

8539724



PGI Group Limited
Report & Accounts
Year ended 31 December 2018

FRIDAY



A15 *A8AZR45E* #145
02/08/2019
COMPANIES HOUSE

Contents

Strategic report	01
Directors' report	04
Consolidated income statement	06
Consolidated statement of other comprehensive income	07
Statement of financial position	08
Statement of cash flows	09
Consolidated statement of changes in equity	10
Statement of changes in equity – Company	11
Notes to the accounts	12
Investments in Subsidiaries	38
Independent Auditor's Report	40

Strategic report

Group Performance

We are pleased to report an increase in profits before tax to £10.08 million (2017: £9.08 million), which have delivered an earnings per share of £454.00 (2017: £543.70).

We are recommending the payment of a dividend of £36.00 per share payable on 14 August 2019 to shareholders on the register on 24 July 2019 (2017: £36.00).

The Group had net debt of £13.45million at 31 December 2018 (2017: £13.73 million) and gearing was 23% (2017: 33%). The Company raised £7.7 million through an open offer to shareholders in May 2018.

Trading conditions since the year end

We expect profits to be lower in 2019. A combination of historically low tea prices and the detrimental effects of the Zimbabwe monetary reforms will significantly reduce reported revenues. Although the dividend has been well covered, looking ahead we will carefully consider the appropriate level of the dividend should we be entering a period of lower earnings.

Group Strategy and Objectives

Our strategy remains unchanged, which is to create long term value for our shareholders by investing in two sectors within the Southern African region:

- a) Large scale export agriculture, where we aim to build market leading businesses in plantation crops. We strive to maintain a long term competitive advantage by regular replanting of our estates with improved cultivars; and by new investments in our factories and packsheds to improve product quality and productivity. We work closely with our major customers to improve the consistency and quality of our products so as to retain and build on our market position.
- b) To develop renewable energy power schemes in the 1MW-15MW size range to generate electricity for supplying into the southern African national grids.

We also work to provide a safe and secure working environment for all our employees and to minimise the environmental impact of our operations.

Operational Review

Agribusiness division

Operating profit increased to £4.5 million (2017: £2.3 million).

Tea

Tea revenue was £23.4 million (2017: £23.0 million). Black tea production increased to 17,315 tonnes (2017: 16,215 tonnes). Of this, 14,095 tonnes came from our own fields and 3,220 tonnes from smallholder farmers around our estates. Our estate yield per hectare (a KPI measurement) increased slightly to 3,025 kgs /ha from 2,847 kgs/ha.

Tea prices declined as the year progressed, a consequence of a record Kenya crop. The Mombasa weekly tea auction ended the year at 213 usc/kg (Dec 2017: 271 usc/kg). This 21% reduction offset the benefits of the higher tea output. We sell most of our teas on forward contracts to our tea blending customers. Our tea can be found across a number of different black tea blends on European supermarket shelves.

We continue our work with the Ethical Tea Partnership and their Malawi tea 2020 initiative to improve wages across the industry. Our estates are accredited to some or all of the ethical standards created by Rainforest Alliance, UTZ, and Fairtrade, all of whose standards are helping to improve the long term sustainability of the industry.

We continue to work closely with our surrounding smallholder farmers to increase their yields and income. We undertake to purchase all their output, which we process through our tea factories. Over the year we purchased 13,772 tonnes of greenleaf (2017: 13,455 tonnes) from over 10,000 farmers. We continue to assist them with crop inputs and new plants propagated in our nurseries.

Cut flowers

Revenue declined to £10.8 million (2017: £11.0 million). Export production at 138 million stems (2017: 143 million stems) was constrained by difficult market conditions in the second half of the year. Our KPI productivity measurement, export stems per square metre, declined to 237 stems/sq metre (2017: 245 stems/sq metre).

The main market for our roses continues to be the supermarkets of northern Europe. During the year some of our supermarkets rejigged their customer offer and gave less space to our super sweetheart roses. We have successfully established new retailers to substitute for the lost demand.

Macadamia nuts

Our Malawi macadamia nut business, Thyolo Nut Company, increased output, due to more benign growing conditions. The factory cracked 431 tonnes of kernel (2017: 305 tonnes). The Malawi orchard yield per hectare (a KPI measurement) improved to 581 kgs kernel/ha (2017: 439 kgs kernel/ha).

We continue to plant new orchards in both Malawi and Zimbabwe, especially on land which is unsuitable for tea.

Renewable energy division

Operating profit declined to £8.6 million (2017: £9.8 million).

Electricity output decreased marginally to 111,958 MWh (2017: 112,809 MWh, a KPI measurement). The rivers flowed a little less strongly, though still well above their long term average.

We commissioned the 2.5MW solar power station at Mutoko in Zimbabwe. This is the first grid scale solar system generating solely into the Zimbabwe national grid. Our offtaker for all our electricity generation, the Zimbabwe Electricity Transmission and Distribution Company Ltd, traded in line with our agreed terms until November 2018 when the first phase of the monetary reforms was implemented.

Strategic report (continued)

Russian property management division

The Jensen Fund 1 which was raised in 2006 continues to be in a formal wind up process. Advisors have been appointed, with the aim of liquidating the assets in 2019 and distributing the proceeds to the Partnership.

Corporate Social Responsibility

All our African businesses depend on the goodwill of their neighbours. We work to ensure that the communities surrounding our estates and power stations benefit from our actions and feel a sense of common purpose and shared responsibility.

In Zimbabwe, together with our partner, the Honde Valley Hydroelectric Power Trust, we completed the multiyear programme of extending the national grid to the 51 schools in the Honde Valley, where our hydro power stations are all located. At each school we have installed enough capacity for individual householders to tap into the supply for their own homes.

In Malawi our tea smallholders benefit from the sales of Fairtrade accredited tea. Premiums totalling £0.6 million have been received in the year, to be spent on long term infrastructure improvements in the community.

Financial Review

Profits

The operating profit before interest and tax amounted to £11.97 million (2017: £11.68 million). The profit before tax increased to £10.08 million (2017: £9.08 million).

Earnings per share

Earnings per share (a KPI measurement) amounted to £454.00 (2017: £543.70).

Share capital

The issued share capital of the Company increased in 2018 from 12,529 to 15,611 Ordinary shares of £2,500 each through an Open Offer, which raised £7,705,000.

Dividend

The Board continues to keep the dividend policy under review in the light of the Group's performance and capital requirements. The recommended dividend of £36.00 per share in respect of the year ended 31 December 2018 remains unchanged, as we plan further large investments into hydro electric power generation schemes in Southern Africa. The cost to the company of the dividend amounts to £562,000.

Change to functional and presentation currency

The functional currency of the Company has changed from pound sterling to US dollar with effect from 1 January 2019. We consider that the US dollar now better represents the underlying transactions, events and conditions that are relevant to the Company. With effect from the year ended 31 December 2019, the consolidated financial statements for the Group and the Company will be presented in US dollars.

Post balance sheet event - the effect of Zimbabwe currency changes on monetary assets and liabilities

In October 2018 and February 2019, the Reserve Bank of Zimbabwe introduced reforms to their surrogate domestic currency, the RTGS dollar that was first introduced in 2016 as the bond note dollar.

Prior to October 2018, commercial banks maintained one bank account for depositors' funds, treating RTGS dollars and US dollars as fungible. The October 2018 reforms required commercial banks to separate out RTGS\$ and US\$ balances and hold them in different bank accounts for their depositors. The Reserve Bank of Zimbabwe retained the 1:1 peg to the US\$. On 22 February 2019, the Government formally created the RTGS\$ as a new domestic currency, by breaking the 1:1 peg and substituting it with a market rate to be set by the interbank market on a willing buyer/willing seller basis. At the start of trading the RTGS\$ devalued to RTGS\$2.5: US\$1 and had further devalued, by 1 April, to a rate of RTGS\$3.01. Due to continued US dollar scarcity in the interbank market, there is evidence that a parallel market operates by charging a premium above the interbank rate on the conversion of RTGS\$ into US dollars.

The functional currency of our Zimbabwean entities is US dollars. At the end of 2018, these entities had net monetary liabilities in RTGS\$, which have been recognised in the Group's financial statements at an exchange rate of parity with the US dollar. Following the creation of the new domestic currency in February 2019, the effect of the change in the exchange rate on the balance sheet of our Zimbabwe subsidiaries has been detailed in Note 30 to the accounts, Post Balance Sheet events, on pages 36 to 37. A sensitivity analysis detailing the effect of applying different exchange rates has also been included.

Cash and net borrowings

At 31 December 2018, the Group had net borrowings of £13.45 million (2017: £13.73 million). Approximately £16.2 million of the Group's net debt at the end of 2018 was denominated in US dollar, or currencies linked to the US\$. The strengthening of the US\$ against pound sterling during 2018 has increased the Group's reported net debt by £1.09 million. Excluding these exchange rate movements, net debt has decreased by £1.37 million. The gearing ratio reduced to 23% (2017: 33%).

During 2018, our renewable energy holding company in Zimbabwe launched a five-year secured corporate debenture for ten million RTGS dollars with a coupon of 8.5% per annum. Only holders of onshore RTGS\$ bank deposits were eligible to subscribe and repayment at par in five years will be made in the same form. The issue was fully subscribed in 2018. The liability to the debenture holders has been recognised in the Group's net borrowings at an exchange rate of parity with the US dollar, as per Zimbabwe legislation at the year end.

The cash balances in the UK at the year end amounted to £10.25 million (2017: £5.23 million).

Financial risk management

Details of the Group's financial risk management objectives and policies including capital management and capital structure are contained in Note 24 to the Accounts on pages 30 to 33.

Strategic report (continued)

Pensions

The Group's defined benefit pension plan, valued in accordance with IAS19, recorded an increase in its deficit from £5.53 million at the end of 2017 to £6.08 million at the end of 2018. The deterioration is largely due to the impact of a High Court ruling, published in October 2018, which held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued between 17 May 1990 and 5 April 1997 must equalise for the different effects of these GMPs between men and women. This has had the effect of increasing the value placed on the Plan's liabilities by £0.3 million and has been recognised as an additional expense in the Income Statement for the year under review. Additionally, there was a negative return on the Plan's assets in the year, which has been partially offset by an increase in the discount rate, which has served to reduce the plan's liabilities. The discount rate, which is based on the yield of high quality corporate debt, increased from 2.3% to 2.7%. Full details of the pension plan are contained in Note 22 to the accounts on pages 27 to 29.

Going concern basis

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

A summary of the Group's policies and processes in respect of capital and financial risk management including foreign exchange, interest rate, credit and liquidity risks are included within Note 24 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 have recently been renewed and the directors are not aware of any reason why these facilities should not be renewed in the future. As a consequence, and after reviewing the current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2018.

Principal risks and uncertainties

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

The principal risks of the Group are:

In Zimbabwe, there is a chronic shortage of US dollars in the banking system. In an attempt to solve the country's severe shortage of US dollars, the Zimbabwe government created the RTGS\$ as a new domestic currency in February 2019 and an interbank foreign exchange market was introduced. To date, this has had no effect on improving the availability of US dollars and local banks continue to be unable to convert the RTGS\$ into US\$ to buy imports and service debts. We expect this risk to remain material to the Group for the foreseeable future.

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

Our tea businesses sell their output at prices referenced to the weekly Mombasa tea auction. This price is volatile and any movement directly impacts the profitability of the enterprises.

Our Zimbabwe renewable energy schemes despatch electricity into the Zimbabwe national transmission grid and the sole off-taker is the state owned transmission and distribution utility. Our electricity supply contracts are denominated in US dollars. The off-taker sells electricity to Zimbabwe consumers in RTGS\$ and at tariffs that are regulated by the Government. The tariff review process is subject to political interference, which can be unpredictable. We have very limited alternatives in the short term should this counterparty become unreliable or fail to settle its invoices on time. Any prolonged failure of the off-taker to pay could result in an impairment of the assets in the balance sheet and an inability by the Group to settle its project finance loan obligations when they fall due.

The Group operates a defined benefit pension plan, which has been closed to future accrual for active members since 2011. A material proportion of the assets of this scheme are invested in equities and the value of these assets will fluctuate in line with global equity markets. The liabilities of the plan may also increase due to continuing improvements in mortality rates and unfavourable movements in economic variables.

By Order of the Board

Margaret Gage
Secretary
3rd Floor
45 Ludgate Hill
London EC4M 7JU
17 April 2019

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2018.

Statement of directors' responsibilities

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law to prepare Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the PGI Group website.

Principal activities and strategic report

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

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

Results and dividends

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

A final dividend in respect of the year ended 31 December 2018 of £36.00 per ordinary share is recommended by the directors for payment on 14 August 2019 to shareholders on the register on 24 July 2019 (2017: £36.00 paid on 4 July 2018). A final dividend can only be paid after it has been approved by the shareholders and cannot exceed the amount recommended by the board. Resolution 4 to be proposed at the Annual General Meeting would declare this dividend.

Post balance sheet event

An overview of post balance sheet events affecting the Group is included in the Strategic Report on page 2 under the heading "Post balance sheet event - the effect of Zimbabwe currency changes on monetary assets and liabilities" and further details are disclosed in Note 30 to the Report & Accounts on pages 36 to 37.

Share capital

On 30 April 2018 shareholders were invited to subscribe to an Open Offer of 3,082 New Ordinary shares at an issue price of £2,500 per share on the basis of one share for every four fully paid shares held on a pre-emption rights basis. The issue was fully subscribed and raised £7,705,000. The shares were issued on 29 May 2018. The issued share capital of the Company increased from 12,529 Ordinary shares of £2,500 each to 15,611 Ordinary shares of £2,500 each.

Authority to allot shares and disapplication of pre-emption rights

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

The Companies Act 2006 requires that, subject to certain exceptions, before directors of a company can issue any new shares for cash, the shares must first be offered to existing members of the Company in proportion to the number of shares which they hold at the time of the relevant offer. The Company's articles of association allow shareholders the ability to give the directors authority to allot shares (up to a specified nominal value) so that this statutory pre-emption requirement does not apply; such authority is subject to renewal by shareholders. Resolution 5 to be proposed at the Annual General Meeting would allow the directors to allot shares for cash only:

- a. up to a nominal value of £3,902,750, which represents 10 per cent. of the Company's issued share capital as at 31 December 2018 and as at 16 April 2019, being the latest practicable date before this report; or
- b. in connection with a Rights Issue (as defined in article 5.1 of the Company's articles of association).

Directors' report (continued)

Authority to allot shares and disapplication of pre-emption rights (continued)

This means that, if a share issue is not a Rights Issue, the proportionate interest of existing shareholders could not, without their agreement, be reduced by more than 10 per cent. by the issue of new shares for cash to new shareholders. This authority would lapse on 30 June 2020. The directors have no present intention of exercising this authority but, as in previous years, consider it desirable that they should have the flexibility to act in the best interest of shareholders when opportunities arise.

Employees

As at 31 December 2018, the Group employed 14,379 people, mainly located in Southern Africa. The Group places considerable value on the involvement of its employees, recognising that in order to achieve its objectives, the Group depends on the skills and commitment of its employees. It is the policy of the Group to encourage and develop all members of staff to realise their potential and wherever possible, vacancies are filled from within the Group. The Group recognises the importance of effective communication and employees are kept informed on matters affecting them as employees.

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

Creditor payment policies

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

Liability insurance for company officers

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

Overseas branches

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

Trading in the Company's shares

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

For shareholders requiring to contact the Company's share registrars, Link Asset Services, the address is:
Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Directors

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

	<u>Ordinary shares</u>
R.L. Pennant-Rea	60
S.S. Hobhouse	468
M.A. Gage	46
L. Hene	41
J.C Mackintosh	17
S.N. Roditi	12,123
C.E. Ryan	185
D.M. Ryan	57
M.W. Wright	10

Registered number

The Company's registered number is 01338135.

Auditor

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

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

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

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

By Order of the Board

Margaret Gage

Secretary
3rd Floor
45 Ludgate Hill
London EC4M 7JU
17 April 2019

Consolidated income statement

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Continuing operations			
Revenue	4	52,488	52,239
Cost of sales		(27,043)	(26,735)
Gross profit		25,445	25,504
Distribution costs		(4,513)	(4,585)
Administrative expenses		(10,300)	(9,791)
Other operating income		788	556
Share of associate's results	2	553	-
Profit from operations		11,973	11,684
Finance costs (net)	3	(1,896)	(2,604)
Profit before taxation		10,077	9,080
Taxation	7	(3,039)	(1,989)
Profit for the year	4	7,038	7,091
Profit attributable to:			
Owners of the parent		6,520	6,812
Non-controlling interests		518	279
		7,038	7,091

		£	£
Earnings per ordinary share			
- basic and diluted	8	454.00	543.70
Dividend per ordinary share	9	36.00	36.00

The notes on pages 12 to 37 form part of these accounts

Consolidated statement of other comprehensive income

for the year ended 31 December 2018

	Group	
	2018	2017
	£000	£000
Profit for the year	7,038	7,091
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net actuarial loss on defined benefits pension plan	(286)	(889)
Deferred tax on property revaluations	29	(34)
	(257)	(923)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of net overseas assets	3,728	(4,333)
Other comprehensive income for the year (net of tax)	3,471	(5,256)
Total comprehensive income for the year	10,509	1,835
Attributable to:		
Owners of the parent	9,800	1,820
Non-controlling interests	709	15
	10,509	1,835

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

The notes on pages 12 to 37 form part of these accounts

Statement of financial position

at 31 December 2018

	Notes	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
ASSETS					
Non-current assets					
Goodwill	10	364	343	–	–
Biological assets	11(a)	232	271	–	–
Property, plant and equipment	12	79,838	65,181	–	–
Investments:					
- associates	14	–	–	–	–
- other	14	132	123	48,510	44,245
		80,566	65,918	48,510	44,245
Current assets					
Biological assets	11(b)	1,828	1,390	–	–
Inventories	15	6,701	5,492	–	–
Trade and other receivables	16	6,312	5,579	12	25
Current tax assets		204	165	–	–
Other financial assets	25	6,188	1,252	–	–
Cash and cash equivalents		16,792	10,775	10,023	5,055
		38,025	24,653	10,035	5,080
TOTAL ASSETS		118,591	90,571	58,545	49,325
LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	19	6,590	9,737	–	–
Trade and other payables	20	9,934	8,491	898	568
Current tax liabilities		24	11	–	–
		16,548	18,239	898	568
Non-current liabilities					
Interest bearing loans and borrowings	19	23,656	14,772	–	–
Trade and other payables	20	1,439	1,532	–	–
Deferred tax liabilities	21	8,966	5,951	–	–
Defined pension plan deficit	22	6,077	5,528	6,077	5,528
		40,138	27,783	6,077	5,528
TOTAL LIABILITIES		56,686	46,022	6,975	6,096
NET ASSETS		61,905	44,549	51,570	43,229
EQUITY					
Share capital	17	39,028	31,323	39,028	31,323
Share premium account		425	425	425	425
Capital redemption reserve		1,023	1,023	1,023	1,023
Retained earnings		18,375	9,026	11,094	10,458
Equity attributable to owners of the parent		58,851	41,797	51,570	43,229
Non-controlling interests		3,054	2,752	–	–
TOTAL EQUITY		61,905	44,549	51,570	43,229

The Company's registered number is 01338135.

The Company's profit for the year was £1,373,000 (2017: £1,525,000) and its total comprehensive income for the year was £1,087,000 (2017: £636,000)

The notes on pages 12 to 37 form part of these accounts. The accounts were approved and authorised for issue by the Board on 17 April 2019 and were signed on its behalf by:

Directors

R.L. Pennant-Rea

M.A. Gage

Statement of cash flows
for the year ended 31 December 2018

		Group		Company	
	Notes	2018 £000	2017 £000	2018 £000	2017 £000
Operating activities					
Profit before tax		10,077	9,080	1,373	1,525
Adjustments:					
Depreciation and impairment of property, plant and equipment		3,757	3,307	–	4
Profit on disposal of property, plant and equipment		(11)	(17)	–	–
Profit on disposal of financial assets		–	(12)	–	–
Additional retirement benefit costs		138	(93)	138	(93)
Net finance costs		1,896	2,593	(61)	315
Fair value movements – current assets	11&25	(182)	94	–	11
Fair value movements – non-current assets	11	55	(18)	–	–
Share of net profit of associate	2	(553)	–	–	–
Working capital adjustments:					
(Increase)/decrease in biological assets		(256)	177	–	–
Increase in inventories		(1,209)	(412)	–	–
(Increase)/decrease in trade and other receivables		(733)	1,122	13	(13)
Increase in financial assets at fair value through profit or loss		(4,936)	(1,388)	–	–
Increase/(decrease) in trade and other payables		1,350	(854)	330	(237)
Exchange difference on working capital		1,122	(662)	–	–
Overseas tax paid		(386)	(277)	–	–
Net cash from operating activities		10,129	12,640	1,793	1,512
Cash flows from investing activities					
Purchase of property, plant and equipment		(14,341)	(5,840)	–	–
Acquisition of subsidiary, net of cash acquired		(182)	–	–	–
Proceeds from disposal of property, plant and equipment		128	25	–	–
Interest and finance income received		536	22	186	19
Distributions from associate		558	–	–	–
Additions to investments		–	–	(4,265)	(7,373)
Net cash from investing activities		(13,301)	(5,793)	(4,079)	(7,354)
Cash flows from financing activities					
Proceeds from issue of shares		7,705	–	7,705	–
Proceeds from loans and borrowings		13,004	2,821	–	–
Repayment of loans		(6,699)	(4,592)	–	–
Interest and finance costs paid		(2,307)	(2,501)	–	(220)
Dividends paid to equity holders of the parent		(451)	(451)	(451)	(451)
Dividends and other payments to non-controlling interests		(407)	(427)	–	–
Net cash from financing activities		10,845	(5,150)	7,254	(671)
Net increase/(decrease) in cash and cash equivalents		7,673	1,697	4,968	(6,513)
Cash and cash equivalents at beginning of period		7,344	5,979	5,055	11,568
Effects of exchange rate changes on cash and cash equivalents		223	(332)	–	–
Cash and cash equivalents at end of period		15,240	7,344	10,023	5,055
Cash and cash equivalents comprise:					
Cash	23	16,792	10,775	10,023	5,055
Overdrafts	23	(1,552)	(3,431)	–	–
Cash and cash equivalents	23	15,240	7,344	10,023	5,055
Interest bearing loans and borrowings due within one year		(6,590)	(9,737)	–	–
Less: short term debt (other than overdrafts)		5,038	6,306	–	–
Overdrafts	23	(1,552)	(3,431)	–	–

The notes on pages 12 to 37 form part of these accounts

Consolidated statement of changes in equity

	Attributable to owners of the parent					
	Share capital £000	Share premium & redemption reserves £000	Retained earnings £000	Total controlling interests £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2017	31,323	1,448	7,657	40,428	3,164	43,592
Profit for the year	–	–	6,812	6,812	279	7,091
Other comprehensive income:						
Exchange differences on translation of net overseas assets	–	–	(4,069)	(4,069)	(264)	(4,333)
Net actuarial loss on defined benefit pension plan	–	–	(889)	(889)	–	(889)
Deferred tax on property revaluations	–	–	(34)	(34)	–	(34)
Total comprehensive income for the year	–	–	1,820	1,820	15	1,835
Dividend paid (note 9)	–	–	(451)	(451)	–	(451)
Transactions with owners	–	–	1,369	1,369	15	1,384
Dividend paid to non-controlling interests	–	–	–	–	(427)	(427)
Balance at 31 December 2017	31,323	1,448	9,026	41,797	2,752	44,549
Profit for the year	–	–	6,520	6,520	518	7,038
Other comprehensive income:						
Exchange differences on translation of net overseas assets	–	–	3,537	3,537	191	3,728
Net actuarial loss on defined benefit pension plan	–	–	(286)	(286)	–	(286)
Deferred tax on property revaluations	–	–	29	29	–	29
Total comprehensive income for the year	–	–	9,800	9,800	709	10,509
Issue of shares	7,705	–	–	7,705	–	7,705
Dividend paid (note 9)	–	–	(451)	(451)	–	(451)
Transactions with owners	7,705	–	9,349	17,054	709	17,763
Dividend paid to non-controlling interests	–	–	–	–	(407)	(407)
Balance at 31 December 2018	39,028	1,448	18,375	58,851	3,054	61,905

The notes on pages 12 to 37 form part of these accounts

Statement of changes in equity – Company

	Attributable to owners				
	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2017	31,323	425	1,023	10,273	43,044
Profit for the year	–	–	–	1,525	1,525
Net actuarial loss on defined benefit pension plan	–	–	–	(889)	(889)
Total comprehensive income for the year	–	–	–	636	636
Dividend paid (note 9)	–	–	–	(451)	(451)
Balance at 31 December 2017	31,323	425	1,023	10,458	43,229
Profit for the year	–	–	–	1,373	1,373
Net actuarial loss on defined benefit pension plan	–	–	–	(286)	(286)
Total comprehensive income for the year	–	–	–	1,087	1,087
Issue of shares	7,705	–	–	–	7,705
Dividend paid (note 9)	–	–	–	(451)	(451)
Balance at 31 December 2018	39,028	425	1,023	11,094	51,570

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 37 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 2018 were authorised for issue in accordance with a resolution of the directors on 17 April 2019. 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, EC4V 5JM. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 3 to the accounts.

1. Basis of preparation and significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union. They have been prepared on the historical cost basis, except for certain biological assets, which have been measured at fair value less costs to sell, freehold land and buildings which have been measured at their depreciated replacement cost and certain financial assets and liabilities, which have been measured at fair value. The financial statements have also been prepared on the going concern basis as set out in the Strategic Report on pages 1 to 3 to the accounts.

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

Changes in accounting policy – new and revised accounting standards

New and amended standards adopted by the Group

The Group adopted IFRS 9 – 'Financial Instruments' and IFRS 15 – 'Revenue from Contracts with Customers' which were mandatory for financial years commencing on or after 1 January 2018. The adoption of these new standards did not result in any substantial changes to the Group's accounting policies and had no effect on the amounts reported for the current or prior financial year.

Company accounts

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

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

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.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

Associates

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Notes to the accounts (continued)

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

Foreign currency translation (continued)

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

Impairment of assets

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

Goodwill

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

Biological assets

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

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

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

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

Assets under construction are not depreciated until commissioned.

Notes to the accounts (continued)

1. Basis of preparation and significant accounting policies (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.

Other investments

Other investments are stated at cost or fair value.

Fair value measurement

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

Level 1 uses quoted prices in active markets for identical assets

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

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

Inventories

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

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

Trade and other receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

Current asset investments

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

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.

Leasing

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related tax asset is realised, or the tax liability is settled.

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

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.

Notes to the accounts (continued)

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

Pension obligations

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

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

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

Revenue recognition

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

Revenue from the sale of goods by the agribusinesses is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the renewable energy power companies is recognised monthly based on the generation of megawatt hours of electricity feeding into the Zimbabwean national grid. 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.

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 have recently been renewed and the directors are not aware of any reason why these facilities should not be renewed in the future. In addition, the Group has positive bank balances. As a consequence, and after reviewing the current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2018.

Critical accounting estimates and judgements

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

Standards and interpretations issued but not yet effective

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

The new standard, IFRS 16, Leases, was issued in January 2016 and is mandatory for financial years commencing on or after 1 January 2019. It will result in most leases being recognised on the balance sheet, as the distinction between operating leases and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £265,000 (Note 13). The Group has determined that the recognition of the lease commitment as an asset and a liability for future payments will have an immaterial impact on the Group's profit and classification of cash flows.

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

Notes to the accounts (continued)

2. Share of associate's results

	2018 £000	2017 £000
The Group's share of the results of its associated company comprises:		
Profit from operations	275	230
Impairment write back/(provision) against investment in associate	278	(230)
Taxation on profit from operations	–	–
Profit after taxation	553	–

The share of associate's results relates to a 20% interest in K2 Management Ltd (2017: 20%), which is part of the Jensen Group. K2 has invested in the Russian property fund, which it manages. A write back of the impairment provision of £278,000 has been made in the year (2017: impairment provision of £230,000).

3. Finance income and costs

	2018 £000	2017 £000
Finance income comprises:		
Bank and other interest receivable	111	22
Foreign exchange profit on financing activities	425	58
	536	80
Finance costs comprise:		
On amounts wholly repayable within 5 years:		
Bank	(2,184)	(2,347)
Foreign exchange loss on financing activities	(123)	(212)
Fair value loss on derivatives	–	(11)
	(2,307)	(2,570)
Imputed interest on pension plan liabilities (net)	(125)	(114)
	(2,432)	(2,684)
Finance costs (net)	(1,896)	(2,604)

4. Revenue and profit for the year

	2018 £000	2017 £000
Analysis of the Group's revenue:		
Sale of agribusiness produce	39,927	38,510
Hydro-electric power generation	12,053	13,174
Property management income	508	555
	52,488	52,239
Profit for the year is stated after charging/(crediting):		
Cost of inventories recognised as expense	27,043	26,735
Depreciation of property, plant and equipment	3,517	3,307
Impairment of property, plant and equipment	240	–
Profit on disposal of property, plant and equipment	(11)	(17)
Operating lease payments	74	45
Rents received	(9)	(20)
Net foreign exchange (gains)/losses	(8)	13
Fair value movements:		
Biological assets	(127)	(94)
Other financial assets	–	170

Notes to the accounts (continued)

5. Auditor's remuneration

	2018 £000	2017 £000
The analysis of the auditor's remuneration is:		
Audit services		
Statutory audit of the Company and the group accounts	76	76
Other services		
Statutory audit of the accounts of the Company's subsidiaries pursuant to legislation	–	–
Tax compliance	22	17
	98	93

These fees relate to fees paid to RSM UK Audit LLP and its associates. Fees paid to other auditors not associated with RSM UK Audit LLP in respect of the audit of the Company's subsidiaries amounted to £96,000 (2017: £101,000).

6. Employees

	2018	2017
Average numbers employed in:		
Agribusinesses including seasonal workers	14,055	14,543
Hydro electric power generation	321	226
Head office	3	3
	14,379	14,772
	2018	2017
	£000	£000
Staff costs:		
Wages and salaries	15,640	12,945
Social security	278	282
Other pension costs	107	101
	16,025	13,328

7. Taxation

a) Analysis of charge for the year

	2018 £000	2017 £000
Current taxation:		
UK corporation tax	–	–
Double taxation relief	–	–
	–	–
Foreign tax:		
Current tax on income for the period	167	72
Adjustment in respect of prior periods	4	3
Withholding tax	197	13
	368	88
Deferred taxation:		
Origination and reversal of temporary differences	2,546	1,924
Adjustment in respect of prior periods	125	(23)
	2,671	1,901
Total tax expense reported in the income statement	3,039	1,989

Notes to the accounts (continued)

7. Taxation (continued)

b) Factors affecting the tax charge for the year:

The tax assessed for the year differs from the effective rate of corporation tax in the UK of 19.00% (2017: 19.25%):

	2018 £000	2017 £000
Profit before tax	10,077	9,080
Profit before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2017: 19.25%)	1,914	1,748
Effects of:		
Items not chargeable for tax purposes	166	74
Net increase in tax losses	5	113
Different tax rates on overseas earnings	565	200
Adjustment in respect of prior years	129	(20)
Exchange differences	260	(126)
Total tax expense reported in the income statement	3,039	1,989

c) Tax effects relating to other comprehensive income

	2018		2017		
	Before tax amount £000	Tax expense £000	Net of tax amount £000	Before tax amount £000	Tax expense £000
Exchange differences on translation of net					
overseas assets	3,537	–	3,537	(4,069)	–
Revaluation of property	–	29	29	–	(34)
Net actuarial loss on defined benefit					
pension plan	(286)	–	(286)	(889)	–
	3,251	29	3,280	(4,958)	(34)

8. Earnings per ordinary share

Basic and diluted

Basic and diluted earnings per Ordinary £2,500 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. The Open Offer in 2018 increased the number of shares in issue to 15,611 Ordinary shares of £2,500 each. There are no dilutive shares.

	2018	2017
Weighted average number of ordinary shares in issue	14,361	12,529

	2018 £000	2017 £000
Profit attributable to owners of the parent	6,520	6,812

	£	£
Basic and diluted earnings per ordinary share	454.00	543.70

Notes to the accounts (continued)

9. Dividends

	2018	2017
	£000	£000
Amounts recognised as distributions to owners of the parent in the year:		
Dividend for the year ended 31 December 2017 of £36.00 (2016: £36.00) per share	451	451

A dividend for the year ended 31 December 2018 of £36.00 per share has been recommended by the directors for payment on 14 August 2019.

10. Goodwill

	2018	2017
	£000	£000
Goodwill arising on the acquisition of:		
Khal Amazi Ltd	364	343
The movement on goodwill during the year comprises:		
Opening balance	343	375
Exchange differences	21	(32)
Closing balance	364	343

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 2018 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 other factors, including reasonable expectations of future events. The resultant estimates will differ from actual results.

As a long term agricultural business, twenty year cash flow projections have been used for Khal Amazi Ltd, which have assumed no growth in the cash flows. A pre-tax discount rate of 16.9% has been used. The calculations use cash flow forecasts derived from the most recent financial budgets supplemented by forecasts of performance for the years thereafter, revised where appropriate, to take account of current economic conditions.

Khal Amazi's recoverable amount, based on value-in-use calculations, exceeded its carrying value by £1.5 million (2017: £2.0 million), indicating that no impairment charge was necessary for the year ended 31 December 2018 (2017: £nil). A key assumption used in the value-in-use calculations is the exchange rate between the Euro and US dollar. The forecasts have been based on current rates of exchange.

Notes to the accounts (continued)

11. Biological assets

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

	2018			2017		
	Livestock	Agricultural produce	Total	Livestock	Agricultural produce	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 January	271	1,390	1,661	277	1,491	1,768
Exchange differences	16	86	102	(24)	(129)	(153)
Increase due to purchases	–	1,239	1,239	–	1,006	1,006
Change in fair value due to:						
Biological transformation	(55)	182	127	18	76	94
Decrease due to harvest	–	(1,069)	(1,069)	–	(1,054)	(1,054)
Closing balance at 31 December	232	1,828	2,060	271	1,390	1,661
a) Non-current assets:						
Livestock	232	–	232	271	–	271
b) Current assets:						
Agricultural produce	–	1,828	1,828	–	1,390	1,390

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

The fair value of growing green tea leaf, macadamias-in-husk and rose buds have been determined using models based on expected yields, market prices for the saleable produce, after allowing for harvesting costs and other costs yet to be incurred in getting the produce to maturity. The fair value of the agricultural produce has been measured using valuation Level 3, whereby inputs for the asset are not based on observable market data. This requires the Group to make various estimates and judgements, which have been based on historical experience and other factors, including the volume and stages of maturity at the balance sheet date, yields and market prices. The year end fair value amounted to £1.83 million (2017: £1.39 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 areas planted to the significant crop types at the end of the year:

	2018	2017
	Hectares	Hectares
Tea	4,738	4,778
Macadamia	1,062	983
Roses	65	64

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

Notes to the accounts (continued)

12. Property, plant and equipment

	Group					Company	
		Land and buildings		Renewable energy	Plant equipment	Total	Plant equipment
	Bearer plants	Freehold	Long leasehold	Plant and equipment	and vehicles		and vehicles
	£000	£000	£000	£000	£000	£000	£000
Year ended 31 December 2018							
Opening cost or valuation	16,513	2,742	3,161	44,745	18,604	85,765	60
Exchange differences	1,025	74	194	2,783	1,174	5,250	-
Additions	632	227	42	11,074	2,366	14,341	-
Acquisition of subsidiary	-	182	-	-	-	182	-
Disposals	-	(69)	-	(24)	(745)	(838)	-
Closing cost or valuation	18,170	3,156	3,397	58,578	21,399	104,700	60
At directors' valuation	-	3,156	-	-	-	3,156	-
At cost	18,170	-	3,397	58,578	21,399	101,544	60
Opening accumulated depreciation	2,385	685	713	3,877	12,924	20,584	60
Exchange differences	148	12	44	241	797	1,242	-
Charge for the year	1,022	21	74	1,333	1,067	3,517	-
Impairment	-	240	-	-	-	240	-
Disposals	-	(68)	-	(17)	(636)	(721)	-
Closing accumulated depreciation	3,555	890	831	5,434	14,152	24,862	60
Net book value	14,615	2,266	2,566	53,144	7,247	79,838	-
Historical cost							
Cost	18,170	2,150	3,397	58,578	21,399	103,694	60
Accumulated depreciation	3,555	190	831	5,434	14,152	24,162	60
	14,615	1,960	2,566	53,144	7,247	79,532	-

Immature bearer plants of £1,625,000 were reclassified as mature in 2018. Immature bearer plants at the year end amounted to £2,312,000 and are not depreciated.

An impairment provision of £240,000 was made in the year on freehold land and buildings in Zimbabwe.

At the year end £10,389,000 (2017: £2,711,000) of the cost of renewable energy plant and equipment was under construction.

During the year, the Group capitalised borrowing costs on qualifying assets of £512,000 (2017: £159,000).

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

	Net book value	
	2018	2017
	£000	£000
	29,798	24,121

Valuation method

The freehold properties recognised at directors' valuation on 31 December 2018 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. Property, plant and equipment (continued)

	Group					Company	
	Bearer plants (Restated) £000	Land and buildings Freehold £000	Long leasehold £000	Renewable energy Plant and equipment £000	Plant equipment and vehicles £000	Total £000	Plant equipment and vehicles £000
Year ended 31 December 2017							
Opening cost or valuation	17,251	2,658	3,443	44,989	19,060	87,401	60
Exchange differences	(1,451)	(59)	(295)	(3,890)	(1,646)	(7,341)	-
Additions	713	143	13	3,646	1,325	5,840	-
Disposals	-	-	-	-	(135)	(135)	-
Closing cost or valuation	16,513	2,742	3,161	44,745	18,604	85,765	60
At directors' valuation	-	2,742	-	-	-	2,742	-
At cost	16,513	-	3,161	44,745	18,604	83,023	60
Opening accumulated depreciation	1,705	664	610	3,007	12,951	18,937	56
Exchange differences	(107)	4	(53)	(261)	(1,116)	(1,533)	-
Charge for the year	787	17	156	1,131	1,216	3,307	4
Disposals	-	-	-	-	(127)	(127)	-
Closing accumulated depreciation	2,385	685	713	3,877	12,924	20,584	60
Net book value	14,128	2,057	2,448	40,868	5,680	65,181	-
Historical cost							
Cost	16,513	1,693	3,161	44,745	18,604	84,716	60
Accumulated depreciation	2,385	194	713	3,877	12,924	20,093	60
	14,128	1,499	2,448	40,868	5,680	64,623	-

Immature bearer plants of £556,000 were reclassified as mature in 2017. Immature bearer plants at the year end amounted to £3,110,000 and are not depreciated.

13. Capital and operating lease commitments

The Group had £1,272,000 commitments for capital expenditure contracted for, but not provided at 31 December 2018 (2017: £nil). Replanting and estate development costs, which are incurred on an ongoing basis, are excluded from capital commitments.

The Group had future minimum lease payments under a non-cancellable operating lease for each of the following periods:

	Land and buildings	
	2018	2017
	£000	£000
Not later than one year	74	74
Later than one year and not later than five years	191	265

The operating lease commitments represent rentals payable by the Group for office premises. The lease has a term of five years at a fixed rent, expiring in August 2022.

Notes to the accounts (continued)

14. Investments

Associates are accounted for in accordance with IAS 28 – Investments in Associates. At the 31 December 2018, the share of the associate's results relate to a 20% interest in K2 Management Ltd, which is part of the Jensen Group.

Group	Other unlisted investments		Associates	
	2018 £000	2017 £000	2018 £000	2017 £000
Analysis of movement during the year:				
At beginning of year	123	135	–	–
Profit from operations (Note 2)	–	–	275	230
Impairment write back/(provision) (Note 2)	–	–	278	(230)
Dividends paid	–	–	(558)	–
Exchange differences	9	(12)	5	–
Carrying amount at end of year	132	123	–	–

Other unlisted investments are recognised at cost in the balance sheet at £132,000 (2017: £123,000).

	Associates	
	2018 £000	2017 £000
Share of the associate's balance sheet:		
Non-current assets	36	–
Current assets	33	55
Current liabilities	(69)	(55)
Carrying amount of investment	–	–
Share of the associate's revenue and profits:		
Continuing operations		
Revenue	353	361
Share of profit after tax (Note 2)	553	–

Company	Subsidiary undertakings		
	Shares £000	Loans £000	Total £000
At 1 January 2017	31,308	5,564	36,872
Increase	–	7,373	7,373
At 31 December 2017	31,308	12,937	44,245
Increase	–	4,265	4,265
At 31 December 2018	31,308	17,202	48,510

The Company did not make any management charges to group subsidiaries in the year (2017: £nil).

Subsidiary undertakings

All subsidiary undertakings are listed on page 38 and operate principally in their country of incorporation. All the holdings in the operating entities are held through subsidiary undertakings.

Business combination - acquisition of Alberts (Private) Limited

The Group acquired 100% of the share capital of Alberts (Private) Limited, a Zimbabwe land owning company, on 6 February 2018. The consideration for the shares, payable on completion, amounted to £182,000. The total identifiable net assets acquired amounted to £182,000. The acquired business did not contribute any revenues to the Group and a loss before tax was incurred to the Group of £245,000 for the period 6 February 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, the revenue from this source and the loss would have been unchanged for the year under review.

Net assets of Alberts (Private) Ltd acquired on 6 February 2018:	2018 £000
Fair value and carrying value of net assets acquired:	
Property, plant and equipment	182
Total identifiable net assets	182
Purchase consideration and cash outflow on acquisition	(182)

There were no acquisitions in the year ended 31 December 2017.

Notes to the accounts (continued)

15. Inventories

	2018	2017
	£000	£000
Produce	2,838	2,111
Raw material	3,863	3,381
	6,701	5,492

16. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Due within one year:				
Trade and other receivables	4,653	5,548	2	13
Loss allowance	(1,097)	(1,036)	–	–
Prepayments and accrued income	2,756	1,067	10	12
	6,312	5,579	12	25

There is no fixed repayment date on £201,000 (2017: £298,000) of the Trade and other receivables. Included in trade and other receivables is £1,163,000 (2017: £1,072,000), which relates to VAT reclaimable in the Zimbabwe and Malawi renewable energy companies and some of the Group's agribusinesses. These amounts are being offset, when possible, against future output tax and other local taxes as they fall due.

Credit risk

The Group's credit risk policy and the calculation of the loss allowance are provided in Note 24.

17. Share capital

	Issued and fully paid number	Issued and fully paid £000
Ordinary shares of £2,500 each		
At 1 January 2018	12,529	31,323
Issue of shares	3,082	7,705
At 31 December 2018	15,611	39,028

On 30 April 2018 shareholders were invited to subscribe to an Open Offer of 3,082 New Ordinary shares at an issue price of £2,500 per share on the basis of one share for every four fully paid shares held on a pre-emption rights basis. The issue was fully subscribed and raised £7,705,000. The shares were issued on 29 May 2018. The issued share capital of the Company increased from 12,529 Ordinary shares of £2,500 each to 15,611 Ordinary shares of £2,500 each.

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

Notes to the accounts (continued)

18. Reserves and non-controlling interests

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

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. This reserve is included in the accompanying consolidated statement of changes in equity within retained earnings. The movement on this reserve for the years ended 31 December 2018 and 2017 is as follows:

	Retained Earnings £000
Exchange differences on translation of net overseas assets:	
Opening balance 1 January 2017	(13,978)
Movement for the year	(4,069)
At 31 December 2017	(18,047)
Movement for the year	3,537
At 31 December 2018	(14,510)

Remittances of profits and repayment of loans and advances in Malawi and Zimbabwe are subject to exchange control approval by the Reserve Bank in both of these countries.

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 2018 was £229,000 (2017: loss £211,000). Of the non-controlling interest at 31 December 2018 amounting to £3,054,000 (2017: £2,752,000), disclosed on page 10, £1,719,000 (2017: £1,841,000) relates to the non-controlling interest in Khal Amazi Ltd. No dividends were paid by Khal Amazi Ltd in the year under review (2017: £nil). Its increase in cash and cash equivalents for the year ended 31 December 2018 amounted to £108,000 (2017: decrease £343,000). Its net assets at the year ended 31 December 2018, before inter-company eliminations, were £7,490,000 (2017: £8,255,000).

19. Interest bearing loans and borrowings

	Group	
	2018 £000	2017 £000
Debentures, bank loans and overdrafts – secured (i) and (ii)	30,246	24,509
Debentures, bank loans and overdrafts are repayable:		
Within one year	6,590	9,737
Between one and two years	4,718	4,096
Between two and five years	18,807	10,306
After five years	131	370
	30,246	24,509
Due within one year	6,590	9,737
Due after more than one year	23,656	14,772
	30,246	24,509

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 £6.4 million (2017: £8.0 million).

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

Notes to the accounts (continued)

20. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Due within one year				
Trade payables	3,559	2,668	4	2
Other taxation and social security	91	61	17	32
Accruals and deferred income	2,410	2,300	868	525
Other payables	3,874	3,462	9	9
	9,934	8,491	898	568
Due after one year				
Trade payables	936	989	–	–
Accruals and deferred income	125	119	–	–
Other payables	378	424	–	–
	1,439	1,532	–	–

21. Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises:

	2018	2017
	£000	£000
Accelerated tax depreciation	12,361	9,928
Unrealised foreign exchange differences	(63)	(335)
Other temporary differences	157	311
Tax losses	(3,855)	(4,327)
Provision for deferred tax on temporary differences	8,600	5,577
Potential tax due on property revaluations	366	374
Total provision for deferred tax	8,966	5,951
The movement in the provision for deferred tax was:		
At 1 January	5,951	4,393
Deferred tax charge in income statement (Note 7a)		
Current year from continuing operations	2,546	1,924
Prior year adjustment	125	(23)
	2,671	1,901
Changes in potential tax on property revaluations charged to:		
Retained earnings	(29)	34
	(29)	34
Acquisition of subsidiary	–	–
Exchange differences	373	(377)
At 31 December	8,966	5,951

There are losses arising in the UK of approximately £0.7 million (2017: £0.6 million) which are available to offset against future taxable profits in the companies in which the loss arose. There are also capital losses of £19.4 million (2017: £19.2 million) which are available to offset against future capital gains arising in the UK. The total potential deferred tax asset of £3.7 million in relation to these losses has not been recognised as there is insufficient evidence of future profits against which this asset could be utilised.

The Group also has losses arising in Zimbabwe of approximately £1.1 million (2017: £1.3 million). The potential deferred tax asset at 31 December 2018 of £0.3 million (2017: £0.3 million) has not been recognised as there is insufficient evidence of future profits against which this asset could be utilised.

Notes to the accounts (continued)

22. 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

	2018 £000	2017 £000
Present value of defined benefit obligation	(19,174)	(20,340)
Fair value of plan assets	13,097	14,812
Deficit in plan recognised in the balance sheet	(6,077)	(5,528)

The Group operates a funded defined benefit pension plan in the United Kingdom, the PGI Group Pension Plan, which was closed to future accrual for active members from 1 October 2011. The plan is subject to the funding legislation, which came into force on 30 December 2005, as set out in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. Total contributions to the plan amounted to £230,000 (2017: £173,000). The Group incurred other pension costs of £107,000 (2017: £101,000) for certain employees in respect of defined contribution plans.

The total membership of the plan at 31 December 2018 was 431 members (2017: 443 members), analysed as follows:

	Deferred pensioners Number	Pensioners in payment Number	Total Number
Males	125	199	324
Females	30	77	107
Total	155	276	431

The total pensions paid during the year ended 31 December 2018 amounted to £808,000 (2017: £810,000). A summary of the unaudited financial statements of the scheme for 2018 and the audited financial statements of the previous year is shown below:

	2018 £000	2017 £000
Company contributions	230	173
Benefits payable:		
Pensions	(808)	(810)
Commutation and other lump sum benefits	(95)	(160)
Trivial commutations	–	(2)
	(903)	(972)
Administration expenses	(47)	(80)
Net (reduction)/return on investments	(995)	1,743
Net (decrease)/increase in the fund	(1,715)	864
Net assets at 1 January	14,812	13,948
Net assets at 31 December	13,097	14,812

Net assets statement at 31 December:

	2018		2017	
	£000	% of total	£000	% of total
Investments				
Managed equity funds:				
Aquila Life UK Equity Index fund	6,892	53	7,789	52
Aquila Life European Equity Index fund	1,281	9	1,412	9
Aquila Life US Equity Index fund	1,504	11	1,482	10
Aquila Life Overseas Fixed Bench Equity fund	2,464	19	2,808	19
Managed gilt and corporate bond funds:				
Aquila Life Corporate Bond 5 to 15 years fund	863	7	1,298	9
	13,004	99	14,789	99
Net current assets:				
Cash deposits	152	1	77	1
Accruals	(59)	–	(54)	–
Total net assets	13,097	100	14,812	100

The Pension Plan's investment managers, BlackRock, are responsible for investing the plan's assets in indexed linked funds in the proportions agreed with the trustees. The trustees meet regularly with BlackRock to monitor performance of the portfolio.

The last full actuarial valuation of the plan was performed by the Plan's actuaries, CPRM Limited, as at 31 December 2016. The valuation was carried out using the Defined Accrued Benefits method. The principal economic assumptions were a discount rate of 3.85% and an allowance of 3.1% per annum for increases to pensions in payment of 5% per annum or RPI if less.

Notes to the accounts (continued)

22. Retirement benefit liabilities (continued)

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

	£000
Past service liabilities	(17,431)
Value of assets	13,948
Deficit	(3,483)
Funding level	80.0%

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

IAS 19 Disclosures

To assess the position of the plan at 31 December 2018, the IAS 19 disclosures have been calculated on an approximate basis by appropriately adjusting and updating the results for the latest actuarial valuation at 31 December 2016.

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

	2018 £000	2017 £000
Defined benefit obligation at start of year	20,340	18,566
Expenses	47	80
Interest expense	457	452
Actuarial losses due to plan experience	60	727
Actuarial (gains)/losses due to changes in demographic assumptions	(116)	1,121
Actuarial (gains)/losses due to changes in financial assumptions	(984)	446
Benefits paid and expenses	(951)	(1,052)
Past service costs	321	—
Defined benefit obligation at end of year	19,174	20,340

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

	2018 £000	2017 £000
Fair value of assets at start of year	14,812	13,948
Interest income	332	338
Return on plan assets (excluding amounts included in interest income)	(1,326)	1,405
Contributions by the Company	230	173
Benefits paid and expenses	(951)	(1,052)
Fair value of assets at end of year	13,097	14,812

The average duration of the benefit obligation at 31 December 2018 is 14 years (2017: 14 years).

The charge to the income statement comprises:

	2018 £000	2017 £000
Expenses	(47)	(80)
Past service costs	(321)	—
Total Expenses	(368)	(80)

Other finance charges:

Interest expense	(457)	(452)
Interest income	332	338
Net interest cost	(125)	(114)

Defined benefit costs recognised in the income statement	(493)	(194)
----------------------------------------------------------	-------	-------

Past service costs of £321,000 (2017: £nil) represent the estimated amount payable by the Pension Plan under the recent High Court ruling which held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued between 17 May 1990 and 5 April 1997 must equalise for the different effects of the GMPs between men and women.

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

Notes to the accounts (continued)

22. Retirement benefit liabilities (continued)

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

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Fair values at 31 December					
Equities	12,141	13,491	12,534	11,165	11,775
Bonds	863	1,298	1,334	1,377	1,596
Cash and other net assets	93	23	80	60	69
Present value of plan	13,097	14,812	13,948	12,602	13,440
Liabilities	(19,174)	(20,340)	(18,566)	(16,694)	(17,780)
Plan deficit	(6,077)	(5,528)	(4,618)	(4,092)	(4,340)
Percentage funding	68.3%	72.8%	75.1%	75.5%	75.6%
Contribution rate	-	-	-	-	-
Contribution towards plan's administration expenses	£47,000	£80,000	£76,000	£89,000	£77,000
Additional contributions	£150,000	£93,500	£93,500	£320,000	£320,000

The best estimate of contributions to be paid to the plan for the year ending 31 December 2019 is £197,000, made up of £47,000 contribution towards the plan's administration expenses and £150,000 additional contributions.

Actual return on plan assets

There was a negative return on the Plan's assets for the year ending 31 December 2018 of £994,000 (2017: return of £1,743,000).

Major assumptions

	2018	2017
	% per annum	% per annum
Inflation	3.30	3.20
Discount rate	2.70	2.30
Pensions in payment increases	3.10	3.10
Revaluation rate for deferred pensioners	3.30	3.20

The discount rate is a key assumption in the valuation of the Plan's liabilities which may, within limits, take a range of values. The results quoted are based on a discount rate of 2.70% per annum. Adopting a different discount rate would lead to different results being disclosed. For example, if the discount rate was decreased by 0.25% per annum, the liabilities would increase by 3.5%. There would be a similar reduction in liabilities if the discount rate was increased by 0.25% per annum.

Mortality

The mortality assumptions adopted at 31 December 2018 imply the following future life expectations at age 65:

	2018	2017
	Years	Years
Male currently aged 45	20.1	21.3
Female currently aged 45	22.0	23.4
Male currently aged 65	21.2	20.2
Female currently aged 65	23.3	22.1

Movement in the plan deficit during the year

	2018	2017
	£000	£000
Deficit at 1 January	(5,528)	(4,618)
Pension expenses recognised in the income statement:	(493)	(194)
Amounts recognised in other comprehensive income	(286)	(889)
Contributions by the Company	230	173
Deficit at 31 December	(6,077)	(5,528)

The actuarial loss recognised in other comprehensive income comprises:

	2018	2017
	£000	£000
Experience adjustment on plan assets	(1,326)	1,405
Experience adjustment on plan liabilities	(60)	(727)
Effect of change in assumptions	1,100	(1,567)
	(286)	(889)

Notes to the accounts (continued)

23. Consolidated cash flow statement

Analysis of net debt:

	Opening balance 2018 £000	Cash Flow £000	Transfers £000	Exchange movement £000	Closing balance 2018 £000
Cash	10,775	5,580	–	437	16,792
Overdrafts	(3,431)	2,093	–	(214)	(1,552)
Cash and cash equivalents	7,344	7,673	–	223	15,240
Debt due within one year	(6,306)	6,699	(5,038)	(393)	(5,038)
Debt due after more than one year	(14,772)	(13,004)	5,038	(918)	(23,656)
	(13,734)	1,368	–	(1,088)	(13,454)

24. Financial risk management objectives and policies

Policy

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

The Group occasionally enters into forward currency contracts for the purpose of managing currency risks arising from its operations. No forward contracts were entered into in 2018.

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. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing risks in order to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

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

The Group which is based in the UK and reports in pound sterling, has significant investment in overseas operations in the Southern African states of Malawi, Zambia and Zimbabwe. Some of these countries have currencies which are referred to as 'soft' and as a result, the Group's balance sheet can be significantly affected by movements in these countries' exchange rates.

In 2018 there was an acute foreign currency scarcity in the Zimbabwe banking system. This resulted in the Group's renewable energy division failing to pay in full, all its foreign obligations on time. Any overdue balance is subject to a default interest charge. This is a continuing risk that the Group takes very seriously. The currency reforms introduced by the Government of Zimbabwe in February 2019 are designed to alleviate this scarcity by allowing the market to set the exchange rate through an interbank trading system. It is too early to tell if these reforms will produce the desired outcome.

The table below shows the extent at 31 December 2018 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.

Net foreign currency monetary assets/(liabilities)

	2018				2017			
	US\$ £000	Euro £000	Other £000	Total £000	US\$ £000	Euro £000	Other £000	Total £000
Group								
Functional currency of operations								
Malawi: US dollar	–	–	(930)	(930)	–	–	(1,130)	(1,130)
UK: pound sterling	7,736	–	–	7,736	1,444	–	–	1,444
Zambia: US dollar	–	819	498	1,317	–	779	290	1,069
	7,736	819	(432)	8,123	1,444	779	(840)	1,383

In Zimbabwe, all assets and liabilities are denominated in both US dollars and RTGS dollars, which were pegged at parity at the year end under Zimbabwe legislation. Since the year end, the exchange rate has changed and the effects of this change are detailed in Note 30, 'Post balance sheet event' on pages 36 and 37.

Notes to the accounts (continued)

24. Financial risk management objectives and policies (continued)

The following table demonstrates the sensitivity to a possible change in the pound sterling 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			
		US dollar £000	Euro £000	Other £000	Total £000
2018	+ 10%	(703)	(75)	77	(701)
	- 10%	774	81	(84)	771
2017	+ 10%	(132)	(71)	102	(101)
	- 10%	144	78	(112)	110

Interest rate risk

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

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

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

The interest rate profile of the Group's borrowings at 31 December 2018 were:

	Floating rate £000	Fixed rate £000	Total £000	Weighted average of Fixed rate debt	
				interest rate %	period years
2018					
US dollar	18,511	11,735	30,246	9	4.0
2017					
US dollar	20,250	4,259	24,509	10	3.6

Within the Fixed rate borrowings are debentures issued in Zimbabwe amounting to RTGS\$14.6 million (£11.5 million) (2017: RTGS\$4.8 million (£3.6 million)). These have been converted based on the statutory exchange rate in Zimbabwe of RTGS\$1.00: US\$1.00 at both year ends.

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 2018, with all other variables held constant.

	Basis points increase/ decrease	Effect on profit before tax £000
2018		
US dollar	± 100	± 185
2017		
US dollar	± 100	± 203

Notes to the accounts (continued)

24. Financial risk management objectives and policies (continued)

Credit risk

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

The Group has adopted IFRS9 with effect from 1 January 2018. Trade and other receivables are subject to an expected loss model under the new accounting standard. The Group has applied the IFRS 9 simplified approach to measuring expected credit losses (ECL). This approach uses a lifetime expected loss allowance for trade and other receivables. The ECL is determined on the ageing of the receivables, historical data and expected future conditions.

To 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 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 there is a high concentration of credit risk as all electricity output is sold to a single offtaker – the state owned transmission and distribution utility.

Based on this information, the expected loss allowance as at 31 December 2018 and 31 December 2017 was determined as follows, for trade and other receivables:

	Current	> 30 days past due	> 60 days past due	> 120 days past due	Total
	£000	£000	£000	£000	£000
31 December 2018					
Expected loss rate	10%	15%	30%	45%	
Gross carrying amount – trade and other receivables	2,115	448	733	1,357	4,653
Loss allowance	207	67	216	607	1,097
	Current	> 30 days past due	> 60 days past due	> 120 days past due	Total
	£000	£000	£000	£000	£000
31 December 2017					
Expected loss rate	10%	15%	25%	37%	
Gross carrying amount – trade and other receivables	3,303	473	158	1,614	5,548
Loss allowance	330	71	40	595	1,036

The closing loss allowance for trade and other receivables as at 31 December 2018 is as follows:

	2018 £000	2017 £000
At 1 January	1,036	728
(Reduction)/increase in loss allowance recognised in profit and loss during the year	(3)	371
Exchange differences	64	(63)
At 31 December	1,097	1,036

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 have recently been renewed and the directors are not aware of any reason why these facilities should not be renewed in future.

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

The table below summarises the maturity of the Group's financial liabilities at 31 December 2018 based on contractual undiscounted payments.

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
Year ended 31 December 2018					
Interest bearing loans and borrowings	6,590	4,718	18,807	131	30,246
Other liabilities	6,375	503	–	–	6,878
Trade and other payables	3,559	936	–	–	4,495
	16,524	6,157	18,807	131	41,619
Year ended 31 December 2017					
Interest bearing loans and borrowings	9,737	4,096	10,306	370	24,509
Other liabilities	5,823	543	–	–	6,366
Trade and other payables	2,668	989	–	–	3,657
	18,228	5,628	10,306	370	34,532

Notes to the accounts (continued)

24. 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 2018 and 31 December 2017. 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.

	2018	2017
	£000	£000
Interest bearing loans and borrowings	30,246	24,509
Less: cash and short term deposits	(16,792)	(10,775)
Net debt	13,454	13,734
Equity attributable to equity holders of the parent	58,851	41,797
Gearing ratio	22.9%	32.9%

25. Financial instruments

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

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Categories of financial instruments				
<i>Financial assets</i>				
Trade and other receivables	6,312	5,579	12	25
Cash and cash equivalents	16,792	10,775	10,023	5,055
At amortised cost	23,104	16,354	10,035	5,080
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Current asset investments at fair value through profit or loss	6,188	1,252	–	–
Total financial assets	29,292	17,606	10,035	5,080
<i>Financial liabilities</i>				
Trade and other payables	11,282	9,962	898	568
Bank overdraft	1,552	3,431	–	–
Interest-bearing loans and borrowings				
Floating rate borrowings	16,959	16,819	–	–
Fixed rate borrowings	11,735	4,259	–	–
At amortised cost	41,528	34,471	898	568
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Total financial liabilities	41,528	34,471	898	568

Notes to the accounts (continued)

25. Financial instruments (continued)

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

	2018		2017	
	Level 1	Level 3	Level 1	Level 3
	£000	£000	£000	£000
Financial assets at fair value through profit or loss				
Trading derivatives:				
Foreign exchange contracts	-	-	-	-
Other financial assets	-	6,188	1,252	-

Other financial assets

Other financial assets represent equities listed on the Zimbabwe Stock Exchange (ZSE). Due to the chronic US dollar shortage in the country, local banks have encountered great difficulty since 2016, in converting onshore bond note dollar deposits into overseas payments. As macro conditions in the country have deteriorated, investors with cash balances have been buying real assets with their trapped dollars, which has driven up equity valuations. Against this background, the Group no longer considers it appropriate to classify ZSE listed shares under Fair Value Measurement Level 1, a quoted (unadjusted) market price in active markets for identical assets. Accordingly, the Group's Other financial assets have been transferred and reclassified within Fair Value Measurement Level 3 at 31 December 2018, meaning the shares are valued based on assumptions that are not supported by observable market inputs. This has required the Group to make various estimates and judgements on the value at which the shares should be carried in the balance sheet. In aggregate, the carrying value on 31 December 2018 implies a 30% discount to market prices based on directors' valuation. 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 was considered the most appropriate basis to adopt. The fair value of the shares has been converted at the 1:1 statutory peg at the year end. This note should be read in conjunction with Note 30, Post Balance sheet event, which details the effect of Zimbabwe currency changes on monetary assets and liabilities.

Fair value reconciliation

Financial assets and liabilities – at fair value through profit or loss:	Instruments held for trading	
	Financial assets	
	2018	2017
	£000	£000
At 1 January	1,252	24
Exchange differences	67	(2)
Additions to financial assets at fair value through profit or loss	4,893	1,405
Disposals of financial assets at fair value through profit or loss	(24)	(5)
Fair value movement for the year recognised in the income statement	-	(170)
At 31 December	6,188	1,252

There were no financial liabilities at fair value through profit or loss at the year end (2017: £nil).

Derivatives not in a formal hedge relationship

The Group's policy is not to use derivatives for trading purposes, however due to the complex nature of hedge accounting under IAS 39 some derivatives, namely foreign exchange forward contracts, may not qualify for hedge accounting. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

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.

Notes to the accounts (continued)

26. Directors' emoluments

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

	2018 £000	2017 £000
Aggregate emoluments	747	715
Social security costs	85	84
Company pension contributions to defined contribution scheme for 2 directors (2017: 2 directors)	20	20
	852	819

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 (2017: £nil). For the purpose of this disclosure, the directors are considered to be the key management of the Group.

Emoluments of highest paid director:

	2018 £000	2017 £000
Aggregate emoluments	384	364
Company pension contributions to defined contribution scheme	10	10
	394	374

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

	2018 £000	2017 £000
Highest paid director – accrued pension	52	52

27. Related party transactions

In addition to the pension contributions paid to the PGI Group Pension Plan, the Company also made net payments of £47,000 (2017: £80,000) in respect of administration and other expenses which have been charged to the plan. No amount was outstanding for payment at 31 December 2018 (2017: £nil). Other related party transactions with the Company are covered in Note 14.

28. Contingent liabilities

- The Group may become liable for a tax liability in an overseas jurisdiction arising from payments made during the five year period ending 31 December 2012. If these taxes were levied, the potential tax liability and possible related penalty are estimated to be approximately £0.4 million. No provision has been made in the financial statements for this contingency as the directors consider there is only a low probability that the liability will materialise.
- In September 2005, under the terms of the Constitution of Zimbabwe Amendment (Number 17) Act 2005 promulgated at the time, freehold title to rural land was abolished, with no right of appeal. No replacement land title has been created by the Government of Zimbabwe. The Act only affects the land titles of our Zimbabwean tea business, Eastern Highlands Plantations Ltd.

29. Ultimate controlling party of the Group

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

Notes to the accounts (continued)

30. Post balance sheet event

In Zimbabwe, on 22 February 2019, the Government formally created the RTGS dollar (RTGS\$) as a new domestic currency, by breaking the 1:1 peg to the US dollar (US\$) and substituting it with a rate to be set by an interbank market on a willing buyer/willing seller basis. At the start of trading the RTGS\$ devalued to RTGS\$2.5: US\$1 and had further devalued to a rate of RTGS\$3.01 by 1 April 2019.

The Statutory Instruments promulgated to effect these currency changes simultaneously redenominated onshore cash balances and loans from the US dollar into the RTGS dollar.

The functional currency of the Group's Zimbabwean entities is US Dollar. At the end of 2018, these entities had net monetary liabilities denominated in RTGS dollars, which have been recognised in the Group's financial statements at an exchange rate of parity with the US dollar, as per Zimbabwe legislation at that time.

The tables below show the effects of applying different exchange rates on the balance sheets as at 31 December 2018 of the Group's Zimbabwe entities to reflect the devalued RTGS\$ exchange rate since 22 February 2019. Our assumption is that the RTGS\$ will continue to devalue to a level close to the Old Mutual Implied Rate (OMIR) which is one of several rates set by the open market.

	Components of reporting amounts				Sensitivity Analysis			
	Monetary Assets/ Liabilities US\$	Monetary Assets/ Liabilities RTGS\$	Non- Monetary Assets/ Liabilities US\$	US\$ @ 1: 1	US\$ @ 1: 2.5	US\$ @ 1: 3.01 Interbank	US\$ @ 1: 5.42 OMIR	
	Denominated in US dollars							
Non - current assets								
Bearer plants			1,721	1,721	1,721	1,721	1,721	
Property, plant & equipment			65,872	65,872	65,872	65,872	65,872	
				67,593	67,593	67,593	67,593	
Current assets								
Biological assets			301	301	301	301	301	
Inventories			2,575	2,575	2,575	2,575	2,575	
Trade and other receivables	4,129	2,889		7,018	5,285	5,089	4,662	
Other financial assets		7,881		7,881	3,152	2,618	1,454	
Cash and cash equivalents	1	3,616		3,617	1,448	1,202	668	
				21,392	12,761	11,785	9,660	
TOTAL ASSETS				88,985	80,354	79,378	77,253	
Current liabilities								
Interest bearing loans and borrowings	6,964			6,964	6,964	6,964	6,964	
Trade and other payables	1,879	1,112		2,991	2,324	2,248	2,084	
				9,955	9,288	9,212	9,048	
Non - current liabilities								
Interest bearing loans and borrowings	8,798	14,650		23,448	14,658	13,665	11,501	
Other payables	23,228	1,420		24,648	23,796	23,700	23,490	
Provision for deferred tax liabilities		7,757		7,757	3,103	2,577	1,431	
				55,853	41,557	39,942	36,422	
TOTAL LIABILITIES				65,808	50,845	49,154	45,470	
NET ASSETS ZIMBABWE SUBSIDIARIES	(36,739)	(10,553)	70,469	23,177	29,509	30,224	31,783	
EQUITY								
Share Capital				8	8	8	8	
Share Premium				11,998	11,998	11,998	11,998	
Other Reserves				16	16	16	16	
Retained Earnings at start of the year				3,150	3,150	3,150	3,150	
Exchange difference on net RTGS\$ denominated monetary liabilities					6,332	7,047	8,606	
Profit for the year				7,448	7,448	7,448	7,448	
Retained earnings at end of year				10,598	16,930	17,645	19,204	
Minority interests				557	557	557	557	
TOTAL EQUITY ZIMBABWE SUBSIDIARIES				23,177	29,509	30,224	31,783	

Key assumptions;

1. ZSE listed shares of \$7,881K are denominated in RTGS dollars.
2. Loans and borrowings of \$15,762K are owed to foreign entities and are denominated in US dollars.
3. Debentures of \$14,650K are denominated in RTGS dollars.
4. Other Financial assets have been treated as monetary assets for the purposes of this note.

Notes to the accounts (continued)

30. Post balance sheet event (continued)

The US dollar balance sheet for the Group's Zimbabwe entities as at 31 December 2018 is presented in pound sterling for comparison with the consolidated financial statements:

	Components of reporting amounts				Sensitivity Analysis			
	Monetary Assets/ Liabilities US\$	Monetary Assets/ Liabilities RTG\$	Monetary Assets/ Liabilities US\$	US\$ @ 1: 1	US\$ @ 1: 2.5	US\$ @1: 3.01 Interbank	US\$ @1: 5.42 OMIR	
	Denominated in pound sterling at year end rate							
Non - current assets								
Bearer plants			1,351	1,351	1,351	1,351	1,351	
Property, plant & equipment			51,721	51,721	51,721	51,721	51,721	
				53,072	53,072	53,072	53,072	
Current assets								
Biological assets			236	236	236	236	236	
Inventories			2,022	2,022	2,022	2,022	2,022	
Trade and other receivables	3,242	2,269		5,511	4,150	3,996	3,660	
Other financial assets		6,188		6,188	2,475	2,056	1,142	
Cash and cash equivalents	1	2,839		2,840	1,137	944	525	
				16,797	10,020	9,254	7,585	
TOTAL ASSETS				69,869	63,092	62,326	60,657	
Current liabilities								
Interest bearing loans and borrowings	5,468			5,468	5,468	5,468	5,468	
Trade and other payables	1,475	873		2,348	1,825	1,765	1,636	
				7,816	7,293	7,233	7,104	
Non - current liabilities								
Interest bearing loans and borrowings	6,908	11,503		18,411	11,509	10,730	9,030	
Other payables	18,238	1,115		19,353	18,684	18,609	18,444	
Provision for deferred tax liabilities		6,091		6,091	2,436	2,023	1,124	
				43,855	32,629	31,362	28,598	
TOTAL LIABILITIES				51,671	39,922	38,595	35,702	
NET ASSETS ZIMBABWE SUBSIDIARIES	(28,846)	(8,286)	55,330	18,198	23,170	23,731	24,955	
EQUITY								
Share Capital				6	6	6	6	
Share Premium				9,421	9,421	9,421	9,421	
Other Reserves				13	13	13	13	
Retained Earnings at start of the year				2,473	2,473	2,473	2,473	
Exchange difference on net RTG\$ denominated monetary liabilities					4,972	5,533	6,757	
Profit for the year				5,848	5,848	5,848	5,848	
Retained earnings at end of year				8,321	13,293	13,854	15,078	
Minority interests				437	437	437	437	
TOTAL EQUITY ZIMBABWE SUBSIDIARIES				18,198	23,170	23,731	24,955	

Investments in subsidiaries

The Group had the following subsidiaries and associates at 31 December 2018. The individually significant subsidiary undertakings are all audited with the exception of Perishables Direct Ltd, which is exempt from statutory audit.

Individually significant subsidiaries	Country of Incorporation	Percentage held by Group	Principal activities
Agribusinesses			
Lujeri Tea Estates Ltd	Malawi	100	Tea and macadamia estates
Thyolo Nut Company Ltd	Malawi	100	Macadamia processing
Khal Amazi Ltd	Zambia	75	Rose producer
Khal Amazi Game Farm Ltd	Zambia	75	Game farm
Eastern Highlands Plantations Ltd	Zimbabwe	100	Tea estates
Renewable energy businesses			
Mulanje Hydro Ltd	Malawi	100	Hydroelectric power plant under construction
Pungwe A Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Pungwe B Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Pungwe C Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Duru Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Hauna Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Nyamingura Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power generation
Tsanga Power Station (Pvt) Ltd	Zimbabwe	100	Hydroelectric power plant under construction
Riverside Power Station (Pvt) Ltd	Zimbabwe	100	Solar power generation
Hydro Power Contractors (Pvt) Ltd	Zimbabwe	100	Renewable energy project construction
Honde Hydro Power Consolidated (Pvt) Ltd	Zimbabwe	100	Holding company
Nyangani Renewable Energy (Pvt) Ltd	Zimbabwe	60	Renewable energy management
Trading, logistics and marketing			
PGI Holdings Ltd	England & Wales	100	Holding company and trading
Tree Nuts Direct Ltd	England & Wales	100	Logistics and marketing
Perishables Direct Ltd	Isle of Man	75	Logistics and marketing
Investment property management			
Jensen Management 1 Ltd	Cayman Islands	71	Property investment management - Russia
Other subsidiaries and holding companies			
Clover Investments Ltd	Malawi	100	Provision of warehousing
Michuru Ltd	Malawi	100	Holding company
Sunrose Ltd	Zambia	75	Dormant
Alberts (Pvt) Ltd	Zimbabwe	100	Land holding company
Aberfoyle Industries (Pvt) Ltd	Zimbabwe	100	Dormant
Aberfoyle Lodge (Pvt) Ltd	Zimbabwe	100	Provision of hotel accommodation
Hippocrene Farming (Pvt) Ltd	Zimbabwe	100	Dormant
Sayama Tea Estates Ltd	England & Wales	100	Holding company
Thyolo Nut Ltd	England & Wales	100	Holding company
Nchima Tea and Tung Estates Ltd	England & Wales	100	Holding company
Bandanga Ltd	England & Wales	100	Holding company
Cessnock Holdings Ltd	Scotland	100	Holding company
Heathleigh Investments Ltd	England & Wales	100	Holding company
Renewable Energy Africa Ltd	England & Wales	100	Holding company
Renewable Energy Malawi Ltd	England & Wales	100	Holding company
Khal Amazi Holdings Ltd	Isle of Man	75	Holding company
Jensen Ltd	Cayman Islands	80	Property investment management - Russia
JPI Ltd	Cayman Islands	71	Property investment management - Russia
Jensen Partners 1 Ltd	Cayman Islands	73	Property investment management - Russia
Associates			
K2 Management Ltd	Cayman Islands	20	Property investment management - Russia
K2 GP Ltd	Cayman Islands	20	Property investment management - Russia
K2 CI Ltd	Cayman Islands	20	Property investment management - Russia

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

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

Investments in subsidiaries (continued)

The registered addresses of the subsidiaries are as follows;

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

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

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

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

Zimbabwe companies are registered at 21 Mold Crescent, Avondale, Harare except Eastern Highlands Plantations Ltd at Lot 1, Nyanga Block, Nyanga District, Honde Valley.

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

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

Opinion

We have audited the financial statements of PGI Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise Statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

18 April 2019