building low voltage (11KV and 240V) mains electricity transmission lines within the villages. By bringing the electricity grid close to individual properties, it brings an affordable connection to the homeowners. These low voltage grid extensions are expensive to build and have proved to be beyond the capacity of the national utility to fund.

As rural employment in agriculture inevitably declines over the coming decade, building new electricity infrastructure will allow the local population to diversify into different business enterprises.

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

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

The 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.

Agribusinesses are energy intensive, with logistics, fertiliser and electricity consumption linked to oil and gas prices. The price of these inputs is 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. The liabilities of the plan may increase from improvements in mortality rates and unfavourable movements in economic variables. To mitigate the risks to the Company from fluctuating global equity markets, during the year a significant proportion of the assets of the scheme were switched out of equities into gilts and corporate bonds. As the functional currency of the Company is the US dollar, exchange rate movement on the translation of the deficit is a foreign currency risk.

By Order of the Board

Margaret Gage.

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

24 May 2023

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2022.

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 2022 of US$100.00 per ordinary share is recommended by the directors for payment on 16 August 2023 to shareholders on the register on 26 July 2023 (2021: US$60.00 paid on 18 August 2022). 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 2022, the Group operating companies employed 11,760 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.

Directors' report (continued)

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.

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 (2021: 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:

	Ordinary shares
R.L. Pennant-Rea	67
S.S. Hobhouse	477
M.A. Gage	52
L. Hene	50
J.C Mackintosh	24
J.B.K. Roditi (appointed 1 May 2022)	-
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:

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

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

A resolution for the re-appointment of BDO LLP, who were appointed auditors of the Company by the directors following the resignation of RSM UK Audit LLP, is to be proposed at the forthcoming Annual General Meeting. Resolution 3 to be proposed at the Annual General Meeting would give the directors authority to determine the remuneration of the auditors.

By Order of the Board

Margaret Gage.

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

24 May 2023

Consolidated income statement
for the year ended 31 December 2022

	Notes	2022 Total $000	2021 Total $000
Continuing operations			
Revenue	2	**71,272**	74,386
Cost of sales		**(37,026)**	(37,723)
Gross profit		**34,246**	36,663
Distribution costs		**(6,364)**	(7,284)
Administrative expenses		**(16,942)**	(18,128)
Other operating income	3	**4,319**	564
Fair value losses on financial assets		**(1,294)**	(952)
Exchange gain on financial liabilities		**68**	37
Profit from operations		**14,033**	10,900
Finance costs (net)	4	**(4,074)**	(1,873)
Profit before taxation		**9,959**	9,027
Taxation	7	**(3,285)**	(4,537)
Profit for the year	2	**6,674**	4,490
Profit attributable to:			
Owners of the parent		**6,848**	3,753
Non-controlling interests		**(174)**	737
		6,674	4,490

		$	$
Earnings per ordinary share			
- basic and diluted	8	**438.67**	240.41
Dividend paid per ordinary share	9	**60.00**	50.41

The notes on pages 12 to 33 form part of these accounts.

Consolidated statement of other comprehensive income
for the year ended 31 December 2022

	Notes	2022 Total $000	2021 Total $000
Profit for the year		**6,674**	4,490
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial gain on defined benefits pension plan	23	**5,846**	4,611
Deferred tax on defined benefits pension plan asset	7	**(616)**	–
Other comprehensive income for the year (net of tax)		**5,230**	4,611
Total comprehensive income for the year		**11,904**	9,101
Attributable to:			
Owners of the parent		**12,078**	8,364
Non-controlling interests		**(174)**	737
		11,904	9,101

The notes on pages 12 to 33 form part of these accounts

Statement of financial position

as at 31 December 2022

	Notes	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
ASSETS					
Non-current assets					
Goodwill	10	**464**	464	**–**	–
Biological assets	11	**271**	266	**–**	–
Property, plant and equipment	12 (a)	**104,333**	104,289	**–**	–
Right-of-use asset	12 (b)	**286**	55	**286**	55
Investments	14	**–**	110	**57,221**	61,931
Trade and other receivables	16	**3,276**	3,234	**–**	–
Defined benefit pension plan asset	23	**1,759**	–	**1,759**	–
		110,389	108,418	**59,266**	61,986
Current assets					
Biological assets	11	**2,084**	1,852	**–**	–
Inventories	15	**8,295**	9,627	**–**	–
Trade and other receivables	16	**8,892**	8,891	**38**	213
Current tax assets		**816**	595	**–**	–
Other financial assets	26	**516**	740	**–**	–
Cash and cash equivalents		**15,547**	15,947	**11,478**	11,688
		36,150	37,652	**11,516**	11,901
TOTAL ASSETS		**146,539**	146,070	**70,782**	73,887
LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	19	**8,714**	7,354	**–**	–
Trade and other payables	20	**9,263**	10,038	**1,069**	1,124
Lease liabilities	12 (b)	**54**	58	**54**	58
Current tax liabilities		**144**	214	**–**	–
Provisions	22	**–**	1,896	**–**	726
Other financial liabilities	26	**1**	6	**1**	6
		18,176	19,566	**1,124**	1,914
Non-current liabilities					
Interest bearing loans and borrowings	19	**10,013**	14,951	**–**	–
Trade and other payables	20	**4,010**	4,669	**–**	–
Lease liabilities	12 (b)	**241**	–	**241**	–
Deferred tax liabilities	21	**18,227**	16,454	**616**	–
Defined benefit pension plan deficit	23	**–**	5,273	**–**	5,273
		32,491	41,347	**857**	5,273
TOTAL LIABILITIES		**50,667**	60,913	**1,981**	7,187
NET ASSETS		**95,872**	85,157	**68,801**	66,700
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		**41,093**	29,952	**17,252**	15,151
Equity attributable to owners of the parent		**92,642**	81,501	**68,801**	66,700
Non-controlling interests		**3,230**	3,656	**–**	–
TOTAL EQUITY		**95,872**	85,157	**68,801**	66,700

The Company's registered number is 01338135.

The Company's loss for the year was $2,192,000 (2021: loss $2,696,000) and its total comprehensive income for the year was a profit of $3,038,000 (2021: profit $1,915,000)

The notes on pages 12 to 33 form part of these accounts. The accounts were approved and authorised for issue by the Board on 24 May 2023 and were signed on its behalf by:

Margaret Gage.

Directors
S.S. Hobhouse

Margaret Gage

Statement of cash flows
for the year ended 31 December 2022

	Notes	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Operating activities					
Profit/(loss) before tax		**9,959**	9,027	**(2,192)**	(2,696)
Adjustments:					
Depreciation of property, plant and equipment	12 a)	**5,261**	5,101	**–**	–
Depreciation of right-of-use asset	12 b)	**72**	93	**72**	93
Impairment provision against unlisted investment	14	**110**	1	**–**	–
(Profit)/loss on disposal of property, plant and equipment		**(21)**	36	**–**	–
Loss on disposal of financial assets		**–**	129	**–**	–
Fair value movements – financial assets	26	**1,294**	952	**–**	–
Fair value movements – biological assets	11	**(52)**	40	**–**	–
Exchange gain on financial liabilities		**(68)**	(37)	**–**	–
Net finance costs	4	**4,074**	1,873	**99**	110
Net defined benefit pension plan costs	23	**(1,259)**	(551)	**(1,259)**	(551)
Working capital adjustments:					
(Increase)/decrease in biological assets		**(185)**	52	**–**	–
Decrease in inventories		**1,332**	4,380	**–**	–
(Increase)/decrease in trade and other receivables		**(43)**	(4,031)	**175**	(115)
Net movement in financial assets at fair value through profit or loss		**(1,070)**	(1,821)	**–**	–
(Decrease)/increase in trade and other payables		**(1,434)**	2,825	**(55)**	138
(Decrease)/increase in provisions		**(1,896)**	726	**(726)**	726
Overseas tax paid		**(2,419)**	(3,751)	**–**	–
Net cash from/ (used in) operating activities		**13,655**	15,044	**(3,886)**	(2,295)
Cash flows from investing activities					
Purchase of property, plant and equipment	12 a)	**(5,359)**	(6,687)	**–**	–
Purchase of biological non-current assets		**–**	(7)	**–**	–
Proceeds from disposal of property, plant and equipment		**75**	174	**–**	–
Interest and finance income received	4	**486**	515	**133**	7
Repayment of investment loans		**–**	–	**4,710**	5,848
Net cash (used in) /from investing activities		**(4,798)**	(6,005)	**4,843**	5,855
Cash flows from financing activities					
Proceeds from loans and borrowings		**2,100**	1,000	**–**	–
Repayment of loans		**(7,066)**	(2,631)	**–**	–
Principal element of lease payments		**(66)**	(98)	**(66)**	(98)
Interest and finance costs paid	4	**(2,108)**	(2,278)	**(12)**	(3)
Dividends paid to equity holders of the parent	9	**(937)**	(787)	**(937)**	(787)
Dividends and other payments to non-controlling interests		**(252)**	(606)	**–**	–
Net cash used in financing activities		**(8,329)**	(5,400)	**(1,015)**	(888)
Net increase/(decrease) in cash and cash equivalents		**528**	3,639	**(58)**	2,672
Cash and cash equivalents at beginning of period		**15,272**	11,649	**11,688**	9,036
Effects of exchange rate changes on cash and cash equivalents		**(2,384)**	(16)	**(152)**	(20)
Cash and cash equivalents at end of period		**13,416**	15,272	**11,478**	11,688

Cash and cash equivalents comprise:					
Cash	24	**15,547**	15,947	**11,478**	11,688
Overdrafts	24	**(2,131)**	(675)	**–**	–
Cash and cash equivalents	24	**13,416**	15,272	**11,478**	11,688

The notes on pages 12 to 33 form part of these accounts

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Notes	Share capital $000	Share premium & capital redemption reserves $000	Retained earnings $000	Total controlling interests $000	Non-controlling interests $000	Total equity $000
		Attributable to owners of the parent					
Balance at 1 January 2021		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
Transactions with owners – Dividend paid	9	–	–	(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
Profit/(loss) for the year		–	–	**6,848**	**6,848**	**(174)**	**6,674**
Other comprehensive income:							
Net actuarial gain on defined benefits pension plan	23	–	–	**5,846**	**5,846**	–	**5,846**
Deferred tax on defined benefits pension plan	21	–	–	**(616)**	**(616)**	–	**(616)**
Total comprehensive income for the year		–	–	**12,078**	**12,078**	**(174)**	**11,904**
Transactions with owners – Dividend paid	9	–	–	**(937)**	**(937)**	–	**(937)**
Dividend paid to non-controlling interests		–	–	–	–	**(252)**	**(252)**
Balance at 31 December 2022		**49,705**	**1,844**	**41,093**	**92,642**	**3,230**	**95,872**

The notes on pages 12 to 33 form part of these accounts

Statement of changes in equity – Company

for the year ended 31 December 2022

		Attributable to owners				
	Notes	Share capital *$000*	Share premium account *$000*	Capital redemption reserve *$000*	Retained earnings *$000*	Total equity *$000*
Balance at 1 January 2021		49,705	541	1,303	14,023	65,572
Loss 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
Transactions with owners – Dividend paid	9	–	–	–	(787)	(787)
Balance at 31 December 2021		49,705	541	1,303	15,151	66,700
Loss for the year		–	–	–	**(2,192)**	**(2,192)**
Net actuarial gain on defined benefits pension plan	23	–	–	–	**5,846**	**5,846**
Deferred tax on defined benefits pension plan	21	–	–	–	**(616)**	**(616)**
Total comprehensive income for the year		–	–	–	**3,038**	**3,038**
Transactions with owners – Dividend paid	9	–	–	–	**(937)**	**(937)**
Balance at 31 December 2022		**49,705**	**541**	**1,303**	**17,252**	**68,801**

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 33 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 2022 were authorised for issue in accordance with a resolution of the directors on 24 May 2023. 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

Basis of preparation

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 2024. The operating subsidiaries of the Group continue to trade profitably. At 31 December 2022, the Company had cash and cash equivalents of $11.5 million and no debt. The Group had cash and cash equivalents of $15.5 million and net debt of $3.2 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 2022.

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 2022, none of which have any impact on the accounting policies and consolidated financial statements of the Group.

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 2022 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.

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.

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 2022 certain monetary assets denominated in ZWL have been impaired using an unofficial market rate of ZWL950: US$1 (2021: ZWL210: US$1). The official interbank rate was 698.021 as at the year end (2021: 108.666).

Group companies

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

Investments
Investments are stated at amortised cost.

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.

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)

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 or asset 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.

Notes to the accounts (continued)

2. Revenue and profit for the year

	2022 $000	2021 $000
Analysis of the Group's revenue:		
Sale of agribusiness produce	**48,924**	54,345
Renewable energy power generation	**22,184**	19,817
Property management income	**164**	224
	71,272	74,386
Profit for the year is stated after charging/(crediting):		
Cost of inventories recognised as expense	**31,667**	32,622
Depreciation of property, plant and equipment	**5,359**	5,101
Foreign exchange gain on ZWL debentures	**(68)**	(37)
Other net foreign exchange losses	**1,531**	473
Fair value movements:		
Biological assets	**(52)**	40
Other financial assets	**1,294**	952

3. Other operating income

	2022 $000	2021 $000
Currency trading	**2,425**	759
Gain/(loss) on disposal of property, plant and equipment	**21**	(36)
Loss on disposal of other financial assets	**-**	(129)
Insurance claim proceeds	**432**	13
Reversal/(impairment) of ZWL monetary assets	**840**	(840)
Dividends received	**64**	36
Royalties	**49**	53
Other sundry income	**488**	708
	4,319	**564**

4. Finance income and costs

	2022 $000	2021 $000
Finance income comprises:		
Bank and other interest receivable	**486**	515
Foreign exchange gains on financing activities	**26**	266
	512	781
Finance costs comprise:		
On amounts wholly repayable within 5 years:		
Bank	**(2,108)**	(2,278)
Foreign exchange loss on financing activities	**(2,410)**	(282)
	(4,518)	(2,560)
Imputed interest on pension plan liabilities (net)	**(73)**	(127)
Fair value gain on derivatives	**5**	33
	(4,586)	(2,654)
Finance costs (net)	**(4,074)**	(1,873)

Notes to the accounts (continued)

5. Auditor's remuneration

	2022 $000	2021 $000
The analysis of the auditor's remuneration is:		
Fees payable to the Company's auditor for the statutory audit of the Company and group accounts	**348**	165
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**25**	–
Tax compliance services	**7**	24
Other assurance services	**5**	–
	385	189

Fees paid to auditors not associated with the Company's auditors in respect of the audit of the Company's subsidiaries amounted to $162,000 (2021: $156,000).

6. Employees and directors

Employees	Group		Company	
	2022	2021	**2022**	2021
Average numbers employed (including executive directors) in the year:				
Agribusinesses including seasonal workers	**10,783**	11,002	**–**	–
Renewable energy power generation	**353**	294	**–**	–
Head office	**4**	4	**4**	4
	11,140	11,300	**4**	4

	2022 $000	2021 $000	2022 $000	2021 $000
Staff costs:				
Wages and salaries	**17,755**	18,053	**919**	887
Social security	**439**	376	**90**	90
Other pension costs	**229**	258	**46**	51
	18,423	18,687	**1,055**	1,028

Directors

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

	2022 $000	2021 $000
Aggregate emoluments	**929**	1,009
Social security costs	**114**	85
Company pension contributions to defined contribution scheme for 2 directors (2021: 2 directors)	**25**	28
	1,068	1,122

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 (2021: $nil). For the purpose of this disclosure, the Company's directors are treated as the key management of the Group.

Emoluments of highest paid director:

	2022 $000	2021 $000
Aggregate emoluments	**458**	489
Company pension contributions to defined contribution scheme	**12**	14
	470	503

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

	2022 $000	2021 $000
Highest paid director – accrued pension	**63**	70

The accrued pension is as at 1 October 2011, when the defined benefit pension plan was closed to future accrual, is before revaluation and has been translated to US dollars at the year end rate of US$1.2029: £1.00 (2021: US$1.3544: £1.00).

Notes to the accounts (continued)

7. Taxation

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

	2022 $000	2021 $000
Current taxation:		
UK corporation tax		
UK corporation tax	–	–
Double taxation relief	–	–
	–	–
Foreign tax		
Current tax on income for the period	**2,043**	2,701
Adjustment in respect of prior periods	**(18)**	(24)
Withholding taxation	**103**	272
Total current taxation	**2,128**	2,949
Deferred taxation:		
Origination of temporary differences	**1,261**	1,221
Adjustment in respect of prior periods	**(104)**	367
Total deferred taxation	**1,157**	1,588
Total tax expense reported in the income statement	**3,285**	4,537

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%:

	2022 $000	2021 $000
Profit before tax	**9,959**	9,027
Profit before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2021: 19.00%)	**1,893**	1,715
Effects of:		
Items not chargeable for tax purposes	**(77)**	366
Net increase in tax losses	**973**	979
Different tax rates on overseas earnings	**515**	248
Derecognition of deferred tax assets	**–**	614
Adjustment in respect of prior years	**(122)**	343
Additional tax arising on the remittances from overseas companies	**103**	272
Total tax expense reported in the income statement	**3,285**	4,537

c) Tax effects relating to other comprehensive income

	2022			2021		
	Before tax amount $000	**Tax expense $000**	**Net of tax amount $000**	Before tax amount $000	Tax expense $000	Net of tax amount $000
Net actuarial gain on defined benefit pension plan	**5,846**	**(616)**	**5,230**	4,611	–	4,611

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.

	2022	2021
Weighted average number of ordinary shares in issue	**15,611**	15,611

	2022	2021
	$000	$000
Profit attributable to owners of the parent:	**6,848**	3,753
	$	**$**
Basic and diluted earnings per ordinary share	**438.67**	240.41

9. Dividends

	2022	2021
	$000	$000
Amounts recognised as distributions to owners of the parent in the year:		
Dividend for the year ended 31 December 2021 of $60.00 (2020: $50.41) per share	**937**	787

A dividend for the year ended 31 December 2022 of $100.00 per ordinary share has been recommended by the directors for payment on 16 August 2023.

10. Goodwill

	2022	2021
	$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 2022 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 16.15% (2021: 16.26%) 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 $0.6 million (2021: $7.9 million), indicating that no impairment charge was necessary for the year ended 31 December 2022 (2021: $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:

			2022			2021
	Livestock	**Agricultural produce**	**Total**	Livestock	Agricultural produce	Total
	$000	**$000**	**$000**	$000	$000	$000
Opening balance at 1 January	**266**	**1,852**	**2,118**	261	1,942	2,203
Increase due to purchases	**–**	**1,368**	**1,368**	7	1,181	1,188
Change in fair value due to:						
Biological transformation	**5**	**47**	**52**	(2)	(38)	(40)
Decrease due to harvest	**–**	**(1,183)**	**(1,183)**	–	(1,233)	(1,233)
Closing balance at 31 December	**271**	**2,084**	**2,355**	266	1,852	2,118
a) Non-current assets:						
Livestock	**271**	**–**	**271**	266	–	266
b) Current assets:						
Agricultural produce	**–**	**2,084**	**2,084**	–	1,852	1,852

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 $2.1 million (2021: $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:

	2022	2021
	Hectares	Hectares
Tea	**4,635**	4,674
Macadamia	**1,203**	1,153
Roses	**67**	67

Notes to the accounts (continued)

12 a) Property, plant and equipment

	Group						Company
		Land and buildings		Renewable energy	Plant		
	Bearer		Long	Plant and	Equipment		
	plants	Freehold	leasehold	equipment	and vehicles	Total	Total
	$000	$000	$000	$000	$000	$000	$000
Year ended 31 December 2022							
Opening cost or valuation	26,031	7,770	5,313	86,082	29,976	155,172	76
Additions	602	258	130	2,616	1,753	5,359	-
Disposals	(3)	-	-	(92)	(362)	(457)	-
Reclassification	-	437	-	-	(460)	(23)	-
Closing cost or valuation	26,630	8,465	5,443	88,606	30,907	160,051	76
At directors' valuation	-	8,465	-	-	-	8,465	-
At cost	26,630	-	5,443	88,606	30,907	151,586	76
Opening accumulated depreciation	7,763	1,335	1,338	19,516	20,931	50,883	76
Charge for the year	1,341	142	109	2,300	1,369	5,261	-
Disposals	(5)	-	-	(46)	(352)	(403)	-
Reclassification	-	-	-	-	(23)	(23)	-
Closing accumulated depreciation	9,099	1,477	1,447	21,770	21,925	55,718	76
Net book value	17,531	6,988	3,996	66,836	8,982	104,333	-
Historical cost							
Cost	26,630	6,486	5,443	88,606	30,907	158,072	76
Accumulated depreciation	9,099	425	1,447	21,770	21,925	54,666	76
	17,531	6,061	3,996	66,836	8,982	103,406	-

Immature bearer plants of $1,028,000 (2021: $640,000) were reclassified as mature in 2022. Immature bearer plants at the year end amounted to $3,132,000 (2021: $3,558,000) and are not depreciated.

Due to the economic environment in Zimbabwe, an impairment review has been carried out on the renewable energy cash generating units (CGUs) as at 31 December 2022. The impairment test carried out at the end of 2022 resulted in a surplus in the value-in-use (VIU) over the carrying value of the assets of $9,534k.

The economic models used to determine the VIU are sensitive to changes in the pre-tax discount rate and the estimated cashflows. Changes in these key estimates and assumptions and the effect on the VIU are set out below.

Five year cash flow and terminal value projections have been used, which have assumed that receipts are based in US dollars. The estimated VIU was determined using pre-tax discount rates of between 16.0% and 17.4% (2021: 14.2%). The calculations used 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 5.0% would reduce the surplus of VIU over carrying value and an impairment of $5,426k would need to be recognised. A reduction in the discount rate of 5.0% would increase the surplus of VIU over carrying value by $33,674k. Another key assumption is the growth rate applied to the terminal values. The Group assumes no growth rate in its terminal values. However, an increase of 2.0% would increase the surplus of VIU over carrying value by $14,789k. A reduction in the growth rate of 2.0% would decrease the surplus of VIU over carrying value by $6,600k.

At the year end there were no assets under construction (2021: $3,853,000).

During the year the Group did not have any capitalised borrowing costs on qualifying assets (2021: $nil).

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

	Net book value	
	2022	2021
	$000	$000
	18,727	22,284

Valuation method

The freehold properties recognised at directors' valuation on 31 December 2022 of $8.5 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 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	50,883	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	-

12 b) Right-of-use assets

The Group renewed a lease for office premises on the 2 August 2022 for a term of five years at a fixed rent, expiring on 1 August 2027. Under IFRS 16.9, an incremental borrowing rate of 3.8% has been used. 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 IFRS16.

Amounts recognised in the statement of financial position:

	Group & Company	
	2022	2021
Right-of-use assets	**$000**	$000
Buildings	**286**	55

	Group & Company	
	2022	2021
Lease Liability	**$000**	$000
Current	**54**	58
Non-Current	**241**	–

During the year, additions to the right-of-use assets were $309,000 (2021: $nil)

Amounts recognised in the income statement:

	Group & Company	
	2022	2021
	$000	$000
Depreciation charge	**72**	93
Interest expense	**12**	3

13. Capital commitments

The Group had no capital expenditure contracted for, but not provided at 31 December 2022 (2021: $73,000). Replanting and estate development costs, which are incurred on an ongoing basis, are excluded from capital commitments.

Notes to the accounts (continued)

14. Investments

	Other unlisted investments	
	2022	2021
Group	**$000**	$000
Analysis of movement during the year:		
At beginning of year	**110**	111
Expected credit loss	**(110)**	(1)
Carrying amount at end of year	**–**	110

Investments are carried at amortised cost.

	Subsidiary undertakings		
	Shares	Loans	Total
Company	$000	$000	$000
At 1 January 2021	39,874	27,905	67,779
Repayments	–	(5,848)	(5,848)
At 31 December 2021	**39,874**	**22,057**	**61,931**
Repayments	**–**	**(4,710)**	**(4,710)**
At 31 December 2022	**39,874**	**17,347**	**57,221**

The Company did not make any management charges to group subsidiaries in the year (2021: $nil).

Subsidiary undertakings

All subsidiary undertakings are listed on page 34 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 2022 (2021: $nil).

15. Inventories

	2022	2021
	$000	$000
Produce	**3,909**	4,799
Raw material	**4,386**	4,828
	8,295	9,627

16. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Due within one year				
Trade and other receivables	**8,826**	8,248	**31**	180
Loss allowance	**(406)**	(306)	**–**	–
Prepayments and accrued income	**472**	949	**7**	33
	8,892	8,891	**38**	213
Due after one year				
Trade and other receivables	**3,276**	3,234	**–**	–
	3,276	3,234	**–**	–

Included in Trade and other receivables is $945,000 (2021: $1,755,000), 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.

Of the long-term trade receivable, $3,226,000 (2021: $3,234,000) will be settled over a period of approximately twenty-five years at an agreed tariff of $0.0256 per KWh of electricity generation.

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

Notes to the accounts (continued)

17. Share capital

Ordinary shares of $3,184 (£2,500) each	Issued and fully paid number	Issued and fully paid $000
At 31 December 2022 and 2021	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 statement of change in equity on pages 10. 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 consolidated statement of changes in equity within retained earnings.

Exchange losses on translation of net overseas assets	Retained Earnings $000
At 31 December 2022 and 2021	(18,480)

Exchange differences since the adoption of IFRS arising from the translation of the net investment in foreign entities have been taken to shareholders' equity. On the disposal of a net investment in a foreign entity, the exchange differences are recycled and recognised in the income statement.

Subsidiary with material non-controlling interest
There is a material non-controlling interest of 25.24% in Khal Amazi Ltd. The principal place of business and country of incorporation of Khal Amazi Ltd is Zambia. The loss allocated to the non-controlling interest in the subsidiary for the year ended 31 December 2022 was $631,000 (2021: profit $97,000). Of the non-controlling interest at 31 December 2022 amounting to $3,230,000 (2021: $3,656,000), disclosed on page 10, $1,271,000 (2021: $1,902,000) relates to the non-controlling interest in Khal Amazi Ltd. No dividends were paid by Khal Amazi Ltd in the year under review (2021: $nil). Its decrease in cash and cash equivalents for the year ended 31 December 2022 amounted to $184,000 (2021: increase $535,000). Its net assets at the year ended 31 December 2022, before inter-company eliminations, were $9,886,000 (2021: $10,852,000).

19. Interest bearing loans and borrowings

		Group	
		2022	2021
		$000	$000
Debentures, bank loans and overdrafts – secured	(i)	**18,727**	22,305
Debentures, bank loans and overdrafts are repayable:			
Within one year		**8,714**	7,354
Between one and two years		**4,971**	6,171
Between two and five years		**5,042**	8,780
		18,727	22,305
Due within one year		**8,714**	7,354
Due after more than one year		**10,013**	14,951
		18,727	22,305

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 $5.4 million (2021: $7.6 million). The loan will be repaid in full by 30 September 2025. Interest on the loan is charged at 11.75% plus 3 month US treasury rate and is paid quarterly (2021: 3 month US LIBOR).

Notes to the accounts (continued)

20. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Due within one year				
Trade payables	**3,294**	3,490	**7**	5
Other taxation and social security	**707**	778	**56**	55
Accruals and deferred income	**4,399**	4,775	**994**	1,051
Other payables	**863**	995	**12**	13
	9,263	10,038	**1,069**	1,124
Due after one year				
Trade payables	**281**	449	–	–
Accruals and deferred income	**3,357**	3,499	–	–
Other payables	**372**	721	–	–
	4,010	4,669	–	–

Deferred income of $3,499,000 (2021: $3,641,000) relates to depreciable assets and will be recognised as income over the periods in which depreciation on those assets is charged.

21. Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises:

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Accelerated tax depreciation	**19,109**	18,421	**–**	–
Unrealised foreign exchange differences	**(890)**	(399)	**–**	–
Other temporary differences	**846**	246	**616**	–
Tax losses	**(1,304)**	(2,281)	**–**	–
Provision for deferred tax on temporary differences	**17,761**	15,987	**616**	–
Potential tax due on property revaluations	**466**	467	**–**	–
Total provision for deferred tax	**18,227**	16,454	**616**	–

The movement in the provision for deferred tax was:				
At 1 January	**16,454**	14,866	**–**	–
Deferred tax charge in income statement (Note 7a)				
Current year from continuing operations	**1,261**	1,221	**–**	–
Prior year adjustment	**(104)**	367	**–**	–
	1,157	1,588	**–**	–
Deferred tax charge in other comprehensive income (Note 7c)	**616**	–	**616**	–
At 31 December	**18,227**	16,454	**616**	–

There are cumulative tax losses arising in the UK of approximately $15.7 million (2021: $10.3 million) which are available to offset against future taxable profits in the companies in which the loss arose. There are also capital losses of $24.5 million (2021: $27.5 million) which are available to offset against future capital gains arising in the UK. The total potential deferred tax asset of $10.1 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. During the year under review, the Company has made provision for a deferred tax liability of $616,000 in respect of the defined benefit pension plan asset (2021: $nil). This has been recognised in Other comprehensive income.

In some of the overseas jurisdictions in which our subsidiaries operate, there may be 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. In 2022 no provision was required (2021: reversal of provision of $0.3 million).

22. Other provisions

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Current	**–**	1,896	**–**	726

The movement in the provision:				
At 1 January	**1,896**	1,170	**726**	–
Provided in the year	**(1,170)**	726	**1,170**	726
Utilised in the year	**(726)**	–	**(1,896)**	–
At 31 December	**–**	1,896	**–**	726

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

	2022	2021
	$000	$000
Present value of defined benefit obligation	**(16,759)**	(27,173)
Fair value of plan assets	**18,518**	21,900
Surplus/(deficit) in plan recognised in the balance sheet	**1,759**	(5,273)

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, as set out in the Pensions Act 2004. This, together with codes of practice issued by the Pensions Regulator set out the framework for funding defined benefit occupational pension plans in the UK. Total contributions to the plan amounted to $1,368,000 (2021: $601,000). The Company has reviewed the application of Ruling 14 of the International Financial Reporting Standards Interpretation Committee (IFRIC 14) and determined that it has an unconditional right to a refund of surplus assets if the plan is run off until the last member dies. The refund of surplus assets would be subject to a taxation charge.

The Group incurred other pension costs of $229,000 (2021: $258,000) 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 2022 was 375 members (2021: 398 members), analysed as follows:

	Deferred pensioners Number	Pensioners in payment Number	Total Number
Males	86	184	270
Females	18	87	105
Total	104	271	375

The total pensions paid during the year ended 31 December 2022 amounted to $968,000 (2021: $1,069,000).

Net assets statement for the pension plan at 31 December:

	2022		2021	
	$000	**% of total**	$000	% of total
Investments				
Managed equity funds:				
Aquila Life UK Equity Index fund	**2,686**	**15**	10,999	50
Aquila Life European Equity Index fund	**559**	**3**	2,493	11
Aquila Life US Equity Index fund	**516**	**3**	3,722	17
Aquila Life Overseas Fixed Bench Equity fund	**1,077**	**6**	4,594	21
Managed gilt and corporate bond funds:				
Aquila Life 5-15 year Corporate Bond Index fund	**5**	**-**	46	-
Aquila Life Over 5 years UK Index Linked Gilt fund	**4,643**	**25**	-	-
Aquila Life Over 15 years UK Gilt Index fund	**1,934**	**10**	-	-
Blackrock ESG Vintage Fund 2030-2034	**3,678**	**20**	-	-
Blackrock ESG Vintage Fund 2035-2039	**3,189**	**17**	-	-
	18,287	**99**	21,854	99
Net current assets:				
Cash deposits	**321**	**1**	137	1
Accruals	**(90)**	**-**	(91)	-
Total net assets	**18,518**	**100**	21,900	100

The pension plan's investment advisers, Broadstone Corporate Benefits Limited, are responsible for advising the trustees on investment policy and asset allocation. The trustees meet twice a year with Broadstone and annually with the investment manager, 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.

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 2022, 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 surplus 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 asset 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 increase the US dollar reported value of the asset by US$0.6 million (2021: decrease in the value of the deficit of US$0.1 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

	2022	2021
	$000	$000
Defined benefit obligation at start of year	**27,173**	29,364
Exchange differences	**(3,040)**	(269)
Expenses	**109**	50
Interest expense	**424**	371
Actuarial losses due to plan experience	**750**	145
Actuarial gains due to changes in demographic assumptions	**(14)**	(39)
Actuarial gains due to changes in financial assumptions	**(7,387)**	(1,264)
Benefits paid and expenses	**(1,256)**	(1,185)
Defined benefit obligation at end of year	**16,759**	27,173

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

	2022	2021
	$000	$000
Fair value of assets at start of year	**21,900**	19,056
Exchange differences	**(2,450)**	(175)
Interest income	**351**	244
Return on plan assets (excluding amounts included in interest income)	**(1,395)**	3,359
Contributions by the Company	**1,368**	601
Benefits paid and expenses	**(1,256)**	(1,185)
Fair value of assets at end of year	**18,518**	21,900

The charge to the income statement comprises:

	2022	2021
	$000	$000
Total Expenses	**(109)**	(50)
Other finance charges:		
Interest expense	**(424)**	(371)
Interest income	**351**	244
Net interest cost	**(73)**	(127)
Defined benefit costs recognised in the income statement	**(182)**	(177)

A deferred tax liability of $616,000 in relation to the plan's surplus has been recognised in Other comprehensive income for the year under review.

Notes to the accounts (continued)

23. Retirement benefit liabilities (continued)

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

	2022	2021	2020	2019	2018
	$000	$000	$000	$000	$000
Fair values at 31 December					
Equities	**4,838**	21,808	19,001	18,789	15,463
Gilts and bonds	**13,449**	46	48	579	1,099
Cash and other net assets	**231**	46	7	92	118
Present value of plan	**18,518**	21,900	19,056	19,460	16,680
Liabilities	**(16,759)**	(27,173)	(29,364)	(26,478)	(24,419)
Plan surplus/(deficit)	**1,759**	(5,273)	(10,308)	(7,018)	(7,739)
Percentage funding	**110.5%**	80.6%	65.5%	73.5%	68.3%

Actual return on plan assets
There was a reduction on the Plan's assets for the year ending 31 December 2022 of $1,044,000 (2021: Return of $3,425,000).

Significant actuarial assumptions

Weighted-average assumptions to determine defined benefit obligations	**2022**	2021
Discount rate	**5.1%**	1.8%
Price inflation rate (RPI)	**3.3%**	3.6%
Price inflation rate (CPI)	**3.0%**	3.2%
Post-retirement mortality assumption	114% of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating projected using CMI_2021 converging to 1.25% p.a.	114% of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating projected using CMI_2020 converging to 1.25% p.a.
Assumed life expectancy on retirement at age 65		
Retiring today (member age 65)	**21.2 (M) / 23.0 (F)**	21.1 (M) / 22.9 (F)
Retiring in 20 years (member age 45 today)	**22.5 (M) / 24.5 (F)**	22.4 (M) / 24.4 (F)
Duration (in years)	**10**	13

Sensitivity analysis

The below is an indication of the effect on the liabilities of $16,759,000 to a change in the material assumptions:

	2022	2021
Present value of defined benefit obligation	**$000**	$000
Discount rate - 25 basis points	**17,165**	28,082
Discount rate + 25 basis points	**16,368**	26,304
Price inflation rate - 25 basis points	**16,612**	26,896
Price inflation rate + 25 basis points	**16,881**	27,456
Post-retirement mortality assumption - 1 year age rating	**17,205**	28,185
Post-retirement mortality assumption + 1 year age rating	**16,310**	26,178

Movement in the plan deficit during the year

	2022	2021
	$000	$000
Deficit at 1 January	**(5,273)**	(10,308)
Pension expenses recognised in the income statement:	**(182)**	(177)
Amounts recognised in other comprehensive income	**5,846**	4,611
Contributions by the Company	**1,368**	601
Surplus/ (deficit) at 31 December	**1,759**	(5,273)

The actuarial loss recognised in other comprehensive income comprises

	2022	2021
	$000	$000
Experience adjustment on plan assets	**(1,395)**	3,359
Experience adjustment on plan liabilities	**(750)**	(145)
Effect of change in assumptions	**7,401**	1,303
Exchange difference	**590**	94
	5,846	4,611

Notes to the accounts (continued)

24. Consolidated cash flow statement

Analysis of net debt:

	Opening balance 2021 $000	Cash Flow $000	Transfers $000	Exchange movement $000	**Closing balance 2022 $000**
Cash	15,947	1,984	–	(2,384)	**15,547**
Overdrafts	(675)	(1,456)	–	–	**(2,131)**
Cash and cash equivalents	15,272	528	–	(2,384)	**13,416**
Debt due within one year	(6,679)	7,066	(6,970)	–	**(6,583)**
Debt due after more than one year	(14,951)	(2,100)	6,970	68	**(10,013)**
	(6,358)	5,494	–	(2,316)	**(3,180)**

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 2022 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.

During 2020 the Reserve Bank of Zimbabwe introduced a foreign exchange auction trading system designed to alleviate the scarcity of foreign currency in the country, such that companies are able to convert the domestic currency of ZWL to US dollars to settle offshore liabilities. These reforms have resulted in a limited availability of foreign currency, although successful auction bids can take several weeks to be settled by the Reserve Bank. In spite of this improved availability, there remains US dollar scarcity in the banking system and ZWL are not freely convertible to US dollars. This resulted in the Group's renewable energy division failing to pay in full all its foreign obligations on time. This is a continuing risk that the Group takes very seriously.

The table below shows the extent at 31 December 2022 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 asset of the Pension plan is included in the below table and amounts to a surplus of $1.76 million for the year under review (2021: deficit $5.27 million).

Net foreign currency monetary assets/(liabilities)

	2022				2021			
	Pound sterling	**Euro**	**Other**	**Total**	Pound sterling	Euro	Other	Total
Group	**$000**	**$000**	**$000**	**$000**	$000	$000	$000	$000
Functional currency of operations								
UK: US dollar	**597**	**–**	**–**	**597**	(6,753)	–	–	(6,753)
Malawi: US dollar	**–**	**–**	**(2,734)**	**(2,734)**	–	–	(1,707)	(1,707)
Zambia: US dollar	**360**	**1,594**	**67**	**2,021**	894	670	427	1,991
Zimbabwe: US dollar	**(30)**	**–**	**2,648**	**2,618**	(133)	–	901	768
	927	**1,594**	**(19)**	**2,502**	(5,992)	670	(379)	(5,701)

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

	Increase/decrease in $ exchange rate against non-functional currency	Effect on profit before tax Pound Sterling $000	Euro $000	Other $000	Total $000
2022	**+ 10%**	**(84)**	**(144)**	**2**	**(226)**
	– 10%	**93**	**160**	**(1)**	**252**
2021	+ 10%	545	(15)	35	565
	– 10%	(599)	67	(38)	(570)

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 material 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 2022 was:

	Floating rate $000	Fixed rate $000	Total $000	Weighted average of Fixed rate debt interest rate %	period years
2022	**15,308**	**3,419**	**18,727**	**9**	**4.0**
2021	19,731	2,574	22,305	10	4.9

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 2022, with all other variables held constant.

	Basis points increase/ decrease	Effect on profit before tax $000
2022		
US dollar	**± 100**	**± 152**
2021		
US dollar	± 100	± 197

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 loss rate on trade receivables for current to 60 days past due is considered immaterial and not provided for in 2022.

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

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

Notes to the accounts (continued)

25. Financial risk management objectives and policies (continued)

Credit risk (continued)

Based on this information, the expected loss allowance as at 31 December 2022 was determined as follows, for current trade and other receivables:

31 December 2022	Current $000	> 30 days past due $000	> 60 days past due $000	> 120 days past due $000	Total $000
Expected loss rate	-	-	-	**43%**	
Gross carrying amount – trade and other receivables	**5,589**	**1,365**	**936**	**936**	**8,826**
Loss allowance	-	-	-	**(406)**	**(406)**

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

The closing loss allowance for trade and other receivables as at 31 December 2022 is as follows:

	2022 $000	2021 $000
At 1 January	**306**	257
Increase in loss allowance recognised in profit and loss during the year	**100**	49
At 31 December	**406**	306

For non-current trade and other receivables there was no expected loss allowance (2021: $nil).

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 2022 based on contractual undiscounted payments, including interest.

	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Contractual cash flows Total $000	Carrying Amount Total $000
Year ended 31 December 2022					
Interest bearing loans and borrowings	**10,169**	**5,884**	**5,430**	**21,483**	**18,727**
Other liabilities	**5,262**	**372**	-	**5,634**	**5,634**
Trade payables	**3,294**	**281**	-	**3,575**	**3,575**
Lease liabilities	**54**	**241**	-	**295**	**295**
	18,779	**6,778**	**5,430**	**30,987**	**28,231**
Year ended 31 December 2021					
Interest bearing loans and borrowings	7,354	6,171	8,780	22,305	22,305
Other liabilities	5,770	721	-	6,491	6,491
Trade payables	3,490	449	-	3,939	3,939
Lease liabilities	58	-	-	58	58
	16,672	7,341	8,780	32,793	32,793

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 2022 and 31 December 2021. 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.

	2022	2021
	$000	$000
Interest bearing loans and borrowings	18,727	22,305
Less: cash and short term deposits	(15,547)	(15,947)
Net debt	3,180	6,358
Equity attributable to equity holders of the parent	92,642	81,501
Gearing ratio	3.4%	7.8%

26. Financial instruments

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

	Group		Company	
	2022	2021	2022	2021
Categories of financial instruments	$000	$000	$000	$000
Financial assets				
Trade and other receivables	11,696	11,176	31	180
Cash and cash equivalents	15,547	15,947	11,478	11,688
At amortised cost	27,243	27,123	11,509	11,868
Current asset investments at fair value through profit or loss	516	740	–	–
Total financial assets	27,759	27,863	11,509	11,868
Financial liabilities				
Trade and other payables	9,209	10,430	1,013	1,069
Lease Liabilities	295	58	295	58
Bank overdraft	2,131	675	–	–
Interest-bearing loans and borrowings				
Floating rate borrowings	13,177	19,056	–	–
Fixed rate borrowings	3,419	2,574	–	–
At amortised cost	28,231	32,793	1,308	1,127
Derivative financial instruments at fair value through profit and loss	1	6	1	6
Total financial liabilities	28,232	32,799	1,309	1,133

26. Financial instruments (continued)

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.

	2022	2021
	Level 3	Level 3
Financial assets at fair value through profit or loss:	**$000**	$000
Other financial assets	**516**	**740**

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. 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 2022.

Other ZSE shares have been classified within Fair Value Measurement Level 3 at 31 December 2022, 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 2022 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 ZWL698.02: US$1 and the market rate ZWL950: US$1. It implies a 27% 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	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
At 1 January	**740**	–	**(6)**	(39)
Additions	**1,959**	2,201	–	–
Disposals	**(889)**	(380)	–	–
Recognised in the income statement:				
Loss on disposal of assets	–	(129)	–	–
Fair value (loss)/profit	**(1,294)**	(952)	**5**	33
At 31 December	**516**	740	**(1)**	(6)

27. Related party transactions

In addition to the employer pension contributions paid to the PGI Group Pension Plan of $1,323k (2021: $542k), the Company also made net payments of $45,000 (2021: $59,000) in respect of administration and other expenses which have been charged to the plan. No amount was outstanding for payment at 31 December 2022 (2021: $nil).

28. Ultimate controlling party of the Group

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

Investments in subsidiaries

The Group had the following subsidiaries at 31 December 2022. 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 generation
Riverside Power Station (Pvt) Ltd	Zimbabwe	100	Solar power generation
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 and macadamia 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
Hotel accommodation			
Aberfoyle Lodge (Pvt) Ltd	Zimbabwe	100	Provision of hotel accommodation

Other subsidiaries and holding companies			
Clover Investments Ltd	Malawi	100	Provision of warehousing
Michuru Ltd	Malawi	100	Holding company
Mpfundu Farms Limited	Zambia	75	Land holding company
Alberts (Pvt) Ltd	Zimbabwe	100	Land holding company
Hydro Power Contractors (Pvt) Ltd	Zimbabwe	100	Dormant
Aberfoyle Industries (Pvt) Ltd	Zimbabwe	100	Dormant
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
Jensen Management 1 Ltd	Cayman Islands	71	Property investment management
JPI Ltd	Cayman Islands	71	Property investment management
Jensen Partners 1 Ltd	Cayman Islands	73	Property investment management

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 Suite 20, 196 Rose Street, Edinburgh, EH2 4AT

Malawi companies are registered at PO Box 133, Mulanje

Isle of Man companies are registered at St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU

Zambia companies are registered at Gallery Office Park, Frost Building, Lagos Road, Rhodes Park, Lusaka

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 on the financial statements

We have audited the financial statements of PGI Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Statement of financial position, the Statement of cash flows, the Consolidated statement of changes in equity, the Statement of changes in equity - Company and the notes to the accounts, including a summary of 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 2022 and of the Group's profit and the Group and Parent Company's statement of cash flows for the year then ended;

- The Group financial statements have been properly prepared in accordance with the UK adopted international accounting standards and as applied in conformity with the requirements of the Companies Act 2006;

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

Independence

We are independent of the Group and the 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.

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 or 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 Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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.

Other Matter

The financial statements of PGI Group Limited for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 29 April 2022.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations
We obtained an understanding of the legal and regulatory framework applicable to the Group and Parent Company and the industry in which they operate. We considered the applicable accounting frameworks and the associated agricultural, environmental and taxation laws and regulations of Malawi, Zambia and Zimbabwe to be the most significant to the Group and Parent Company given the Geographical areas of focus of the Group.

We assessed compliance with these laws and regulations through:

- Discussion with Management and those charged with governance;
- Inquiries of local management teams regarding new taxation legislation issued or enacted during the year and compliance with laws and regulations related to the agriculture and renewable energy activities;
- With the assistance of tax specialists from our component auditors in Zambia, Malawi and Zimbabwe we evaluated the Group's compliance with relevant tax legislation considered of most significance to the Group's operations;
- With the assistance of internal tax specialists we assessed the overall UK tax position and group tax reconciliation.
- Testing the financial statement disclosures to supporting documentation;

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered areas of the financial statements subject to elevated potential fraud risks. We considered the significant fraud risk areas to be in relation to revenue recognition and management override of controls.

Our procedures included:

- In respect of the risk of fraud in revenue recognition our procedures included cut-off procedures which included testing sales made close to year end, vouching these to appropriate supporting documents to verify the date on which revenue is to be contractually recognised, a review of credit notes raised post year end to determine whether these had any impact on revenue recognised for the current year and obtaining proof of cash receipts of cash from customers;
- In addressing the risk of management override of controls, performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, for example unusual journal entries to revenue, cash and capital expenditure as well as entries with unusual descriptions by agreeing these to supporting documentation;
- Critically assessing areas of the Financial Statements which include judgment and estimates;
- Obtaining an understanding of the bonus metrics and the extent to which these may create an incentive to perpetrate fraud;
- Testing consolidation entries to supporting documentation to confirm their validity;

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Matt Crane

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Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).